Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2005 through September 30, 2006

Filed: September 21, 2007

Department of
Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

07-584

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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, 2005 through September 30, 2006.

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 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 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 on 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.

Auditee Response/Corrective Action Plan (Exhibit 30) – 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, 2006, 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 20 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 Gain/(Loss)
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)
2005	74,269,303.52	108,819,970.87	(34,550,667.35)
2006	111,092,721.68	132,775,265.76	(21,682,544.08)
Total	$352,479,987.58	$493,405,066.17	$(140,925,078.59)

During normal routine audit procedures, we request that the Commissioners make certain disclosures conveying related party transactions. Although we repeatedly made requests, two Commissioners failed to provide the requested information.

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 not been resolved and are reiterated 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.

- At September 30, 2006, the following funds had deficit fund balances:

Road Fund	$15,113,000
Senior Citizens' Activities Fund	$ 2,387,000
Road Construction Fund	$15,285,000
Personnel Board Fund	$ 9,160,000
Elections Fund	$ 461,000
Information Services Fund	$ 4,960,000

RECOMMENDATIONS

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

- The Commission should eliminate deficit fund balances.

Sworn to and subscribed before me this the 11th day of September, 2007.

Notary Public

Sworn to and subscribed before me this the 11th day of September, 2007.

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Notary Public

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Respectfully submitted,

Larcus Fuller
Examiner of Public Accounts

David J. Lane
Examiner of Public Accounts

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Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, 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, 2006, which collectively comprise the Jefferson County Commission's basic financial statements 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.

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 of the Jefferson County Commission, as of September 30, 2006, 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 May 18, 2007, 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 conducted 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 required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ronald L. Jones

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

May 18, 2007

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, 2006. Please read it in conjunction with the County's basic financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The County's total net assets decreased $87 million, or 6%. Net assets of business-type activities decreased $132 million, or 12%, net assets of governmental activities reflected a $45 million, or 15%, increase

- Property Taxes increased $9 million as a result of the annual valuation.

- Total revenues decreased $14 million. However, total program expenses increased $50 million, or 6%.

- Charges for services from business-type activities increased $18 million as a result of the sewer rate going from $6.35 per hundred cubit feet of water used to $6.87.

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 non-financial 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 M. 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 $87 million, or 6%, from a year ago, while the previous year showed a $24 million decrease, or 2%. 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
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2006	**2005** (as restated)	**2006**	**2005**	**2006**	**2005** (as Restated)
Assets and Liabilities						
Current and Other Assets	$1,644,730	$ 1,496,194	$ 595,929	$ 694,139	$ 2,240,659	$ 2,190,333
Capital Assets	382,447	367,852	3,405,943	3,409,467	3,788,390	3,777,319
Total Assets	$2,027,177	$ 1,864,046	$ 4,001,872	$ 4,103,606	$ 6,029,049	$ 5,967,652
Long-term Liabilities	$1,451,713	$ 1,407,158	$ 2,961,219	$ 2,937,264	$ 4,412,932	$ 4,344,422
Other Liabilities	225,837	152,254	35,484	28,694	261,321	180,948
Total Liabilities	$1,677,550	$ 1,559,412	$ 2,996,703	$ 2,965,958	$ 4,674,253	$ 4,525,370
Net Assets						
Invested in Capital Assets, net of related debt	$ (12,051)	$ 43,199	$ 522,647	$ 1,460,000	$ 510,596	$ 1,503,199
Restricted	274,415	231,399	453,186	5,541	727,601	236,940
Unrestricted	87,263	30,036	29,336	(327,893)	116,599	(297,857)
Total Net Assets	$ 349,627	$ 304,634	$ 1,005,169	$ 1,137,648	$ 1,354,796	$ 1,442,282

The County's governmental activities net assets increased by approximately $45 million, or 15%. Restricted net assets increased $43 million. Unrestricted net assets can be used to finance day-to-day operations without constraints increased by $57 million. These assets are established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2006	**2005 (as restated)**	**2006**	**2005**	**2006**	**2005 (as restated)**
Revenues						
Program Revenues:						
Charges for Services	$ 31,882	$ 61,097	$ 196,943	$ 178,546	$ 228,825	$ 239,643
Operating grants	58,931	63,852			58,931	63,852
Indirect Cost Recovery		12,087				12,087
General revenues:						
Property taxes	87,198	83,080	4,993		92,191	83,080
Sales tax	173,944	124,672			173,944	124,672
Other taxes	9,701	8,905		4,730	9,701	13,635
Occupational license	70,728	63,276			70,728	63,276
Investment earnings	32,952	59,276	24,855	44,365	57,807	103,641
Other general revenues	2,408	3,061	1,355	2,667	3,763	5,728
Total revenues	467,744	479,306	228,146	230,308	695,890	709,614
Program Expenses						
General Government	145,631	158,746			145,631	158,746
Public Safety	88,007	71,754			88,007	71,754
Highways and Roads	41,302	46,414			41,302	46,414
Welfare	10,468	13,077			10,468	13,077
Environmental Services	315	502			315	502
Culture and Recreation	16,877	15,366			16,877	15,366
Education	253	233			253	233
Interest and Fiscal Charges	65,593	48,021			65,593	48,021
Hospital			85,510	77,144	85,510	77,144
Nursing Operations			15,618	18,053	15,618	18,053
Landfill			4,250	6,912	4,250	6,912
Sanitary Operations			309,332	276,882	309,332	276,882
Parking			220	252	220	252
Total Expenses	368,446	354,113	414,930	379,243	783,376	733,356
Excess (deficiency) before special items and transfers	99,298	125,193	(186,784)	(148,935)	(87,486)	(23,742)
Net transfers	(54,305)	(59,004)	54,305	59,004		
Increase (decrease) in net assets	44,993	66,189	(132,479)	(89,931)	(87,486)	(23,742)
Net Assets Beginning of Year As Restated	304,634	238,445	1,137,648	1,227,579	1,442,282	1,466,024
Net Assets - End of Year	$ 349,627	$ 304,634	$ 1,005,169	$ 1,137,648	$ 1,354,796	$ 1,442,282

The County's total revenues were virtually unchanged with a decrease of $14 million. The total costs of all programs and services increased $50 million, or 7%.

Governmental Activities

Total revenue from governmental activities decreased $12 million due primarily to a reduction in indirect cost recoveries, operating grants and investment earnings. The total cost of all programs showed an increase from the prior year primarily for public safety.

Property Taxes for governmental activities increased $4 million from last year. This is primarily due to ongoing annual re-appraisal projects by the Board of Equalization. An increase of $49 million in sales tax (excluding 1% School Warrant Sales Tax) and $7 million increase in occupational licenses reflects the improving economic climate in the County.

The following presents the costs 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 costs (total cost less revenue 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	
	2006	**2005**	**2006**	**2005**
General government	$145,631	$ 158,746	$ 76,303	$ 61,214
Public safety	88,007	71,754	80,149	61,010
Highway and Roads	41,302	46,414	36,825	31,144
Welfare	10,468	13,077	1,318	(154)
Culture and recreation	16,877	15,366	16,877	15,140
All others	66,161	48,756	66,161	48,723
Totals	$368,446	$ 354,113	$ 277,633	$ 217,077

Business-type Activities

Total revenues for business-type activities decreased $2 million.

Practically the entire $36 million increase in program expenses was from sanitary operations due to increased utilities, depreciation, and interest expense.

THE COUNTY'S FUNDS

The General Fund balance last year showed a decrease of $7 million followed by an increase of $19 million during the current year. Factors contributing to this were as follows:

- An excess of Revenues over Expenditures of $27 million this year built on a $1 million excess last year. Total revenues increased $27 million while total expenditures increased $2 million.
- Operating transfers from the Capital Improvements Fund and Debt Service Fund decreased $31million.
- Operating transfers from the General Fund decreased $27 million from the prior year. The major beneficiaries of these were the Building Services Fund ($1.9 million) and the Debt Service ($2.2 million).

The Road Fund's fund balance had a decrease of $11 million from fiscal year 2005. The $6.5 million reduction of expenditures was offset by a $2 million reduction in revenues.

The Limited Obligation School Warrant Fund records sales tax proceeds and debt service payments for the warrants. The fund, with a fund balance of $1.2 billion hold the proceeds and interest earned and reflects an increase of $73 million from FY 2005.

The Indigent Care Fund's fund balance showed an increase $0.5 million from FY 2005. A $49 million increase in Sales Tax contributed to this increase.

The Cooper Green Hospital Fund's net assets increased $3.8 million from FY 2005.

The Sanitary Operations Fund's net assets decreased $130 million compared to a $92.4 million decrease FY 2005. Although the sanitary operations fund had $14 million operating income increase, it was offset by a $6.4 million increase in total operating expenses and a $26 million increase in non-operating expenses.

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 82 through 85 for the general fund and all major special refund funds.

Perhaps most notable is the lack of material budgetary activity. Strong management pressure at all levels for costs containment resulted in few budget amendments and $15 million increase in governmental fund expenditures and $29 million increase in proprietary fund operating expenses.

CAPITAL ASSET AND DEBT ADMININSTRATION

Capital Assets

At the end of fiscal year 2006, the County had a net $3.8 billion invested in a broad range of capital assets, including buildings, roads, bridges, public safety equipment, and sewer lines. The amount represents a net increase (including additions and deductions) of $11 million, or 0.3%, over the previous year.

Capital Assets, net
($000 omitted)

	Governmental Activities		Net Business-type Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Land	$ 16,065	$ 15,112	$ 52,102	$ 49,903	$ 68,167	$ 65,015
Construction in Progress	206,982	181,088	1,001,437	1,026,115	1,208,419	1,207,203
Buildings and Improvements	66,592	72,665	1,230,993	1,175,090	1,297,585	1,247,755
Equipment	29,604	32,197	5,334	6,887	34,938	39,084
Infrastructure	63,204	66,790	1,116,077	1,151,472	1,179,281	1,218,262
	$ 382,447	$ 367,852	$ 3,405,943	$ 3,409,467	$ 3,788,390	$ 3,777,319

Major additions during the year were predominantly in buildings and improvements.

Debt

At year end, the County has $4.67 billion in warrants outstanding, which included the $1 billion in Limited Obligation School Warrants issued and $86.7 million Lease Revenue Warrants issue, versus $4.62 billion last year.

Outstanding Debt
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
General Obligation Warrants (backed by the County)	$ 293,670	$ 309,650	$	$	$ 293,670	$ 309,650
Limited Obligation Warrants (backed by sales tax)	1,026,810	1,050,000			1,026,810	$ 1,050,000
Lease Revenue Warrants	86,745				86,745	
Revenue Warrants (backed by Sewer fees)			3,260,895	3,264,750	3,260,895	3,264,750
	$1,407,225	$ 1,359,650	$3,260,895	$3,264,750	$4,668,120	$ 4,624,400

CURRENTLY KNOWN FACTS AND CONDITIONS

On January 1, 2007, the residential sewer rate increased from $6.35 per hundred cubic feet of water used to $6.87 per hundred cubic feet, or an increase of 8%. 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.

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Statement of Net Assets
September 30, 2006
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Investments	$ 1,408,753	$ 58,424	$ 1,467,177
Accounts Receivable, Net	182	21,994	22,176
Loans Receivable, Net	24,823		24,823
Patient Accounts Receivable, Net		8,064	8,064
Taxes Receivable	112,906	4,993	117,899
Interest Receivable	7		7
Due from Other Governments	56,678	955	57,633
Inventories	3,812	1,652	5,464
Prepaid Expenses	54	516	570
Deferred Charges - Issuance Costs	941	1,990	2,931
Total Current Assets	1,608,156	98,588	1,706,744
Noncurrent Assets:			
Deferred Charges - Issuance Costs	15,691	65,956	81,647
Advances Due from Other Funds	20,875	(20,875)	
Restricted Assets - Noncurrent	8	451,735	451,743
Assets Held for Sale		525	525
Capital Assets, Net of Depreciation (Note 5)	382,447	3,405,943	3,788,390
Total Noncurrent Assets	419,021	3,903,284	4,322,305
Total Assets	2,027,177	4,001,872	6,029,049
Liabilities			
Current Liabilities:			
Accounts Payable	24,179	9,465	33,644
Deposits Payable	2,361	22	2,383
Due to Other Governments	6,404		6,404
Deferred Revenue	95,186	4,993	100,179
Accrued Wages and Benefits Payable	5,985	2,351	8,336
Accrued Interest Payable	15,823	15,862	31,685
Retainage Payable		2,535	2,535
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	53,745	6,430	60,175
Add: Unamortized Premiums	2,941	277	3,218
Less: Deferred Loss on Refunding	(256)	(10,748)	(11,004)
Capital Lease Obligation	1,898		1,898
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,445	3,445
Estimated Liability for Compensated Absences	1,726	852	2,578
Estimated Claims Liability	15,845		15,845
Total Current Liabilities	$ 225,837	$ 35,484	$ 261,321

