

Independent Auditor's Report

We have audited the accompanying primary government financial statements of the Jefferson County Commission, as of and for the year ended September 30, 2000, as listed in the table of contents as Exhibits 1 through 6. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government, the Jefferson County Commission, as of September 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Jefferson County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Jefferson County, as of September 30, 2000, and the results of its operations and cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2001 on our consideration of the Jefferson County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of the Jefferson County Commission, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 20) as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the combining financial statements (Exhibits 8 through 19) are presented for purposes of additional analysis and are not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 23, 2001

General Purpose Financial Statements

General Purpose Financial Statements are comprised of five combined financial statements that together with the accompanying notes constitute the minimum financial reporting needed for fair presentation in conformity with generally accepted accounting principles.

These five statements include:

1. Combined balance sheet – all fund types and account groups
2. Combined statement of revenues, expenditures and changes in fund balance – all governmental fund types and expendable trust funds
3. Combined statement of revenues, expenditures and changes in fund balance – budget and actual – all governmental fund types
4. Combined statement of revenues, expenses and changes in fund equity – all proprietary fund types
5. Combined statement of cash flows – all proprietary fund types

The combined statements are often referred to as the “liftable” general purpose financial statements.

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>ASSETS</u>				
Cash and Investments	\$ 37,410	\$ 5,571	\$ 158,894	\$ 1,148
Accounts Receivable, Net	28			
Loans Receivable, Net		3,890		
Patient Accounts Receivable, Net				
Interest Receivable		11		
Due From Other Governmental Units	19,333	9,073		418
Advances to Other Funds			19,200	
Property Taxes Receivable, Net	27,416	35,249		
Inventories	252	2,169		
Prepaid Expenses	12	4		
Fixed Assets, Net Where Applicable				
Amount Available in Debt Service Fund				
Accreted Interest				
Warrant Issuance Costs				
Deferred Loss on Early Debt Retirement				
Amount to be Provided for Payment of General Long-Term Debt				
Amount to be Provided for Payment of Compensated Absences				
	<u>\$ 84,451</u>	<u>\$ 55,967</u>	<u>\$ 178,094</u>	<u>\$ 1,565</u>

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

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

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

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

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

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

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

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

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

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

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Taxes	\$ 63,555	\$ 64,421	\$ 866
Licenses and Permits	58,028	59,846	1,818
Intergovernmental	24,870	22,040	(2,830)
Charges for Services	18,361	19,248	887
Indirect Cost Recovery	8,693	8,704	11
Investment Income	4,161	12,021	7,860
Miscellaneous	346	265	(81)
TOTAL REVENUES	<u>178,014</u>	<u>186,545</u>	<u>8,531</u>
<u>EXPENDITURES</u>			
Current:			
General Government	73,651	61,543	12,108
Public Safety	49,456	50,217	(761)
Highways and Roads			
Health and Welfare	1,104	1,104	
Culture and Recreation	13,762	13,758	4
Education	197	197	
Capital Outlay	2,689	1,890	799
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Indirect Costs	12,808	14,575	
TOTAL EXPENDITURES	<u>153,667</u>	<u>143,284</u>	<u>12,150</u>
Excess (deficiency) of revenues over expenditures	<u>24,347</u>	<u>43,261</u>	<u>18,914</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction			
Operating Transfers In	81	81	
Proceeds from Sale of Fixed Assets	172	55	(117)
Bond Discount and Issuance Costs			
Operating Transfers Out	(57,839)	(41,351)	16,488
TOTAL OTHER FINANCING SOURCES (USES)	<u>(57,586)</u>	<u>(41,215)</u>	<u>16,371</u>
Excess of revenues and other sources over (under) expenditures and other uses	(33,239)	2,046	35,285
Fund Balances at beginning of year As restated (See Note 27)	<u>45,967</u>	<u>45,967</u>	
Fund Balances at end of year	<u>\$ 12,728</u>	<u>\$ 48,013</u>	<u>\$ 35,285</u>

Special Revenue Funds

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

Continued

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

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

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

Capital Projects Funds

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

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

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

Continued

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

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

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

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

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

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

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

charges without approval by another government, and 3) issue bonded debt without approval by another government.