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	$ 33,527	$ 3,379	$ 36,906
Warrants Payable	1,353,480	3,254,465	4,607,945
Add: Unamortized Premiums	41,600	9,502	51,102
Less: Deferred Loss on Refunding	(640)	(312,063)	(312,703)
Capital Lease Obligation	8,363		8,363
Estimated Liability for Compensated Absences	15,383	5,936	21,319
Total Noncurrent Liabilities	1,451,713	2,961,219	4,412,932
Total Liabilities	1,677,550	2,996,703	4,674,253
Net Assets			
Invested in Capital Assets, Net of Related Debt	(12,051)	522,647	510,596
Restricted for:			
Debt Service	116,083	1,013	117,096
Capital Projects	144,209		144,209
Other Purposes	14,123	452,173	466,296
Unrestricted	87,263	29,336	116,599
Total Net Assets	$ 349,627	$ 1,005,169	$ 1,354,796

Statement of Activities
For the Year Ended September 30, 2006
(In Thousands)

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary Government			
Governmental Activities:			
General Government	$ 145,631	$ 25,646	$ 43,682
Public Safety	88,007	2,924	4,934
Highways and Roads	41,302	3,277	1,200
Welfare	10,468	35	9,115
Environmental Services	315		
Culture and Recreation	16,877		
Education	253		
Interest and Fiscal Charges	65,593		
Total Governmental Activities	368,446	31,882	58,931
Business-Type Activities:			
Hospital	85,510	34,155	
Nursing Operations	15,618	11,864	
Landfill	4,250	1,501	
Sanitary Operations	309,332	149,013	
Parking	220	410	
Total Business-Type Activities	414,930	196,943	
Total Primary Government	$ 783,376	$ 228,825	$ 58,931

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 22)

Net Assets - End of Year

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

Net (Expenses) Revenues and Changes in Net Assets Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (76,303)	$	$ (76,303)
(80,149)		(80,149)
(36,825)		(36,825)
(1,318)		(1,318)
(315)		(315)
(16,877)		(16,877)
(253)		(253)
(65,593)		(65,593)
(277,633)		(277,633)
	(51,355)	(51,355)
	(3,754)	(3,754)
	(2,749)	(2,749)
	(160,319)	(160,319)
	190	190
	(217,987)	(217,987)
(277,633)	(217,987)	(495,620)
87,198	4,993	92,191
173,944		173,944
9,701		9,701
70,728		70,728
32,952	24,855	57,807
2,408	1,355	3,763
(54,305)	54,305	
322,626	85,508	408,134
44,993	(132,479)	(87,486)
304,634	1,137,648	1,442,282
$ 349,627	$ 1,005,169	$ 1,354,796

Balance Sheet - Governmental Funds
September 30, 2006
(In Thousands)

	General Fund	Indigent Care Fund
Assets		
Cash and Investments	$ 10,966	$ (154)
Accounts Receivable, Net	75	
Loans Receivable, Net	21,441	
Taxes Receivable	42,477	3,367
Interest Receivable		
Due From Other Governments	32,301	3,864
Inventories	252	
Prepaid Expenses	28	
Restricted Assets	8	
Advances Due From Other Funds	5,416	
Total Assets	112,964	7,077
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	15,442	
Deposits Payable		
Due To Other Governments	90	
Deferred Revenue	39,947	
Accrued Wages and Benefits Payable	4,257	
Accrued Interest Payable		
Advances Due To Other Funds		
Estimated Liability for Compensated Absences	1,052	
Estimated Claims Liability	9,541	
Total Liabilities	70,329	
Fund Balances		
Reserved for:		
Advances		
Prepaid Expenses	28	
Inventories	252	
Petty Cash	97	
Mapping and Reappraisal	479	
E911	869	
Cooper Green Hospital Foundation		219
Debt Service		
Encumbrances	4,342	
Loans Receivable		
Capital Projects		
Other Purposes		
Unreserved, Reported in:		
General Fund	36,568	
Special Revenue Funds		6,858
Capital Projects Funds		
Total Fund Balances	42,635	7,077
Total Liabilities and Fund Balances	$ 112,964	$ 7,077

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

Road Fund	Limited Obligation School Fund	Other Governmental Funds	Total Governmental Funds
$	$ 1,222,720	$ 178,979	$ 1,412,511
1		58	134
		3,384	24,825
14,976	15,709	36,376	112,905
		7	7
897		10,773	47,835
2,263			2,515
1		4	33
			8
		20,875	26,291
18,138	1,238,429	250,456	1,627,064
1,964	77	5,962	23,445
2,361			2,361
6,292		23	6,405
16,097		39,142	95,186
699		104	5,060
	10,616	5,207	15,823
5,416			5,416
422		19	1,493
			9,541
33,251	10,693	50,457	164,730
		20,875	20,875
1		4	33
2,263			2,515
1		1	99
			479
			869
			219
		95,208	95,208
642	5	35,227	40,216
		3,384	3,384
		87,820	87,820
	1,227,731		1,227,731
			36,568
(18,020)		33,822	22,660
		(76,342)	(76,342)
(15,113)	1,227,736	199,999	1,462,334
$ 18,138	$ 1,238,429	$ 250,456	$ 1,627,064

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2006
(In Thousands)

Total Fund Balances - Governmental Funds (Exhibit 3)			$	1,462,334
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:				368,836
Deferred Loss on Early Retirement of Debt is not reported in the funds.				896
Deferred charges related to premiums on long-term liabilities are not reported in the funds.				(44,541)
Deferred charges related to discounts and bond issuance cost on long-term liabilities are not reported in the funds.				16,632
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.				8,899
Certain liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year-end consist of:				
General Obligation Warrants Payable	$	(1,407,225)		
Capital Lease Obligations		(10,261)		
Arbitrage Payable		(33,527)		
Estimated Liability for Compensated Absences		(12,416)		
Total Long-Term Liabilities				(1,463,429)
Total Net Assets - Governmental Activities (Exhibit 1)			$	349,627

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, 2006
(In Thousands)

	General Fund	Indigent Care Fund
Revenues		
Taxes	$ 80,455	$ 45,482
Licenses and Permits	70,728	
Intergovernmental	25,490	
Charges for Services	28,477	
Miscellaneous	3,422	232
Interest	5,534	3
Total Revenues	214,106	45,717
Expenditures		
Current:		
General Government	85,949	
Public Safety	81,001	
Highways and Roads		
Welfare	1,589	
Environmental Services	315	
Culture and Recreation	16,877	
Education	253	
Capital Outlay	1,578	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Total Expenditures	187,562	
Excess (Deficiency) of Revenues Over Expenditures	26,544	45,717
Other Financing Sources (Uses)		
Debt Issued		
Premium on Debt Issued		
Sale of Capital Assets	8	
Transfers In	2,377	
Transfers Out	(10,282)	(45,193)
Total Other Financing Sources (Uses)	(7,897)	(45,193)
Net Change in Fund Balances	18,647	524
Fund Balances - Beginning of Year, as Restated (Note 22)	23,988	6,553
Fund Balances - End of Year	$ 42,635	$ 7,077

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

Road Fund	Limited Obligation School Fund	Other Governmental Funds	Total Governmental Funds
$ 14,254	$ 94,263	$ 36,389	$ 270,843
			70,728
10,277		23,164	58,931
229		3,176	31,882
218		798	4,670
556	53,613	6,427	66,133
25,534	147,876	69,954	503,187
		16,690	102,639
		3,793	84,794
37,911			37,911
		8,768	10,357
			315
			16,877
			253
43		43,850	45,471
	23,190	17,807	40,997
	51,598	15,545	67,143
		1,356	1,356
37,954	74,788	107,809	408,113
(12,420)	73,088	(37,855)	95,074
		86,745	86,745
		4,354	4,354
70			78
1,483		2,660	6,520
(79)		(8,412)	(63,966)
1,474		85,347	33,731
(10,946)	73,088	47,492	128,805
(4,167)	1,154,648	152,507	1,333,529
$ (15,113)	$ 1,227,736	$ 199,999	$ 1,462,334

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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, 2006 (In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)			$	128,805
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 ($45,471) exceeded depreciation ($26,971) in the current period.				18,500
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:				
Debt Issued	$	(86,745)		
Premium on Warrants Issued		(4,354)		
Amortization of Bond Premiums		2,747		
Amortization of Bond Issuance Costs		(941)		
Amortization of Deferred Loss on Refunding		(256)		
Repayments:				
Principal		40,997		(48,552)
Some expenditures reported in the governmental funds are deferred on the Statement of Net Assets. This includes bond issuance costs.				1,356
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 is the net book value of assets disposed.				(2,555)
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.				(18,653)
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.				
Compensated Absences, Current Year (Increase)/ Decrease in Noncurrent Portion	$	(381)		
Arbitrage Payable, Current Year (Increase)/ Decrease in Noncurrent Portion		(33,527)		
				(33,908)
Change in Net Assets of Governmental Activities (Exhibit 2)			$	44,993

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

Statement of Net Assets - Proprietary Funds
September 30, 2006
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Assets		
Current Assets:		
Cash and Investments	$ 22,506	$ 38,472
Accounts Receivable, Net	302	20,973
Patient Accounts Receivable, Net	4,906	
Taxes Receivable		4,993
Due from Other Governments		955
Inventories	1,209	400
Prepaid Expenses	514	2
Deferred Charges - Issuance Costs		1,981
Total Current Assets	29,437	67,776
Noncurrent Assets:		
Restricted Assets - Noncurrent Cash		451,735
Assets Held for Sale		525
Deferred Charges - Issuance Costs		65,833
Capital Assets, Net Where Applicable	9,032	3,345,748
Total Noncurrent Assets	9,032	3,863,841
Total Assets	38,469	3,931,617
Liabilities		
Current Liabilities:		
Accounts Payable	2,892	6,471
Deposits Payable		
Deferred Revenue		4,993
Accrued Wages and Benefits Payable	1,191	887
Accrued Interest Payable		15,862
Retainage Payable		2,535
Estimated Liability for Compensated Absences	182	633
Warrants Payable		6,430
Add: Unamortized Premiums		277
Less: Deferred Loss on Refunding		(10,748)
Estimated Liability for Landfill Closure/Postclosure Care Costs		
Estimated Claims Liability		
Total Current Liabilities	$ 4,265	$ 27,340

Other Enterprise Funds	Totals	Internal Service Funds
$ (2,554)	$ 58,424	$ (3,758)
719	21,994	48
3,158	8,064	
	4,993	
	955	8,842
43	1,652	1,297
	516	21
9	1,990	
1,375	98,588	6,450
	451,735	
	525	
123	65,956	
51,163	3,405,943	13,612
51,286	3,924,159	13,612
52,661	4,022,747	20,062
102	9,465	734
22	22	
	4,993	
273	2,351	925
	15,862	
	2,535	
37	852	233
	6,430	
	277	
	(10,748)	
3,445	3,445	
		6,304
$ 3,879	$ 35,484	$ 8,196

Statement of Net Assets - Proprietary Funds
September 30, 2006
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Noncurrent Liabilities:		
Advances Due From Other Funds	$	$
Arbitrage Rebate Payable		3,379
Warrants Payable		3,254,465
Add: Unamortized Premiums		9,502
Less: Deferred Loss on Refunding		(312,063)
Estimated Liability for Compensated Absences	2,441	3,011
Total Noncurrent Liabilities	2,441	2,958,294
Total Liabilities	6,706	2,985,634
Net Assets		
Invested in Capital Assets, Net of Related Debt	9,032	462,320
Restricted for:		
Debt Service		1,013
Other Purposes	1,451	450,722
Unrestricted	21,280	31,928
Total Net Assets	$ 31,763	$ 945,983

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

Other Enterprise Funds	Totals	Internal Service Funds
$ 20,875	$ 20,875	$
	3,379	
	3,254,465	
	9,502	
	(312,063)	
484	5,936	2,967
21,359	2,982,094	2,967
25,238	3,017,578	11,163
51,295	522,647	13,612
	1,013	
	452,173	
(23,872)	29,336	(4,713)
$ 27,423	$ 1,005,169	$ 8,899

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Operating Revenues		
Taxes	$	$ 4,993
Intergovernmental		99
Charges for Services	34,155	148,914
Other Operating Revenue	128	43
Total Operating Revenues	34,283	154,049
Operating Expenses		
Salaries	32,138	21,418
Employee Benefits and Payroll Taxes	7,039	7,552
Materials and Supplies	11,565	620
Utilities	1,408	9,554
Outside Services	13,307	8,940
Services from Other Hospitals	5,911	
Jefferson Clinic	10,405	
Office Expense	1,158	1,846
Depreciation	1,283	89,488
Miscellaneous	1,296	60
Total Operating Expenses	85,510	139,478
Operating Income (Loss)	(51,227)	14,571
Nonoperating Revenues (Expenses)		
Interest Expense		(157,410)
Interest Revenue	279	24,568
Miscellaneous		
Amortization of Bond Issue Costs		(12,444)
Gain/(Loss) on Sale of Capital Assets		59
Total Nonoperating Revenues (Expenses)	279	(145,227)
Operating Transfers		
Transfers In	54,725	382
Transfers Out		(4)
Total Operating Transfers	54,725	378
Change in Net Assets	3,777	(130,278)
Total Net Assets - Beginning of Year	27,986	1,076,261
Total Net Assets - End of Year	$ 31,763	$ 945,983

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

Other Enterprise Funds	Totals	Internal Service Funds
$	$ 4,993	$
8	107	
13,767	196,836	28,235
	171	200
13,775	202,107	28,435
6,978	60,534	22,276
2,194	16,785	6,492
1,426	13,611	3,697
1,103	12,065	4,338
4,808	27,055	11,770
	5,911	
	10,405	
229	3,233	1,344
2,604	93,375	9,380
185	1,541	654
19,527	244,515	59,951
(5,752)	(42,408)	(31,516)
(552)	(157,962)	
8	24,855	346
510	510	
(9)	(12,453)	
615	674	(4)
572	(144,376)	342
151	55,258	3,213
(949)	(953)	(72)
(798)	54,305	3,141
(5,978)	(132,479)	(28,033)
33,401	1,137,648	36,932
$ 27,423	$ 1,005,169	$ 8,899

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 36,005	$ 149,085
Other Operating Revenues	128	4,761
Cash Payments to Employees	(38,810)	(29,056)
Cash Payments for Goods and Services	(43,104)	(18,477)
Net Cash Provided (Used) by Operating Activities	(45,781)	106,313
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out		(4)
Operating Transfers In	54,725	382
Miscellaneous		
Net Cash Provided (Used) by Non-Capital Financing Activities	54,725	378
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(388)	(90,805)
Sale of Capital Assets		59
Interest Paid		(141,548)
Principal Payments on Warrants		(3,855)
Retainage Payments		(5,680)
Net Cash Provided (Used) by Capital and Related Financing Activities	(388)	(241,829)
Cash Flows from Investing Activities		
Interest Received	279	24,568
Net Cash Flows Provided by Investing Activities	279	24,568
Net Increase/(Decrease) in Cash	8,835	(110,570)
Cash and Investments - Beginning of Year	13,671	600,777
Cash and Investments - End of Year	22,506	490,207
Displayed as:		
Cash and Investments	22,506	38,472
Restricted Assets - Noncurrent Cash		451,735
	$ 22,506	$ 490,207

Other Enterprise Funds	Totals	Internal Service Funds
$ 13,530	$ 198,620	$ 28,415
560	5,449	389
(9,629)	(77,495)	(28,529)
(7,921)	(69,502)	(21,587)
(3,460)	57,072	(21,312)
(949)	(953)	(72)
151	55,258	3,213
510	510	
(288)	54,815	3,141
(18)	(91,211)	(1,126)
1,450	1,509	18
(552)	(142,100)	
	(3,855)	
	(5,680)	
880	(241,337)	(1,108)
8	24,855	346
8	24,855	346
(2,860)	(104,595)	(18,933)
306	614,754	15,175
(2,554)	510,159	(3,758)
(2,554)	58,424	(3,758)
	451,735	
$ (2,554)	$ 510,159	$ (3,758)

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (51,227)	$ 14,571
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	1,283	89,488
(Increase)/Decrease in Prepaid Expenses	(25)	1
(Increase)/Decrease in Accounts Receivable	(235)	171
(increase)/Decrease in Patient Receivables	2,085	
(Increase)/Decrease in Due from Other Governments		(146)
(Increase)/Decrease in Inventories	(117)	541
Increase/(Decrease) in Accounts Payable	2,088	2,001
Increase/(Decrease) in Deferred Revenue		(228)
Increase/(Decrease) in Due to Other Funds		
Increase/(Decrease) in Accrued Wages Payable	122	22
Increase/(Decrease) in Estimated Liability for Compensated Absences	245	(108)
Increase/(Decrease) in Estimated Claims Liability		
Total Adjustments	5,446	91,742
Net Cash Provided (Used) by Operating Activities	$ (45,781)	$ 106,313

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

Other Enterprise Funds	Totals	Internal Service Funds
$ (5,752)	$ (42,408)	$ (31,516)
2,604	93,375	9,380
	(24)	
252	188	(20)
(489)	1,596	
	(146)	389
	424	(118)
(170)	3,919	232
	(228)	
552	552	
(84)	60	53
(373)	(236)	186
		102
2,292	99,480	10,204
$ (3,460)	$ 57,072	$ (21,312)

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006
(In Thousands)

		Agency Funds
Assets		
Cash and Investments	$	2,436
Loans Receivable, Net		160
Total Assets		2,596
Liabilities		
Accounts Payable		68
Due to External Organizations		1,704
Due to Other Governments		824
Total Liabilities	$	2,596

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"), 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.

A. Reporting Entity

The Jefferson County Commission is a general purpose local government governed by separately elected commissioners. The accompanying financial statements present the activities of the Jefferson County Commission, (the primary government) and its component units. 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.

Based on the application of the above criteria, the Jefferson County Public Building Authority has been included in the accompanying financial statements as a blended component unit:

- ***Blended Component Units*** **–** Blended component units are legally separate entities that exist solely to provide services (usually financing) exclusively to the County. The blended component unit is as follows: Jefferson County Public Building Authority.

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 receives 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.

- ***Limited Obligation School Fund*** – This fund is used to account for the sales tax collected for the payment of principal and interest on the Limited Obligation School Warrants.

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.

- ***Bridge and Public Building Fund*** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.

- ***Community Development Fund*** – This fund is used to account for the expenditure of federal block grant funds.

- ***CDBG/EDA Revolving Loan Fund*** – This fund is used to account for the Commission's administration of various loan programs for rental housing rehabilitation and economic development.

- ***Home Grant Fund*** – This fund is used to account for the expenditure of funds received from the U. S. Department of Housing and Urban Development.

- ***Emergency Management Fund*** – This fund is used to account for the expenditure of funds received for disaster assistance programs.

- ***Debt Service 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:

- ***Jefferson Health and Rehabilitation 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, 8, and 9 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, 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	$ 56,669
Allowance Accounts	(48,605)
Net Patient Receivables	$ 8,064

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 of an allowance account) totaled $3,385,052 at September 30, 2006.

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, 2006, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled $160,012.

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.

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

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. Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the warrants.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as 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.

As of September 30, 2006, bond discounts, premiums and issuance cost and corresponding unamortized balances are presented on the following schedule:

Issue	Premium and Deferred Charges (In Thousands)	Discount and Deferred Charges (In Thousands)	Balance of Unamortized (Premium) Discount (In Thousands)
Series 2003-C Revenue Refunding Warrants	$	$34,787	$ 32,318
Series 2003-B Revenue Refunding Warrants		10,824	9,870
Series 2003-A Revenue Refunding Warrants		27	20
Series 2002-C Revenue Refunding Warrants		13,346	11,946
Series 2002-A Revenue Refunding Warrants		1,607	1,422
Series 2001-A Revenue Refunding Warrants		583	535
Series 1997-A Revenue Refunding Warrants		2,176	1,926
Miscellaneous		178	131
Series 2006 Lease Revenue Warrants	2,997		(2,979)
Series 2005-A&B Limited Obligation School Warrants		8,702	8,040
Series 2004-A Limited Obligation School Warrants	32,456		(29,493)
Series 2004-A General Obligation Capital Improvement Warrants	82		(73)
Series 2003-A General Obligation Refunding Warrants	4,748		(3,318)
Series 2002-A General Obligation Warrants	589		(58)
Series 2001-A General Obligation Warrants	682		(307)
Series 2001-B General Obligation Warrants		379	279

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 1/2 days
Over 25 years	2 days

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

Sick Leave

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

Compensatory Leave

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

Maximum limitations of accumulated compensatory time are as follows:

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

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

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

As of September 30, 2006, the liability for accrued vacation and compensatory leave is approximately $14,884,000. Of this amount $10,702,000 is reported in the government activities, and $4,182,000 is reported in the business-type activities.

As of September 30, 2006, the liability for accrued sick leave is approximately $9,013,000. Of this amount, $6,407,000 is reported in the government activities, and $2,606,000 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 and the Statement of Activities of Governmental Activities

One element of the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 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	$ 28,236
Interest	540
Transfers In	3,213
Total Revenues	31,989
Expenses	
General Government	51,634
Public Safety	6,214
Highways and Roads	2,102
Transfers Out	72
Total Expenses	60,022
Total Revenues Over Expenses	$(28,033)

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 a 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, 2006, the following funds had deficit fund balances/net assets:

	(In Thousands)
Road Fund	$15,113
Senior Citizens' Activities Fund	$ 2,387
Road Construction Fund	$15,285
Personnel Board Fund	$ 9,160
Elections Fund	$ 461
Information Services Fund	$ 4,960

Note 4 – Deposits and Investments

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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. Of the Commission's investments, $5,000,000.00 was in a certificate of deposit. The certificate of deposit is classified as "Deposits" in order to determine insurance and collateralization. However, it is classified as "Investments" as is included in cash and investments on the financial statements.

B. Investments

The ***Code of Alabama 1975***, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

As of September 30, 2006, the Commission had the following investments and maturities:

	(In Thousands)				
		Investment Maturity in Years			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U. S. Government Securities	$ 636,983	$ 529,740	$ 50,416	$26,729	$30,098
Repurchase Agreements	1,192,389	1,138,294	54,095		
Total	$1,829,372	$1,668,034	$104,511	$26,729	$30,098

Credit Risk – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. As of September 30, 2006, the Commission’s investments in repurchase agreements were rated A-1 by Standard & Poor’s.

The County has entered into contracts for construction of various facilities within Jefferson County. Cash deposits 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 $4,702,000 are included as part of Cash and Investments on the financial statements, 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.

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	(In Thousands)			
	Balance 10/1/2005, as Restated (*)	Additions/ Reclassification	Deletions/ Reclassification	Balance 9/30/2006
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	$ 15,112	$ 953	$	$ 16,065
Construction in Progress	152,381	24,096	(7,779)	168,698
General Infrastructure - C.I.P.	28,707	9,577		38,284
Total Capital Assets, not Being Depreciated	196,200	34,626	(7,779)	223,047
Capital Assets Being Depreciated:				
Buildings	228,619	6,003		234,622
Improvements Other than Land/Building	9,578	12		9,590
Maintenance Equipment	4,978	101	(3)	5,076
Motor Vehicle (Non Fleet)	19,044	66	(277)	18,833
Office Furniture and Fixtures	4,731	117	(23)	4,825
Motor Vehicle Fleet	35,819	5,003	(1,465)	39,357
General Infrastructure	104,766			104,766
Equipment Under Capital Lease	13,847			13,847
Miscellaneous Equipment	41,210	6,042	(1,795)	45,457
Total Capital Assets Being Depreciated	462,592	17,344	(3,563)	476,373
Less Accumulated Depreciation for:				
Buildings	(159,780)	(11,554)		(171,334)
Improvements Other than Land/Building	(5,752)	(534)		(6,286)
Maintenance Equipment	(4,673)	(93)		(4,766)
Motor Vehicle (Non Fleet)	(14,166)	(1,135)	277	(15,024)
Office Furniture and Fixtures	(3,184)	(287)	19	(3,452)
Motor Vehicle Fleet	(30,820)	(2,686)	1,465	(32,041)
General Infrastructure	(37,976)	(3,586)		(41,562)
Equipment Under Capital Lease	(2,473)	(1,978)		(4,451)
Miscellaneous Equipment	(34,639)	(5,118)	1,700	(38,057)
Total Accumulated Depreciation	(293,463)	(26,971)	3,461	(316,973)
Total Capital Assets Being Depreciated, Net	169,129	(9,627)	(102)	159,400
Total Governmental Activities Capital Assets, Net	$ 365,329	$ 24,999	$(7,881)	$ 382,447

(*) Restated by $2,473,000 to correct prior year errors.

	Balance 10/1/2005	Additions	Deletions	Balance 9/30/2006
	(In Thousands)			
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 49,903	$ 2,199	$	$ 52,102
Construction in Progress	1,026,115	86,743	(111,421)	1,001,437
Total Capital Assets, not Being Depreciated	1,076,018	88,942	(111,421)	1,053,539
Capital Assets Being Depreciated:				
Buildings	585,081	39,763		624,844
Improvements Other than Land/Building	1,107,019	71,658		1,178,677
Infrastructure North	533,317			533,317
Infrastructure South	882,493			882,493
Maintenance Equipment	6,029	138	(39)	6,128
Motor Vehicle (Non Fleet)	8,898	70	(2,023)	6,945
Office Furniture and Equipment	10,042			10,042
Motor Vehicle Fleet	10,902	878	(620)	11,160
Miscellaneous Equipment	15,102	745	(110)	15,737
Total Capital Assets Being Depreciated	3,158,883	113,252	(2,792)	3,269,343
Less Accumulated Depreciation for:				
Buildings	(172,955)	(15,340)		(188,295)
Improvements Other than Land/Building	(344,055)	(40,178)		(384,233)
Infrastructure North	(97,283)	(13,333)		(110,616)
Infrastructure South	(167,055)	(22,062)		(189,117)
Maintenance Equipment	(5,826)	(76)	10	(5,892)
Motor Vehicle (Non Fleet)	(5,902)	(630)	1,199	(5,333)
Office Furniture and Fixtures	(9,715)	(91)		(9,806)
Motor Vehicle Fleet	(10,073)	(473)	620	(9,926)
Miscellaneous Equipment	(12,568)	(1,193)	39	(13,722)
Total Accumulated Depreciation	(825,432)	(93,376)	1,868	(916,940)
Total Capital Assets Being Depreciated, Net	2,333,451	19,876	(924)	2,352,403
Total Business-Type Activities Capital Assets, Net	$3,409,469	$108,818	$(112,345)	$3,405,942

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

	(In Thousands)
Governmental Activities:	
General Government	$20,256
Public Safety	3,213
Highways and Roads	3,391
Health and Welfare	111
Total Depreciation Expense – Governmental Activities	$26,971

	(In Thousands)
Business-Type Activities:	
Hospital	$ 1,283
Nursing Operations	243
Landfill	2,359
Sanitary Operations	89,489
Parking Services	2
Total Depreciation Expense – Business-Type Activities	$93,376

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, 2006. 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, 2006, the Commission's annual pension contribution of $9,028,000 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, 2006, 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, 2006 was 18 years.