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

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

General Fund

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

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

Special Revenue Funds

The Commission used the following Special Revenue Funds:

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

Debt Service Funds

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

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by

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

proprietary funds). During the fiscal year ended September 30, 2001, the Commission had the following Capital Projects Funds:

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

Proprietary Funds

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

Enterprise Funds

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

The Commission operates the following enterprises:

- ❖ **Cooper Green Hospital Fund** – The fund is used to account for the operations of the Cooper Green Hospital. Operating revenues are derived from net patient charges and reimbursements from third parties including Medicare and Medicaid.
- ❖ **County Home Fund** – This fund is used to account for the operations of in-patient nursing facilities. Net revenues are received from patient charges and reimbursements from third parties, principally Medicaid.
- ❖ **Landfill Operations Fund** – This fund is used to account for the operations of the County's landfill systems. Revenues are generated primarily through user charges.
- ❖ **Sanitary Operations Fund** – This fund is used to account for the operations of the County's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated ad valorem taxes.
- ❖ **Parking Deck Fund** – This fund is used to account for the operations of the County parking deck. Revenues are generated through user charges.

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

Internal Service Funds

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

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

Fiduciary Fund Types

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

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

Expendable Trust Fund

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

Pension Trust Fund

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

ACCOUNT GROUPS

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

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

C. Basis of Accounting

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

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

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

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

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

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

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

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

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service and Capital Projects Funds. All annual appropriations lapse at fiscal year end.

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

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

E. Cash, Cash Equivalents and Investments

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

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

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

F. Advances to Other Funds

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

G. Inventories

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

H. Prepaid Items

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

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

I. Fixed Assets

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

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

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

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

	<u>Years</u>
Buildings	28-50
Improvements	28
Equipment	5-30

J. Other Debits

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

K. Compensated Absences

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

**Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2001**

Vacation Leave

<u>Length of Service</u>	<u>Vacation Leave Earned (Per Month)</u>
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.

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

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

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

L. Long-Term Obligations

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

M. Fund Equity

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

N. Bond Discounts/Issuance Costs

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

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

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

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

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

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

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

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

Bond issue/discount cost of the Series 2001-B General Obligation contain deferred costs of \$177,680 that are being amortized over 20 years. At September 30, 2001, the unamortized deferred cost of this issue was \$176,000.

O. Interfund Transactions

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

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

P. Memorandum Only – Total Columns

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

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

Q. Property Taxes

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

R. Policy Regarding: FASB Pronouncements for Proprietary Activities

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

II. BUDGETS AND APPROPRIATIONS

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

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

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

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

III. DEPOSITS AND INVESTMENTS

Deposits

The Commission's deposits at year end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provision contained in the **Code of Alabama 1975**, Sections 41-14A-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 failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Investments

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

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

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

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

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

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

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

IV. DUE FROM OTHER GOVERNMENTS

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

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

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

V. ADVANCES TO OTHER FUNDS

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

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

VI. RECEIVABLES

Accounts Receivables

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

	(In Thousands)			
	Governmental Fund Types	Proprietary Fund Types		Grand Total
	General	Enterprise	Internal Service	
Accounts Receivable	\$ 28	\$ 14,193	\$ 7	\$ 14,228
Allowance Accounts		(2,403)		(2,403)
Net Accounts Receivable	\$ 28	\$ 11,790	\$ 7	\$ 11,825

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

Patient Receivables

Patient receivables in the proprietary funds are from patients, insurance companies and third-party reimbursement contractual agencies and are recorded less an allowance for uncollectible accounts, charity accounts and other uncertainties. Certain third-party insured accounts (Blue Cross, Medicare, and Medicaid) are based on contractual agreements, which generally result in collecting less than the established rates. Final 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.