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

(In Thousands)			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2006	$9,028	100%	$0
9/30/2005	$8,992	100%	$0
9/30/2004	$9,258	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]
9/30/2004	$769,274	$689,976	($ 79,298)	111.50%	$151,337	(52.40%)
9/30/2005	$819,835	$727,744	($ 92,091)	112.70%	$151,393	(60.80%)
9/30/2006	$869,689	$755,661	($114,027)	115.10%	$153,115	(74.50%)

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 479 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 $159 to $935 per month, and total insurance premiums range from $443 to $1,086. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $2,712,547 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

Name of Commitment	(In Thousands) Amount
7th Avenue Brighton	$ 524
AS Built Drawings	1,212
Bessemer Courthouse Expansion	4,824
Cahaba Heights Pump Station	635
Cahaba River Sewer Improvements	926
Consent Decree Improvements	3,310
Consulting Services	546
Cooper Green Hospital Renovations	1,274
Derby Parkway Pump	517
East Village Creek Sewer Improvements	1,008
Five Mile Creek Sewer Improvements	36,725
Highlands School Pump	1,458
Infrastructure Management System	633
Integrated Tax System	735
Kilgore Memorial Parkway	3,227
Lower Valley Creek Sewer Improvements	5,657
Main Street Extension Bridge	1,325
Probate Management Information System	813
Pump Station Upgrades	566
Sanitary Sewer Improvements	1,013
SAP Implementation	5,300
Shades Creek Sewer Improvements	7,798
Shades Valley Transfer	1,101
Sheriff Training	823
Survey Sewer Force	926
Term Flow Monitoring	1,285
Thoroughfare Plan	1,196
Upper Valley Creek Sewer Improvements	1,299
Valley Creek Sewer Improvements	29,166
Village Creek Sewer Improvements	2,397
Warrior River Sewer Improvements	1,033
Youth Services Grant	1,123
Total	$120,375

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, 2006 amounted to $21,000.

Various lawsuits are pending against the County Commission. In addition, claims have been filed which have not yet resulted in lawsuits. In the opinion of the Commission Attorney, the potential adverse impact of all these claims, individually or in the aggregate, would not be material to the financial statements of the Commission.

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of grants. Commission management believes such disallowances, if any, will be immaterial.

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, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds and proprietary funds were as follows:

	(In Thousands)	
	Unavailable	Unearned
Property Ad Valorem Taxes Receivable	$96,290	$
Motor Vehicle Ad Valorem Taxes		1,119
Grant Drawdowns Prior to Meeting All Eligibility Requirements		2,770
Total Deferred/Unearned Revenue for Governmental Funds	$96,290	$3,889

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, 2006, total costs paid by the Commission were $1,190,000 for governmental activities and $1,303,000 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2006, were as follows:

	(In Thousands)		
Fiscal Year Ending	Facilities	Equipment	Total
September 30, 2007	$ 864	$ 847	$ 1,711
2008	816	611	1,427
2009	809	459	1,268
2010	780	328	1,108
2011-2015	2,784	30	2,814
2016-2020	1,628		1,628
2021-2025	155		155
Total	$7,836	$2,275	$10,111

Capital Lease Obligation

On July 1, 2004, the Commission entered into a lease agreement to acquire communications equipment and systems at a cost of $13,846,597. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the minimum lease payments as of the inception date in the Governmental Fund (Capital Improvement Fund). Under the terms of the lease the Commission is required to make seven (7) equal annual payments of $2,298,458.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2006:

Year Ending	(In Thousands)
September 30, 2007	$ 2,298
2008	2,298
2009	2,298
2010	2,298
2011	2,298
Total Minimum Lease Payments	11,490
Less: Amount Representing Interest	1,229
Present Value of Minimum Lease Payments	$10,261

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 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 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 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 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 above.

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-A dated March 1, 2002, were issued for the purpose of funding various sewer improvements.

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

The Lease Revenue Warrants 2006, dated August 1, 2006, were issued by The Jefferson County Public Building Authority for the purpose of acquiring, constructing and equipping certain capital improvement projects.

The Limited Obligation School Warrants 2005-A and 2005-B, dated January 1, 2005, were issued for the purpose of making grants to the various school boards operating in Jefferson County for capital improvements and for debt retirement.

The Limited Obligation School Warrants Series 2004-A, dated December 1, 2004, were issued for the purpose of making grants to the various school boards operating in Jefferson County for capital improvements and for debt retirement.

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

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 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 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 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 following is a summary of long-term debt transactions for the Commission for the year ended September 20, 2006.

	(In Thousands)				
	Debt Outstanding October 1, 2005	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2006	Amounts Due Within One Year
Governmental Activities					
General Obligation Warrants	$ 309,650	$	$ 15,980	$ 293,670	$ 23,725
Limited Obligation Warrants	1,050,000		23,190	1,026,810	30,020
Lease Revenue Warrants		86,745		86,745	
Add: Unamortized Premiums	42,933	4,354	2,747	44,540	2,941
Less: Deferred Loss on Refunding	(1,152)		(256)	(896)	(256)
Capital Lease Obligations	12,088		1,827	10,261	1,898
Estimated Claims Liability	12,023	31,015	27,193	15,845	15,845
Arbitrage Rebate Payable		33,527		33,527	
Estimated Liability for Compensated Absences	16,499	2,030	1,421	17,108	1,726
Total Governmental Activities Long-Term Debt Liabilities	1,442,041	157,671	72,102	1,527,610	75,899
Business-Type Activities					
Arbitrage Rebate Payable	3,379			3,379	
Revenue Warrants	3,264,750		3,855	3,260,895	6,430
Add: Unamortized Premiums	10,056		277	9,779	277
Less: Deferred Loss on Refunding	(333,559)		(10,748)	(322,811)	(10,748)
Estimated Liability for Landfill Postclosure Costs	3,445			3,445	3,445
Estimated Liability for Compensated Absences	7,024	460	696	6,788	852
Total Business-Type Activities Long-Term Debt Liabilities	$2,955,095	$ 460	$ (5,920)	$2,961,475	$ 256

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		Business-Type Activities		
	General Obligation Warrants, Limited Obligation Warrants, Lease Revenue Warrants, and Capital Lease Obligations		Revenue Warrants		Total Principal and Interest Requirements
Fiscal Year Ending	Principal	Interest	Principal	Interest	to Maturity
September 30, 2007	$ 55,643	$ 63,219	$ 6,430	$ 125,412	$ 250,704
2008	49,508	62,493	6,685	123,760	242,446
2009	51,734	60,221	15,150	123,318	250,423
2010	51,039	57,883	23,970	122,676	255,568
2011	51,982	55,631	32,195	121,773	261,581
2012-2016	301,765	240,206	184,205	587,717	1,313,893
2017-2021	379,730	161,340	235,875	545,493	1,322,438
2022-2026	424,175	66,506	398,795	485,293	1,374,769
2027-2031	51,910	25,643	478,115	398,638	954,306
2032-2036			558,775	304,221	862,996
2037-2041			1,066,425	153,983	1,220,408
2038-Thereafter			254,275	3,779	258,054
Totals	$1,417,486	$793,142	$3,260,895	$3,096,063	$8,567,586

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 balances in these accounts for the governmental activities are as follows:

	(In Thousands)		
	Premium	Issuance Costs	Deferred Loss on Refunding
Total Deferred Charges on Refunding and Premiums	$46,993	$17,515	$1,793
Amount Amortized Prior Years	(4,059)	(1,298)	(641)
Balance Deferred Charges on Refunding and Premiums	42,934	16,217	1,152
Current Year Additions	4,354	1,356	
Current Amount Amortized	(2,747)	(941)	(256)
Balance Deferred Charges on Refunding and Premiums	$44,541	$16,632	$ 896

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

	(In Thousands)		
	Premium	Issuance Costs	Deferred Loss on Refunding
Total Deferred Charges on Refunding and Premiums	$10,724	$74,251	$360,618
Amount Amortized Prior Years	(668)	(4,324)	(27,059)
Balance Deferred Charges on Refunding and Premiums	10,056	69,927	333,559
Current Amount Amortized	(277)	(1,981)	(10,748)
Balance Deferred Charges on Refunding and Premiums	$ 9,779	$67,946	$322,811

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, 2006, a total of $2,707,105,000 of warrants outstanding is considered defeased. The related escrow account balances totaled $2,935,065,000 at September 30, 2006.

Note 14 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $3,260,895,000 at September 30, 2006. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 2001-A 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 or surety policies are 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, subject to the availability of cash, 4) a depreciation fund which will grow to an amount equal to or greater than the accumulated depreciation of the Sanitary Operations Fund, subject to the availability of cash.

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,	2006	2005	2004	2003
Active Accounts	160,059	143,818	145,099	143,056
Average Daily Treatment Volume				
(millions of gallons treated)	112	126	100	120
Sewer Charges	$132,953,655	$123,980,100	$118,809,266	$110,834,738
% Revenue - Largest Customer	1.85%	1.06%	3.23%	3.98%
% Revenue - Top Ten Customers	7.48%	6.03%	11.40%	12.66%

2006 Top Ten Customers	Consumption	Billed
U. S. Steel	600,778	$2,465,423
University of Alabama - Birmingham	436,319	2,142,305
Birmingham Housing Authority	131,119	811,703
Brookwood Medical Center	123,254	765,868
SMI Steel	114,412	711,188
Samford University	110,063	684,381
The Children's Hospital	98,256	604,850
PEMCO	99,270	615,520
Golden Flake	97,900	592,754
BMC-Montclair Maintenance	89,898	554,768
Total	1,901,269	$9,948,760

Effective March 1, 1999, January 1, 2000, January 1, 2001, January 1, 2002, January 1, 2003, January 1, 2004, January 1, 2005 and January 1, 2006, 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 $3,445,000 as of September 30, 2006. This estimate was based on 62% usage (filled) of the Jefferson County Landfill Number 1, and 86% 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, 2006. 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, 2006, the principal amount outstanding was $35,759,000.

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 $300 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 $300 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:

	(In Thousands)							
	General Liability		Auto Liability		Workers Compensation		Totals	
	2006	2005	2006	2005	2006	2005	2006	2005
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$1,834	$1,834	$611	$611	$3,757	$3,818	$6,202	$6,263
Incurred Claims and Claim Adjustment Expenses:								
Provision for Insured Events of Current Fiscal Year	225	148	122	59	1,415	2,113	1,762	2,320
Increases/Decreases (0) in Provision for Insured Events of Prior Fiscal Years								
Total Incurred Claims and Claim Adjustment Expenses	225	148	122	59	1,415	2,113	1,762	2,320
Payments:								
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	224	148	121	59	1,315	2,174	1,660	2,381
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years								
Total Payments	224	148	121	59	1,315	2,174	1,660	2,381
Total Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	$1,835	$1,834	$612	$611	$3,857	$3,757	$6,304	$6,202

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 estimated health claims information for the fiscal year ended September 30, 2006:

(In Thousands)			
Balance 10/1/2005	Claims Incurred	Claims Paid	Balance 9/30/2006
$5,821	$29,272	($25,552)	$9,541

Note 19 – Interfund Transactions

Advances to Other Funds

The amounts due to/from other funds at September 30, 2006, were as follows:

	(In Thousands) Advances from Other Funds		
	General Fund	Sanitary Landfill Operations Fund	Totals
Advances To Other Funds			
Road Fund	$5,416	$	$ 5,416
Debt Service Fund		20,875	20,875
Total	$5,416	$20,875	$26,291

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2006, were as follows:

	(In Thousands) Transfers In							
	General Fund	Road Fund	Other Governmental Funds	Cooper Green Hospital Fund	Sanitary Operations Fund	Other Enterprise Funds	Internal Service Funds	Totals
Transfers Out:								
General Fund	$	$ 79	$ 305	$ 9,431	$	$	$ 467	$10,282
Indigent Care Fund				45,193				45,193
Road Fund							79	79
Other Governmental Funds	2,330	473	2,326	101	382	151	2,649	8,412
Sanitary Operations	4							4
Other Enterprise Funds		931					18	949
Internal Service Funds	43		29					72
Totals	$2,377	$1,483	$2,660	$54,725	$382	$151	$3,213	$64,991

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.

Note 20 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

Objective of the Swaps – In October of 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 JP Morgan 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 they 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	3.5657%
Net Interest Rate Swap Payments		0.3543%
Variable-Rate Bond Payments		3.6305%
Synthetic Interest Rate on Bonds		3.9848%

Fair Value – As of September 30, 2006, the swaps had a negative fair value of $42,591,858. 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, 2006, 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 JP Morgan 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 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 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 enhancer 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, 2006, 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, 2007	$ 2,700	$ 30,413	$ 2,968	$ 36,081
2008	2,800	30,312	2,958	36,070
2009	3,000	30,206	2,948	36,154
2010	3,100	30,094	2,937	36,131
2011	3,200	29,979	2,926	36,105
2012-2016	18,600	147,957	14,439	180,996
2017-2021	22,900	144,179	14,070	181,149
2022-2026	169,650	126,069	12,303	308,022
2027-2031	60,700	103,334	10,084	174,118
2032-2036	277,800	83,169	8,116	369,085
2037-2040	275,050	14,944	1,458	291,452
Totals	$839,500	$770,656	$75,207	$1,685,363

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 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 JP Morgan Chase Bank. The swap commenced on May 1, 2003 and it 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	3.5657%
Net Interest Rate Swap Payments		0.1123%
Variable-Rate Bond Payments		3.6587%
Synthetic Interest Rate on Bonds		3.7710%

Fair Value **–** As of September 30, 2006, the swap had a negative fair value of $18,617,960. 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, 2006, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JP Morgan 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 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 enhancer 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, 2006, 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, 2007	$	$ 37,897	$ 1,163	$ 39,060
2008		37,897	1,163	39,060
2009	5,400	37,765	1,159	44,324
2010	5,600	37,563	1,153	44,316
2011	5,825	37,352	1,146	44,323
2012-2016	32,575	183,315	5,627	221,517
2017-2021	119,000	172,121	5,283	296,404
2022-2026	113,575	148,625	4,562	266,762
2027-2031	168,000	117,475	3,606	289,081
2032-2036	159,075	84,255	2,586	245,916
2037-2041	371,925	50,762	1,558	424,245
2042	54,825	669	21	55,515
Totals	$1,035,800	$945,696	$29,027	$2,010,523

2003-C Sewer Refunding Warrants

Objective of the Swaps – In August of 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 JP Morgan 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 they mature on February 1, 2042. Under the swaps, the County pays a fixed rate of 3.596% 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 $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		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment From Counterparty	BMA	3.5657%
Net Interest Rate Swap Payments		0.0303%
Variable-Rate Bond Payments		3.5798%
Synthetic Interest Rate on Bonds		3.6101%

Fair Value – As of September 30, 2006, the swaps had a negative fair value of $7,394,264. 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, 2006, 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 JP Morgan 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 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 enhancer 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, 2006, 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, 2007	$	$ 37,660	$ 319	$ 37,979
2008		37,660	319	37,979
2009	2,700	37,596	318	40,614
2010	2,800	37,497	317	40,614
2011	2,900	37,394	317	40,611
2012-2016	16,400	185,279	1,568	203,247
2017-2021	75,175	173,861	1,472	250,508
2022-2026	82,150	163,629	1,385	247,164
2027-2031	239,100	140,325	1,188	380,613
2032-2036	121,900	101,613	860	224,373
2037-2041	419,450	58,486	495	478,431
2042	89,450	1,067	9	90,526
Totals	$1,052,025	$1,012,067	$8,567	$2,072,659

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 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 JP Morgan 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	67% of LIBOR	3.7400%
Net Interest Rate Swap Payments		0.5550%
Variable-Rate Bond Payments		3.8000%
Synthetic Interest Rate on Bonds		4.3550%

Fair Value – As of September 30, 2006, the swap had a negative fair value of $4,170,081. 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2006, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement, with JP Morgan 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 general obligation 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 insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term general obligation 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 enhancer 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 JP Morgan Chase has the option to terminate the swap.

Swap Payments and Associated Debt – As of September 30, 2006, 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, 2007	$	$ 4,560	$ 666	$ 5,226
2008		4,560	666	5,226
2009		4,560	666	5,226
2010		4,560	666	5,226
2011	120,000	2,280	333	122,613
Totals	$120,000	$20,520	$2,997	$143,517

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 JP Morgan 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	3.7400%
Net Interest Rate Swap Payments		1.3200%
Variable-Rate Bond Payments		3.7800%
Synthetic Interest Rate on Bonds		5.1000%

Fair Value – As of September 30, 2006, the swap had a negative fair value of $15,654,054. 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, 2006, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JP Morgan 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 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 enhancer 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, 2006, 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, 2007	$	$ 4,158	$ 1,452	$ 5,610
2008		4,158	1,452	5,610
2009		4,158	1,452	5,610
2010		4,158	1,452	5,610
2011		4,158	1,452	5,610
2012-2016		20,790	7,260	28,050
2017-2021		20,790	7,260	28,050
2022-2026		20,790	7,260	28,050
2027-2031		20,790	7,260	28,050
2032-2036		20,790	7,260	28,050
2037-2041		20,790	7,260	28,050
2042	110,000	1,386	484	111,870
Totals	$110,000	$146,916	$51,304	$308,220

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 the BMA historical average, 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 JP Morgan 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 amount of the swap is $200 million and the swap matures on January 1, 2016. The interim reversal expired on February 1, 2004 and JP Morgan Chase Bank executed its option to cancel the swap on February 1, 2004. JP Morgan maintains the option to reinstate the agreement on or after February 1, 2009. If the agreement is reinstated, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and will receive a fixed rate of 5.069%.

Fair Value – As of September 30, 2006, the swap had a negative fair value of $2,226,698. The fair value of the option was estimated using the Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2006, 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 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 enhancer insuring the prompt and timely performance of the County's obligations hereunder. The County has contingent variable rate exposure to the extent 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 historical average, 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 in February 2002. In May of 2001, the County executed a short-term interim reversal of this swap to become effective on February 1, 2002, to lock in a positive spread of 1.455% per year until February 1, 2004.

Terms – The swap was executed with JP Morgan 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 amount of the swap is $175 million and it matures on January 1, 2016. The interim reversal expired on February 1, 2004 and JP Morgan Chase Bank executed its option to cancel this swap on February 1, 2004. JP Morgan maintains the option to reinstate the agreement on or after February 1, 2009. If the agreement is reinstated, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and will receive a fixed rate of 5.225%.

Fair Value – As of September 30, 2006, the swap and short-term interim reversal had a negative fair value of $1,948,361. The fair value of the option was estimated using the Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2006, 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 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 enhancer insuring the prompt and timely performance of the County's obligations hereunder. The County has contingent variable rate exposure to the extent that on or after February 1, 2009 the counterparty will exercise its option to reinstate the swap.

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 historical average, 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 to become effective on February 1, 2002. In May of 2001, the County executed a short-term interim reversal of this swap to become effective on February 1, 2002, to lock in a positive spread of 1.225% per year until February 1, 2007.

Terms – The swap was executed with JP Morgan Chase Bank. Under the short-term interim reversal, the County is receiving BMA and paying a fixed rate of 3.9450% 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 will receive a fixed rate of 5.17%. The notional amount of the swap is $70 million and the swap matures on February 1, 2031. JP Morgan 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:		
Swap #1: Fixed Payment to Counterparty		3.9450%
Swap #2: Fixed Payment from Counterparty		5.1700%
Net Fixed Swap Payments		-1.2250%
Swap #1: Variable Payment from Counterparty	BMA	3.7400%
Swap #2: Variable Payment from Counterparty	BMA	3.7400%
Net Variable Swap Payments		0.0000%
Rates Applicable after February 1, 2007		
Interest Rate Swap		
Variable Payment to Counterparty	BMA	3.7400%
Fixed Payment From Counterparty		5.1700%
Net Interest Rate Swap Payments		-1.4300%
Variable Rate Bond Payments		3.7800%
Synthetic Interest Rate on Bonds		2.3500%

Fair Value **–** As of September 30, 2006, the swap and short term interim reversal had a negative fair value of $113,756. 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks **–** As of September 30, 2006, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JP Morgan 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 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 enhancer 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, 2006, 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, 2007	$	$ 2,646	$ (953)	$ 1,693
2008		2,646	(1,001)	1,645
2009		2,646	(1,001)	1,645
2010		2,646	(1,001)	1,645
2011		2,646	(1,001)	1,645
2012-2016		13,230	(5,005)	8,225
2017-2021		13,230	(5,005)	8,225
2022-2026		13,230	(5,005)	8,225
2027-2031	70,000	11,466	(4,338)	77,128
Totals	$70,000	$64,386	$(24,310)	$110,076

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 historical average, 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 pays a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 4.815%. The notional amount 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		
Fixed Payment to Counterparty	BMA	3.7400%
Variable Payment From Counterparty	Fixed	4.8150%
Net Interest Rate Swap Payments		-1.0750%
Variable-Rate Bond Payments		3.7800%
Synthetic Interest Rate on Bonds		2.7050%

Fair Value – As of September 30, 2006, the swap had a negative fair value of $609,657. 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2006, 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 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 enhancer 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, 2006, 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, 2007	$	$ 4,158	$ (1,183)	$ 2,975
2008		4,158	(1,183)	2,975
2009		4,158	(1,183)	2,975
2010		4,158	(1,183)	2,975
2011		4,158	(1,183)	2,975
2012-2016		20,790	(5,913)	14,877
2017-2021		20,790	(5,913)	14,877
2022-2026	110,000	9,702	(2,759)	116,943
Totals	$110,000	$72,072	$(20,500)	$161,572

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 historical average, the County decided to synthetically create variable rate debt. In November of 2003, the County entered into a fixed-to-variable interest rate swap tied to various amounts of bonds for $111,825,000. The swap was effective May 1, 2004.

Terms – The swap was executed with JP Morgan Chase Bank. Under the swap, the County pays a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 4.325%. The swap has a notional amount of $111,825,000 and it matures on February 1, 2024. JP Morgan Chase Bank maintains the option to cancel this swap.

	Terms	Rates
Interest Rate Swap		
Fixed Payment to Counterparty	BMA	3.7400%
Variable Payment From Counterparty	Fixed	4.3250%
Net Interest Rate Swap Payments		-0.5850%
Variable-Rate Bond Payments		5.2303%
Synthetic Interest Rate on Bonds		4.6453%

Fair Value – As of September 30, 2006, the swap had a negative fair value of $1,006,016. 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2006, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JP Morgan 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 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 enhancer 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, 2006, 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, 2007	$ 3,730	$ 5,419	$ (606)	$ 8,543
2008	3,885	5,224	(584)	8,525
2009	4,050	5,021	(562)	8,509
2010	4,220	4,809	(538)	8,491
2011	4,400	4,588	(513)	8,475
2012-2016	20,785	19,285	(2,157)	37,913
2017-2021	18,800	14,566	(1,629)	31,737
2022-2024	43,735	4,914	(550)	48,099
Totals	$103,605	$63,826	$(7,139)	$160,292

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 can compress in a low interest rate environment. In June of 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 and 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 amount of $110,000,000 commenced on June 24, 2004 and it matures on February 1, 2042. The 2002C swap with a notional amount of $824,700,000 commences on February 1, 2011 and matures on February 1, 2040. The 2003B swaps with a total notional amount of $1,012,925,000 commence on August 1, 2012 and mature on February 1, 2042. The County's floating legs of the swaps are equal to the BMA index on the 2002A swap and 67% of 1-Month London Interbank Offered Rate (LIBOR) on the 2002C and 2003B swaps. The counterparties' floating legs of the swaps are equal to 56% of 1-Month London Interbank Offered Rate (LIBOR) plus a fixed spread of 0.49%. 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		
Fixed Payment to Counterparty	BMA	3.7400%
Variable Payment From Counterparty	Fixed	4.8150%
Net Interest Rate Swap Payments		-1.0750%
Variable-Rate Bond Payments		3.7800%
Synthetic Interest Rate on Bonds		2.7050%

Fair Value – As of September 30, 2006, the swaps had a negative fair value of $27,206,159. 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, 2006, 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 and 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 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 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 enhancer 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.

Note 21 – 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.

Note 22 – Restatements

The beginning nets assets of the governmental activities on the government-wide financial statements have been restated to correct prior year errors related to taxes earned but improperly deferred and record depreciation on capital assets placed in service during previous years.

	(In Thousands) Governmental Activities
Net Assets, September 30, 2005, as Previously Reported	$298,386
Restatement to Record Capital Lease Depreciation	(2,473)
To Correct Sales Tax Receivable for Fiscal Year 2005	8,721
Net Assets, September 30, 2005, as Restated	$304,634

The beginning fund balance of the governmental activities on the fund-level financial statements have been restated to correct prior year errors related to taxes earned but improperly deferred.

	(In Thousands)		
	General Fund	Indigent Care Fund	Limited Obligation School Fund
Fund Balance, September 30, 2005, as Previously Reported	$21,954	$3,824	$1,150,690
To Correct Sales Tax Receivable for Fiscal Year 2005	2,034	2,729	3,958
Fund Balance, September 30, 2005, as Restated	$23,988	$6,553	$1,154,648

Note 23 – Subsequent Events

On January 23, 2007, the Commission authorized the following transfers of funds relating to the fiscal year ending September 30, 2006.

Fund Name	Net Transfer (In Thousands)	Fund Balance (Deficit) as Reported September 30, 2006 (In Thousands)
General Fund	$(17,160)	$ 42,635
Indigent Care Fund	$ 374	$ 7,077
Road Fund	$ 8,000	$ (15,113)
Senior Citizens' Activities Fund	$ 1,998	$ (2,387)
Bridge and Public Building Fund	$(37,510)	$ 37,986
Capital Improvements Fund	$ 30,500	$ 54,648
Road Construction Fund	$ 14,100	$ (15,285)
Cooper Green Hospital Fund	$ (374)	$ 31,763
Jefferson Rehabilitation and Health Center Fund	$ 4,200	$ 6,456
Personnel Board Fund	$ 3,700	$ (9,160)
Elections Fund	$ 1,100	$ (461)
Information Services Fund	$ 7,000	$ (4,960)
Fleet Management Fund	$ 200	$ 1,071
Printing Fund	$ 10	$ 191
Building Services Fund	$ (1,110)	$ 19,273
Home Grant Fund	$ 61	$ 3,925
Debt Service Fund	$(15,091)	$116,083

2002-A Sewer Revenue Warrants Swap Agreements

On November 22, 2006, the Jefferson County Commission was notified by Bank of America of its intention to exercise its option to cancel an interest rate swap transaction effective December 1, 2002. Under the cancellation terms, Bank of America and the Jefferson County Commission agree that all accrued and unpaid amounts calculated to the cancellation date will be paid, but thereafter neither party will have any obligation under the transaction. The original transaction was based on a notional amount of $110,000,000 and became effective April 1, 2004 with an original termination date of February 1, 2024.

On February 1, 2007, the Jefferson County Commission was notified by JP Morgan Chase Bank of its intention to exercise its option to cancel an interest rate swap transaction. Under the cancellation terms, JP Morgan Chase Bank and the Jefferson County Commission agree that all accrued and unpaid amounts calculated to February 1, 2007 will be paid, but thereafter neither party will have any obligation under the transaction. The original transaction was based on a notional amount of $70,000,000 and became effective February 1, 2002 with an original termination date of February 1, 2031.

In May of 2001, the County executed a short-term interim reversal of the $70,000,000 swap to become effective on February 1, 2002 to lock in a positive spread of 1.225% per year until February 1, 2007. This reversal expired on February 1, 2007.

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Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2006
(In Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
Revenues				
Taxes	$ 126,505	$ 126,001	$ 80,455	$ 80,455
Licenses and Permits	70,230	70,674	70,728	70,728
Intergovernmental	22,164	25,133	25,490	25,490
Charges for Services	28,528	29,279	28,477	28,477
Miscellaneous	2,225	2,080	3,422	3,422
Interest	1,957	1,957	5,534	5,534
Total Revenues	251,609	255,124	214,106	214,106
Expenditures				
Current:				
General Government	143,027	146,173	85,949	85,949
Public Safety	73,213	70,769	81,001	81,001
Welfare		1,589	1,589	1,589
Environmental Services	520	575	315	315
Culture and Recreation	17,000	17,219	16,877	16,877
Education	254	254	253	253
Capital Outlay	115	1,863	1,578	1,578
Total Expenditures	234,129	238,442	187,562	187,562
Excess (Deficiency) of Revenues Over Expenditures	17,480	16,682	26,544	26,544
Other Financing Sources (Uses)				
Sale of Capital Assets	61	62	8	8
Transfers In		2,377	2,377	2,377
Transfers Out		(10,282)	(10,282)	(10,282)
Total Other Financing Sources (Uses)	61	(7,843)	(7,897)	(7,897)
Change in Net Assets	17,541	8,839	18,647	18,647
Fund Balances - Beginning of Year	23,988	23,988	23,988	23,988
Fund Balances - End of Year	$ 41,529	$ 32,827	$ 42,635	$ 42,635

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Indigent Care Fund For the Year Ended September 30, 2006 (In Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
Revenues				
Taxes	$ 45,031	$ 44,399	$ 45,482	$ 45,482
Miscellaneous		35	232	232
Interest			3	3
Total Revenues	45,031	44,434	45,717	45,717
Expenditures				
Current:				
General Government				
Health and Public Welfare				
Indirect Costs				
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	45,031	44,434	45,717	45,717
Other Financing Sources (Uses)				
Transfers Out		(45,193)	(45,193)	(45,193)
Total Other Financing Sources (Uses)		(45,193)	(45,193)	(45,193)
Change in Net Assets	45,031	(759)	524	524
Fund Balances - Beginning of Year	6,553	6,553	6,553	6,553
Fund Balances - End of Year	$ 51,584	$ 5,794	$ 7,077	$ 7,077

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Fund
For the Year Ended September 30, 2006
(In Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
Revenues				
Taxes	$ 16,201	$ 16,201	$ 14,254	$ 14,254
Intergovernmental	7,503	7,545	10,277	10,277
Charges for Services	339	269	229	229
Miscellaneous	175	21	218	218
Interest			556	556
Total Revenues	24,218	24,036	25,534	25,534
Expenditures				
Current:				
Highways and Roads	39,931	41,270	37,911	37,911
Capital Outlays		57	43	43
Total Expenditures	39,931	41,327	37,954	37,954
Excess (Deficiency) of Revenues Over Expenditures	(15,713)	(17,291)	(12,420)	(12,420)
Other Financing Sources (Uses)				
Sale of Capital Assets		174	70	70
Transfers In	15,713	17,196	1,483	1,483
Transfers Out		(79)	(79)	(79)
Total Other Financing Sources (Uses)	15,713	17,291	1,474	1,474
Change in Net Assets			(10,946)	(10,946)
Fund Balances - Beginning of Year			(4,167)	(4,167)
Fund Balances - End of Year	$	$	$ (15,113)	$ (15,113)

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Limited Obligation School Fund For the Year Ended September 30, 2006 (In Thousands)

	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$	$	$ 94,263	$ 94,263
Interest			53,613	53,613
Total Revenues			147,876	147,876
Expenditures				
Current:				
Principal			23,190	23,190
Interest and Fiscal Charges		39,278	51,598	51,598
Total Expenditures		39,278	74,788	74,788
Excess (Deficiency) of Revenues Over Expenditures		(39,278)	73,088	73,088
Fund Balances - Beginning of Year	1,154,648	1,154,648	1,154,648	1,154,648
Fund Balances - End of Year	$ 1,154,648	$ 1,115,370	$ 1,227,736	$ 1,227,736

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Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006
(In Thousands)

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Assets				
Cash and Investments	$ (3,371)	$ 37,510	$ (628)	$ 2,091
Accounts Receivable, Net				
Taxes Receivable		36,376		
Loans Receivable, Net			110	1,320
Interest Receivable			7	
Due from Other Governments	1,250	476	1,872	
Prepaid Expenses				
Advances Due from Other Funds				
Total Assets	(2,121)	74,362	1,361	3,411
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	232		362	
Deferred Revenue		36,376		
Accrued Wages and Benefits Payable	29		53	
Due to Other Governments				23
Estimated Liability for				
Compensated Absences	5		10	
Accrued Interest Payable				
Total Liabilities	266	36,376	425	23
Fund Balances				
Reserved for:				
Advances Due to Other Funds				
Prepaid Expenses				
Petty Cash				
Debt Service				
Encumbrances	13		5,436	144
Loans Receivable			110	1,320
Capital Projects				
Unreserved Reported in:				
Special Revenue Funds	(2,400)	37,986	(4,610)	1,924
Capital Projects Funds				
Total Fund Balances	(2,387)	37,986	936	3,388
Total Liabilities and Fund Balances	$ (2,121)	$ 74,362	$ 1,361	$ 3,411

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ (704)	$ 595	$ 99,883	$ 57,655	$ (14,052)	$ 178,979
			35	23	58
					36,376
1,954					3,384
					7
3,847	248		2,721	359	10,773
	4				4
		20,875			20,875
5,097	847	120,758	60,411	(13,670)	250,456
18	119		3,616	1,615	5,962
1,151			1,615		39,142
3	19				104
					23
	4				19
		4,675	532		5,207
1,172	142	4,675	5,763	1,615	50,457
		20,875			20,875
	4				4
	1				1
		95,208			95,208
1,131	618		18,251	9,634	35,227
1,954					3,384
			87,820		87,820
840	82				33,822
			(51,423)	(24,919)	(76,342)
3,925	705	116,083	54,648	(15,285)	199,999
$ 5,097	$ 847	$ 120,758	$ 60,411	$ (13,670)	$ 250,456

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2006
(In Thousands)

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Revenues				
Taxes	$	$ 36,389	$	$
Intergovernmental	7,931	723	6,366	
Charges for Services	35			
Miscellaneous	550			2
Interest	(1,829)	2,064	(370)	44
Total Revenues	6,687	39,176	5,996	46
Expenditures				
Current:				
General Government	10,373		1,514	
Public Safety				
Health and Welfare			6,281	13
Capital Outlay	6		38	
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Debt Issuance Costs				
Total Expenditures	10,379		7,833	13
Excess (Deficiency) of Revenues Over Expenditures	(3,692)	39,176	(1,837)	33
Other Financing Sources (Uses)				
Proceeds from Debt Issued				
Premium on Debt Issued				
Transfers In	1		148	
Transfers Out				(25)
Total Other Financing Sources (Uses)	1		148	(25)
Net Change in Fund Balances	(3,691)	39,176	(1,689)	8
Fund Balances - Beginning of Year	1,304	(1,190)	2,625	3,380
Fund Balances - End of Year	$ (2,387)	$ 37,986	$ 936	$ 3,388

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
$	$	$	$	$	$ 36,389
2,813	3,907	1,424			23,164
		3	11	3,127	3,176
225	21				798
556	5	5,438	516	3	6,427
3,594	3,933	6,865	527	3,130	69,954
133			4,670		16,690
	3,723		70		3,793
2,474					8,768
	9		26,269	17,528	43,850
		17,807			17,807
		15,012	533		15,545
			1,356		1,356
2,607	3,732	32,819	32,898	17,528	107,809
987	201	(25,954)	(32,371)	(14,398)	(37,855)
			86,745		86,745
			4,354		4,354
	2	2,298	211		2,660
			(8,387)		(8,412)
	2	2,298	82,923		85,347
987	203	(23,656)	50,552	(14,398)	47,492
2,938	502	139,739	4,096	(887)	152,507
$ 3,925	$ 705	$ 116,083	$ 54,648	$ (15,285)	$ 199,999

Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2006
(In Thousands)

	Landfill Operations Fund	Jefferson Rehabilitation and Health Center Fund
Assets		
Current Assets:		
Cash and Investments	$ 1,013	$ (4,044)
Accounts Receivable, Net	719	
Patient Accounts Receivable, Net		3,158
Inventory		43
Deferred Charges - Issuance Costs	9	
Total Current Assets	1,741	(843)
Noncurrent Assets:		
Deferred Charges - Issuance Costs	123	
Capital Assets, Net Where Applicable	42,974	8,186
Total Noncurrent Assets	43,097	8,186
Total Assets	44,838	7,343
Liabilities		
Current Liabilities:		
Accounts Payable		102
Deposits Payable		22
Accrued Wages and Benefits Payable	4	268
Estimated Liability for Compensated Absences	2	35
Estimated Liability for Landfill Closure/Postclosure Care Costs	3,445	
Total Current Liabilities	3,451	427
Noncurrent Liabilities:		
Advances Due to Other Funds	20,875	
Estimated Liability for Compensated Absences	22	460
Total Noncurrent Liabilities	20,897	460
Total Liabilities	24,348	887
Net Assets		
Invested in Capital Assets, Net of Related Debt	43,106	8,186
Unrestricted	(22,616)	(1,730)
Total Net Assets	$ 20,490	$ 6,456

Parking Deck Fund	Totals
$ 477	$ (2,554)
	719
	3,158
	43
	9
477	1,375
	123
3	51,163
3	51,286
480	52,661
	102
	22
1	273
	37
	3,445
1	3,879
	20,875
2	484
2	21,359
3	25,238
3	51,295
474	(23,872)
$ 477	$ 27,423

Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended September 30, 2006
(In Thousands)

	Landfill Operations Fund	Jefferson Rehabilitation and Health Center Fund
Operating Revenues		
Intergovernmental	$	$ 8
Charges for Services	1,501	11,856
Total Revenues	1,501	11,864
Operating Expenses		
Salaries	551	6,404
Employee Benefits and Payroll Taxes	286	1,894
Materials and Supplies	63	1,363
Utilities	242	827
Outside Services	167	4,638
Office Expense	10	217
Depreciation	2,359	243
Miscellaneous	11	32
Total Operating Expenses	3,689	15,618
Operating Income (Loss)	(2,188)	(3,754)
Nonoperating Revenues (Expenses)		
Interest Expense	(552)	
Interest Revenue	2	
Miscellaneous	510	
Amortization of Bond Issue Costs	(9)	
Gain/(Loss) on Sale of Capital Assets	614	1
Total Nonoperating Revenues (Expenses)	565	1
Operating Transfers		
Transfers In		121
Transfers Out	(931)	(18)
Total Operating Transfers	(931)	103
Changes in Net Assets	(2,554)	(3,650)
Total Net Assets - Beginning of Year	23,044	10,106
Total Net Assets - End of Year	$ 20,490	$ 6,456

Parking Deck Fund	Totals
$	$ 8
410	13,767
410	13,775
23	6,978
14	2,194
	1,426
34	1,103
3	4,808
2	229
2	2,604
142	185
220	19,527
190	(5,752)
	(552)
6	8
	510
	(9)
	615
6	572
30	151
	(949)
30	(798)
226	(5,978)
251	33,401
$ 477	$ 27,423

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2006
(In Thousands)

	Landfill Operations Fund	Jefferson Rehabilitation and Health Center Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 1,753	$ 11,367
Other Revenues	552	8
Cash Payments to Employees	(1,274)	(8,317)
Cash Payments for Goods and Services	(495)	(7,245)
Net Cash Provided (Used) by Operating Activities	536	(4,187)
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out	(931)	(18)
Operating Transfers In		121
Miscellaneous	510	
Net Cash Provided (Used) by Non-Capital Financing Activities	(421)	103
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets		(17)
Sale of Capital Assets	1,448	2
Interest Paid	(552)	
Net Cash Provided (Used) by Capital and Related Financing Activities	896	(15)
Cash Flows from Investing Activities		
Interest Received	2	
Net Cash Flows Provided by Investing Activities	2	
Net Increase/(Decrease) in Cash	1,013	(4,099)
Cash and Investments - Beginning of Year		55
Cash and Investments - End of Year	$ 1,013	$ (4,044)

Parking Deck Fund	Totals
$ 410	$ 13,530
	560
(38)	(9,629)
(181)	(7,921)
191	(3,460)
	(949)
30	151
	510
30	(288)
(1)	(18)
	1,450
	(552)
(1)	880
6	8
6	8
226	(2,860)
251	306
$ 477	$ (2,554)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2006
(In Thousands)

	Landfill Operations Fund	Jefferson Rehabilitation and Health Center Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (2,188)	$ (3,754)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	2,359	243
(Increase)/Decrease in Accounts Receivable	252	
(Increase)/Decrease in Patient Receivables		(489)
Increase/(Decrease) in Accounts Payable	(2)	(168)
Increase/(Decrease) in Due to Other Funds	552	
Increase/(Decrease) in Accrued Wages and Benefits Payable	(65)	(19)
Increase/(Decrease) in Estimated Liability for Compensated Absences	(372)	
Total Adjustments	2,724	(433)
Net Cash Provided (Used) by Operating Activities	$ 536	$ (4,187)

Parking Deck Fund	Totals
$ 190	$ (5,752)
2	2,604
	252
	(489)
	(170)
	552
	(84)
(1)	(373)
1	2,292
$ 191	$ (3,460)

Combining Statement of Net Assets
Internal Service Funds
September 30, 2006
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Assets			
Current Assets:			
Cash and Investments	$ 8,923	$ (18,367)	$ (1,039)
Accounts Receivable, Net			
Due from Other Governments		8,717	2
Inventories			
Prepaid Expenses	19		
Total Current Assets	8,942	(9,650)	(1,037)
Noncurrent Assets:			
Capital Assets, Net Where Applicable	41	1,120	631
Total Noncurrent Assets	41	1,120	631
Total Assets	8,983	(8,530)	(406)
Liabilities			
Current Liabilities:			
Accounts Payable	56	55	5
Accrued Wages and Benefits Payable	54	188	9
Estimated Liability for Compensated Absences	9	27	3
Estimated Claims Liability	6,304		
Total Current Liabilities	6,423	270	17
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	118	360	38
Total Noncurrent Liabilities	118	360	38
Total Liabilities	6,541	630	55
Net Assets			
Invested in Capital Assets, Net of Related Debt	41	1,120	631
Unrestricted	2,401	(10,280)	(1,092)
Total Net Assets	$ 2,442	$ (9,160)	$ (461)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ (6,734)	$ (151)	$ 82	$ (6)	$ 13,534	$ (3,758)
54			1	(7)	48
2	18		53	50	8,842
	278	3	217	799	1,297
	2				21
(6,678)	147	85	265	14,376	6,450
2,754	1,525	479	24	7,038	13,612
2,754	1,525	479	24	7,038	13,612
(3,924)	1,672	564	289	21,414	20,062
230	93	2	40	253	734
172	107	14	12	369	925
51	29	6	3	105	233
					6,304
453	229	22	55	727	8,196
583	372	39	43	1,414	2,967
583	372	39	43	1,414	2,967
1,036	601	61	98	2,141	11,163
2,754	1,525	479	24	7,038	13,612
(7,714)	(454)	24	167	12,235	(4,713)
$ (4,960)	$ 1,071	$ 503	$ 191	$ 19,273	$ 8,899

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended September 30, 2006
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Revenues			
Charges for Services	$ 1,606	$ 1	$ 103
Other Operating Revenues			
Total Revenues	1,606	1	103
Operating Expenses			
Salaries	1,096	4,631	980
Employee Benefits and Payroll Taxes	279	1,096	62
Materials and Supplies	4	144	58
Utilities			8
Outside Services	435	2,577	158
Office Expense	62	372	12
Depreciation	14	316	75
Miscellaneous	13	25	
Total Operating Expenses	1,903	9,161	1,353
Operating Income (Loss)	(297)	(9,160)	(1,250)
Nonoperating Revenues (Expenses)			
Interest Revenue	128		
Gain/(Loss) on Sale of Capital Assets			(20)
Total Nonoperating Revenues (Expenses)	128		(20)
Operating Transfers			
Transfers In	410		55
Transfers Out	(41)		
Total Operating Transfers	369		55
Changes in Net Assets	200	(9,160)	(1,215)
Total Net Assets - Beginning of Year	2,242		754
Total Net Assets - End of Year	$ 2,442	$ (9,160)	$ (461)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 648	$ 3,788	$ 705	$ 654	$ 20,730	$ 28,235
193	5			2	200
841	3,793	705	654	20,732	28,435
4,043	2,585	326	261	8,354	22,276
1,075	834	142	76	2,928	6,492
182	1,425	41	341	1,502	3,697
3				4,327	4,338
2,848	915	393	31	4,413	11,770
480	39	2	3	374	1,344
1,172	169	7,280	9	345	9,380
30	2	6	116	462	654
9,833	5,969	8,190	837	22,705	59,951
(8,992)	(2,176)	(7,485)	(183)	(1,973)	(31,516)
1	5	3	1	208	346
	5			11	(4)
1	10	3	1	219	342
262	467	18	66	1,935	3,213
(2)				(29)	(72)
260	467	18	66	1,906	3,141
(8,731)	(1,699)	(7,464)	(116)	152	(28,033)
3,771	2,770	7,967	307	19,121	36,932
$ (4,960)	$ 1,071	$ 503	$ 191	$ 19,273	$ 8,899

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2006
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Cash Flows from Operating Activities			
Cash Received for Services	$ 1,606	$ 1	$ 103
Other Revenues		381	70
Cash Payments to Employees	(1,337)	(5,676)	(1,040)
Cash Payments for Goods and Services	(367)	(3,249)	(231)
Net Cash Provided (Used) by Operating Activities	(98)	(8,543)	(1,098)
Cash Flows from Non-Capital Financing Activities			
Operating Transfers Out	(41)		
Operating Transfers In	410		55
Net Cash Provided (Used) by Non-Capital Financing Activities	369		55
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(5)	(150)	1
Proceeds from Sale of Capital Assets			2
Net Cash Provided (Used) by Capital and Related Financing Activities	(5)	(150)	3
Cash Flows from Investing Activities			
Interest Received	128		
Net Cash Flows Provided by Investing Activities	128		
Net Increase/(Decrease) in Cash	394	(8,693)	(1,040)
Cash and Investments - Beginning of Year	8,529	(9,674)	1
Cash and Investments - End of Year	$ 8,923	$ (18,367)	$ (1,039)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 808	$ 3,793	$ 705	$ 653	$ 20,746	$ 28,415
(2)	(7)		(38)	(15)	389
(5,051)	(3,439)	(467)	(333)	(11,186)	(28,529)
(3,327)	(2,427)	(438)	(490)	(11,058)	(21,587)
(7,572)	(2,080)	(200)	(208)	(1,513)	(21,312)
(2)				(29)	(72)
262	467	18	66	1,935	3,213
260	467	18	66	1,906	3,141
(625)	(47)		(7)	(293)	(1,126)
	5			11	18
(625)	(42)		(7)	(282)	(1,108)
1	5	3	1	208	346
1	5	3	1	208	346
(7,936)	(1,650)	(179)	(148)	319	(18,933)
1,202	1,499	261	142	13,215	15,175
$ (6,734)	$ (151)	$ 82	$ (6)	$ 13,534	$ (3,758)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2006
(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)	$ (297)	$ (9,160)	$ (1,250)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	14	316	75
(Increase)/Decrease in Prepaid Expenses			
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due from Other Governments		381	70
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	45	(131)	5
Increase/(Decrease) in Accrued Wages Payable	12	16	
Increase/(Decrease) in Estimated Liability for Compensated Absences	26	35	2
Increase/(Decrease) in Estimated Claims Liability	102		
Total Adjustments	199	617	152
Net Cash Provided (Used) by Operating Activities	$ (98)	$ (8,543)	$ (1,098)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ (8,992)	$ (2,176)	$ (7,485)	$ (183)	$ (1,973)	$ (31,516)
1,172	169	7,280	9	345	9,380
1	(1)				
(33)			(1)	14	(20)
(2)	(7)		(38)	(15)	389
	(35)	2	(7)	(78)	(118)
215	(10)	2	8	98	232
7	(5)			23	53
60	(15)	1	4	73	186
					102
1,420	96	7,285	(25)	460	10,204
$ (7,572)	$ (2,080)	$ (200)	$ (208)	$ (1,513)	$ (21,312)

Combining Statement of Fiduciary Net Assets
Agency Funds
September 30, 2006
(In Thousands)

	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals
Assets			
Cash and Investments	$ 1,772	$ 664	$ 2,436
Loans Receivable, Net		160	160
Total Assets	1,772	824	2,596
Liabilities			
Accounts Payable	68		68
Due to External Organizations	1,704		1,704
Due to Other Governments		824	824
Total Liabilities	$ 1,772	$ 824	$ 2,596

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended September 30, 2006
(In Thousands)

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
Storm Water Management Authority Fund				
Assets				
Cash and Investments	$ 1,938	$	$ (166)	$ 1,772
Total Assets	1,938		(166)	1,772
Liabilities				
Accounts Payable	104		36	68
Due to External Organizations	1,834		130	1,704
Total Liabilities	1,938		166	1,772
City of Birmingham Revolving Loan Fund				
Assets				
Cash and Investments	682	44	62	664
Loans Receivable, Net	181	72	93	160
Total Assets	863	116	155	824
Liabilities				
Due to Other Governments	863	116	155	824
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Investments	2,620	44	(104)	2,436
Loans Receivable, Net	181	72	93	160
Total Assets	2,801	116	(11)	2,596
Liabilities				
Accounts Payable	104		36	68
Due to External Organizations	1,834		130	1,704
Due to Other Governments	863	116	155	824
Total Liabilities	$ 2,801	$ 116	$ 321	$ 2,596

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

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	N/A
Nutrition Cluster:		
School Breakfast Program	10.553	N/A
National School Lunch Program	10.555	N/A
Sub-Total Nutrition Cluster		
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	B01-UC-01-0001
	14.218	B02-UC-01-0001
	14.218	B03-UC-01-0001
	14.218	B04-UC-01-0001
	14.218	B05-UC-01-0001
Related Revolving Loan Funds	14.218	N/A
Sub-Total Community Development Block Grants/Entitlement Grants		
HOME Investment Partnerships Program	14.239	M02-UC-01-0202
	14.239	M03-UC-01-0202
	14.239	M04-UC-01-0202
	14.239	M05-UC-01-0202
Sub-Total HOME Investment Partnerships Program		
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-03-SP-AL-0028
Emergency Shelter Grants Program	14.231	S04-UC-01-0006
	14.231	S05-UC-01-0006
Passed Through Alabama Department of Economic and Community Affairs		
Emergency Shelter Grants Program	14.231	ESG-05-011
Sub-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
10/01/2005 - 09/30/2006	$ 4,453.36	$ 4,453.36	$ 4,453.36	$ 4,453.36
10/01/2005 - 09/30/2006	44,460.00	44,460.00	44,460.00	44,460.00
10/01/2005 - 09/30/2006	68,913.80	68,913.80	68,913.80	68,913.80
	113,373.80	113,373.80	113,373.80	113,373.80
	117,827.16	117,827.16	117,827.16	117,827.16
07/25/1986 - 09/30/2006				255,240.07
				255,240.07
10/01/2001 - 09/30/2006	2,809,000.00	2,809,000.00		213,206.62
10/01/2002 - 09/30/2006	2,773,000.00	2,773,000.00		101,693.27
10/01/2003 - 09/30/2006	2,596,000.00	2,596,000.00	344,151.17	136,331.75
10/01/2004 - 09/30/2006	2,556,000.00	2,556,000.00	1,768,246.36	245,598.99
10/01/2005 - 09/30/2006	2,371,307.00	2,371,307.00		1,415,566.90
N/A				1,142,045.79
	13,105,307.00	13,105,307.00	2,112,397.53	3,254,443.32
10/01/2002 - 09/30/2006	1,308,750.00	1,047,000.00	709,015.00	709,015.00
10/01/2003 - 09/30/2006	1,340,824.00	1,072,659.00	953,517.23	953,517.23
10/01/2004 - 09/30/2006	1,508,305.00	1,206,644.00	739,542.86	739,542.86
10/01/2005 - 09/30/2006	1,330,673.75	1,064,539.00	130,000.00	130,000.00
	5,488,552.75	4,390,842.00	2,532,075.09	2,532,075.09
N/A	201,184.00	201,184.00	89,851.00	89,851.00
10/01/2004 - 09/30/2006	94,960.00	94,960.00	23,147.17	23,147.17
10/01/2005 - 09/30/2006	93,489.00	93,489.00	59,335.48	59,335.48
05/12/2005 - 05/11/2007	253,706.70	253,706.70	115,717.81	115,717.81
	442,155.70	442,155.70	198,200.46	198,200.46
	19,237,199.45	18,139,488.70	4,932,524.08	6,074,569.87
	$ 19,355,026.61	$ 18,257,315.86	$ 5,050,351.24	$ 6,447,637.10

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

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		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2004-WE-AX-0062
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1083
Public Safety Partnership and Community Policing Grants	16.710	2003-CK-WX-0276
	16.710	2005-CK-WX-0263
	16.710	2003-CK-WX-0038
	16.710	2003-UL-WX-0016
	16.710	2002-SH-WX-0654
	16.710	2004-CK-WX-0177
Sub-Total Public Safety Partnership and Community Policing Grants		
Gang Resistance Education and Training	16.737	2004-JVFX-0100
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJBX-0246
Passed Through Alabama Department of Economic and Community Affairs		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JF-C3-021
	16.540	04-JF-C3-022
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
	$ 19,355,026.61	$ 18,257,315.86	$ 5,050,351.24	$ 6,447,637.10
09/01/2004 - 08/31/2006	486,050.00	486,050.00	232,863.07	232,863.07
10/13/2004 - 10/12/2006	150,570.00	135,513.00	70,977.15	70,977.15
02/20/2003 - 12/31/2006	496,750.00	496,750.00	202,745.24	202,745.24
12/08/2004 - 12/07/2007	394,657.00	394,657.00	192,679.75	192,679.75
01/23/2004 - 01/22/2006	98,948.00	98,948.00	18,178.34	18,178.34
06/01/2003 - 11/30/2007	750,000.00	750,000.00	245,455.08	245,455.08
09/01/2002 - 02/28/2007	517,870.00	517,870.00	112,061.18	112,061.18
01/23/2004 - 01/22/2007	494,739.00	494,739.00	242,410.52	242,410.52
	2,752,964.00	2,752,964.00	1,013,530.11	1,013,530.11
01/01/2004 - 06/30/2007	84,192.00	84,192.00	34,185.23	34,185.23
10/01/2004 - 09/30/2008	252,842.00	252,842.00	232,495.88	232,495.88
10/01/2005 - 09/30/2006	23,341.00	23,341.00	23,341.00	23,341.00
10/01/2005 - 09/30/2006	40,057.00	40,057.00	40,057.00	40,057.00
	63,398.00	63,398.00	63,398.00	63,398.00
	3,790,016.00	3,774,959.00	1,647,449.44	1,647,449.44
	$ 23,145,042.61	$ 22,032,274.86	$ 6,697,800.68	$ 8,095,086.54

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

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 Programs		
One-Stop Career Center Initiative	17.257	FB-14796-05-60
Youth Opportunity Grants	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		
WIA Adult Program	17.258	42
WIA Adult Program	17.258	52
Sub-Total WIA Adult Program		
WIA Youth Activities	17.259	42
WIA Youth Activities	17.259	52
Sub-Total WIA Youth Activities		
WIA Dislocated Workers	17.260	32
WIA Dislocated Workers	17.260	42
WIA Dislocated Workers	17.260	52
Sub-Total WIA Dislocated Workers		
Total WIA Cluster		
WIA Pilots, Demonstrations, and Research Projects	17.261	5Z302701
Total U. S. Department of Labor		
Environmental Protection Agency		
Direct Program		
Surveys, Studies, Investigations Special Purpose Grants	66.606	XP96448106
Total U. S. Environmental Protection Agency		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 23,145,042.61	$ 22,032,274.86	$ 6,697,800.68	$ 8,095,086.54
07/01/2005 - 12/31/2006	500,000.00	500,000.00	178,077.49	178,077.49
03/20/2000 - 06/30/2006	19,804,385.00	19,804,385.00	2,111,221.44	2,111,221.44
07/01/2005 - 09/30/2006	440,855.00	440,855.00	364,936.00	364,936.00
07/01/2005 - 06/30/2006	151,208.00	151,208.00	138,110.00	138,110.00
	592,063.00	592,063.00	503,046.00	503,046.00
07/01/2004 - 06/30/2006	856,057.00	856,057.00	130,837.25	130,837.25
07/01/2004 - 06/30/2007	1,753,569.00	1,753,569.00	1,330,400.99	1,330,400.99
	2,609,626.00	2,609,626.00	1,461,238.24	1,461,238.24
07/01/2004 - 06/30/2006	887,896.00	887,896.00	(187,477.36)	(187,477.36)
07/01/2004 - 06/30/2007	902,787.00	902,787.00	452,010.67	452,010.67
	1,790,683.00	1,790,683.00	264,533.31	264,533.31
10/01/2003 - 06/30/2006	1,537,792.00	1,537,792.00	109,092.20	109,092.20
07/01/2004 - 06/30/2006	1,168,203.00	1,168,203.00	633,287.25	633,287.25
07/01/2005 - 06/30/2007	1,223,539.00	1,223,539.00	172,267.70	172,267.70
	3,929,534.00	3,929,534.00	914,647.15	914,647.15
	8,329,843.00	8,329,843.00	2,640,418.70	2,640,418.70
09/06/2005 - 09/05/2006	135,752.63	135,752.63	135,752.63	135,752.63
	29,362,043.63	29,362,043.63	5,568,516.26	5,568,516.26
12/31/2006 - 12/31/2007	1,727,637.00	950,200.00	65,560.00	65,560.00
	1,727,637.00	950,200.00	65,560.00	65,560.00
	$ 54,234,723.24	$ 52,344,518.49	$ 12,331,876.94	$ 13,729,162.80

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Health and Human Services		
Direct Programs		
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	US2MPOWH10-03-1
Heart and Vascular Disease Research (M)	93.837	U01 HL079153-01
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6H76HA00098-13-01
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	4H76HA00098-12-01
Sub-Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (M)		
Total Direct Programs		
Passed Through Alabama Department of Senior Services		
Special Programs for the Aging		
Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	03-01-06-03a
Special Programs for the Aging-Title VII, Chapter 2 - Long-Term Care Ombudsman Serves for Older Individuals	93.042	03-01-06-03a
Special Programs for the Aging-Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-06-03a
Aging Cluster:		
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-06-03a
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-06-03a
Sub-Total Title III, Part B		
Special Programs for the Aging-Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-06-03a
Special Programs for the Aging-Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-06-03a
Sub-Total Title III, Part C		
Total Aging Cluster (M)		
National Family Caregiver Support	93.052	03-01-06-03a
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	SHIP-01-03-3A
Child Support Enforcement	93.563	01-0000-43156
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 54,234,723.24	$ 52,344,518.49	$ 12,331,876.94	$ 13,729,162.80
09/30/2005 - 09/29/2006	310,000.00	310,000.00	188,069.00	188,069.00
09/30/2005 - 08/31/2006	1,160,547.00	1,160,547.00	662,988.00	662,988.00
01/01/2006 - 12/31/2006	942,006.00	942,006.00	706,504.00	706,504.00
01/01/2005 - 12/31/2005	965,650.00	965,650.00	239,650.00	239,650.00
	1,907,656.00	1,907,656.00	946,154.00	946,154.00
	3,378,203.00	3,378,203.00	1,797,211.00	1,797,211.00
10/01/2005 - 09/30/2008	10,562.00	10,562.00	11,141.10	11,141.10
10/01/2005 - 09/30/2008	30,808.00	30,808.00	32,713.50	32,713.50
10/01/2005 - 09/30/2008	42,001.00	42,001.00	49,027.53	49,027.53
10/01/2005 - 09/30/2008	111,259.00	111,259.00	89,460.87	89,460.87
10/01/2005 - 09/30/2008	499,212.00	499,212.00	472,236.00	472,236.00
	610,471.00	610,471.00	561,696.87	561,696.87
10/01/2005 - 09/30/2008	834,711.55	834,711.55	741,939.88	741,939.88
10/01/2005 - 09/30/2008	768,338.59	768,338.59	687,059.85	687,059.85
	1,603,050.14	1,603,050.14	1,428,999.73	1,428,999.73
	2,213,521.14	2,213,521.14	1,990,696.60	1,990,696.60
10/01/2005 - 09/30/2008	329,679.00	329,679.00	343,507.12	343,507.12
10/01/2005 - 09/30/2006	59,249.00	59,249.00	49,678.00	49,678.00
10/01/2005 - 09/30/2006	846,027.85	558,030.71	558,030.71	558,030.71
	6,910,050.99	6,622,053.85	4,832,005.56	4,832,005.56
	$ 61,144,774.23	$ 58,966,572.34	$ 17,163,882.50	$ 18,561,168.36

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Homeland Security		
Direct Programs		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1549-DR-AL
Hazard Mitigation Grant	97.039	HMGP-DR-1549-006
Hazard Mitigation Grant	97.039	HMGP-DR-1549-006
Sub-Total Hazard Mitigation Grant (M)		
Pre-Disaster Mitigation Grant	97.047	PDMC-PJ-04-AL-2003-2004
Total Direct Programs		
Passed Through Alabama Department of Homeland Security		
Homeland Security Grant Program	97.067	3EP2
	97.067	3DE1
Sub-Total Homeland Security Grant Programs (M)		
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-Cash Assistance
N/A = Not Available or Not Applicable

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

	Budget			
Assistance Period	Total	Federal Share	Revenue Recognized	Expenditures
	$ 61,144,774.23	$ 58,966,572.34	$ 17,163,882.50	$ 18,561,168.36
09/15/2005 - 11/09/2006	1,200,333.80	1,200,333.80	1,200,333.80	1,200,333.80
04/01/2005 - 03/31/2008	1,038,572.00	1,000,000.00	835,294.37	835,294.37
10/01/2005 - 10/01/2008	372,146.00	365,423.00	372,146.00	372,146.00
	1,410,718.00	1,365,423.00	1,207,440.37	1,207,440.37
05/04/2004 - 03/31/2007	226,641.75	226,641.75	108,611.00	108,611.00
	2,837,693.55	2,792,398.55	2,516,385.17	2,516,385.17
10/01/2003 - 12/31/2006	800,000.00	800,000.00	435,575.78	435,575.78
10/01/2003 - 12/31/2006	758,400.00	758,400.00	323,447.19	323,447.19
	1,558,400.00	1,558,400.00	759,022.97	759,022.97
	4,396,093.55	4,350,798.55	3,275,408.14	3,275,408.14
	$ 65,540,867.78	$ 63,317,370.89	$ 20,439,290.64	$ 21,836,576.50

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2006

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	$ 48,770.83
Emergency Shelter Grants Program	14.231	$ 77,808.65
Workforce Investment Act:		
WIA Cluster:		
WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Workers	17.260	
Total Workforce Investment Act		$2,001,844.70
Youth Opportunity Grant	17.263	$2,078,290.97

Note 3 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2006:

	CFDA Number	Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Economic Development Technical Assistance	11.303	$ 255,240.07	$	$ 255,240.07
Community Development Block Grants/Entitlement Grants	14.218	$1,142,045.79	$ (40,732.07)	$1,101,313.72
HOME Investment Partnership Program	14.239	$2,211,848.89	$(258,000.00)	$1,953,848.89

Additional Information

Commission Members and Administrative Personnel

October 1, 2005 through September 30, 2006

Commission Members			**Term Expires**
Hon. Larry P. Langford	President	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Mary M. Buckelew	Member	7895 Kimbrell Road McCalla, AL 35111	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	561 Durham Drive Homewood, AL 35209	2006

Administrative Personnel

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, 2006, which collectively comprise the Jefferson County Commission's basic financial statements and have issued our report thereon dated May 18, 2007. 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. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-1.

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 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 by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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 or other matters that are required to be reported under ***Government Auditing Standards***. However, we noted certain matters 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

May 18, 2007

Report on Compliance With Requirements Applicable to Each Major Program and on 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, 2006. 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 of 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, 2006.

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.

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

May 18, 2007

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

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
93.837	Heart and Vascular Disease Research
93.918	Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease
93.044 and 93.045	Aging Cluster
97.039	Hazard Mitigation Grant
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	$655,097	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
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.	

Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION

BETTYE FINE COLLINS - PRESIDENT
JIM CARNS
BOBBY HUMPHRYES
LARRY P. LANGFORD
SHELIA SMOOT

BETTYE FINE COLLINS–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, 2006

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, 2006.

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: 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.

Other Matters in Report to the Chief Examiner
For the Year

Finding: At September 30, 2006, the following funds had deficit fund balances:

Road Fund	$ 15,113,000.00
Senior Citizens' Activities Fund	$ 2,387,000.00
Road Construction Fund	$ 15,285,000.00
Personnel Board Fund	$ 9,160,000.00
Elections Fund	$ 461,000.00
Information Services Fund	$ 4,960,000.00

Response: The Jefferson County Commission supplements the operations from the General Fund. The Commission transfers the supplementary cash at appropriate times during the fiscal year and we will not overfund the cash account in order to eliminate the fund balance deficit. We will maintain cash accounts with a zero balance for funds that are not self sustaining. Subsequent to the end of the fiscal year the commission approved a resolution to mitigate the deficit fund balances. Effective October 1, 2006, several funds which received general fund supplements were combined into the general fund, eliminating the need for future transfers.

Steve Sayler, Director of Finance of County Commission