	<u>(In Thousands)</u>	
	<u>Enterprise Funds</u>	
Patient Receivables	\$	15,205
Allowance Account		<u>(6,473)</u>
Net Patient Receivables	<u>\$</u>	<u>8,732</u>

Loans Receivable

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

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

Interest Receivables

Interest receivables for the Commission at September 20, 2001, were as follows:

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

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

VII. CHANGES IN FIXED ASSETS

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

	(In Thousands)			
	Balance 10/01/00	Additions	Reductions	Balance 09/30/01
Land	\$ 9,024	\$ 1,285	\$	\$ 10,309
Buildings	189,366	951	3	190,314
Improvements Other Than Land/Buildings	7,785	98	7	7,876
Equipment and Furniture	78,032	6,034	6,133	77,933
Construction in Progress	75,737	29,135	99	104,773
Total	\$ 359,944	\$ 37,503	\$ 6,242	\$ 391,205

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

	(In Thousands)			
	Balance 10/01/00	Additions	Reductions	Balance 09/30/01
Equipment and Furniture	\$ 356	\$ 75	\$ 4	\$ 427
Less: Accumulated Depreciation	(157)	(71)	(2)	(226)
Total	\$ 199	\$ 4	\$ 2	\$ 201

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

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

Enterprise Funds

	(In Thousands)			
	Balance	Additions	Reductions	Balance
	10/01/00			09/30/01
Land	\$ 20,313	\$ 15,409	\$ 4,604	\$ 31,118
Buildings	266,564	6,779	15	273,328
Improvements Other Than Land/Buildings	562,851	1,479,968	2,508	2,040,311
Equipment and Furniture	45,171	2,886	2,203	45,854
Construction in Progress	513,085	378,109	77,533	813,661
Subtotal	1,407,984	1,883,151	86,863	3,204,272
Less: Accumulated Depreciation	(325,452)	(36,695)	2,021	(360,126)
Total	<u>\$ 1,082,532</u>	<u>\$ 1,846,456</u>	<u>\$ 84,842</u>	<u>\$ 2,844,146</u>

Internal Service Funds

	(In Thousands)			
	Balance	Additions	Reductions	Balance
	10/01/00			09/30/01
Land	\$ 76	\$	\$	\$ 76
Buildings	6,719			6,719
Improvements Other Than Land/Buildings	548	10	1	557
Equipment and Furniture	13,980	2,967	978	15,969
Construction In Progress	624	5,802		6,426
Sub-Total	21,947	8,779	979	29,747
Less: Accumulated Depreciation	(7,825)	(2,622)	571	(9,876)
Total	<u>\$ 14,122</u>	<u>\$ 6,157</u>	<u>\$ 408</u>	<u>\$ 19,871</u>

VIII. OPERATING LEASES

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Commission's account

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

groups. During the fiscal year ended September 30, 2001, the Commission paid a total of \$755,000 for operating leases.

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

		<u>(In Thousands)</u>	
			<u>Facilities and Equipment</u>
2001-02	\$	268	
2002-03		265	
2003-04		209	
2004-05		196	
2005-06		198	
Thereafter		<u>1,702</u>	
Total Minimum Payments Required	\$	<u><u>2,838</u></u>	

IX. COUNTY APPROPRIATION AGREEMENT

During the 1989 fiscal year, the Birmingham-Jefferson Civic Center Authority (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 Occupational Tax, the first \$10,000,000 collected in 1989 and in each year thereafter until and including 2008.

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

X. RISK MANAGEMENT

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

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

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

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:

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

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

XI. CHANGES IN LONG-TERM DEBT

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

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

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

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

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

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

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

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

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

XII. ISSUANCE OF SEWER WARRANTS

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

XIII. WARRANTS PAYABLE-ENTERPRISE FUNDS

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

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

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

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

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

XV. CONTINUING DISCLOSURE

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

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

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

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

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

XV. EXTINGUISHMENT OF DEBT

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

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

XVI. PRIOR YEAR DEFEASANCE OF DEBT

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

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

XVII. CONDUIT DEBT

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

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

or pledge of the faith and credit of the Jefferson County Commission, and accordingly have not been reported in the accompanying financial statements. Upon repayment of the warrants ownership of the leased property will return to the Board.

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

XVIII. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

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

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

XIX. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

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

XX. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

The Plan's financial statements are publicly available in the annual report of the General Retirement System for Employees of Jefferson County for the year ended September 30, 2001. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 430 Courthouse, Birmingham, Alabama 35263-0003.

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

B. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

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

Estimates

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

Investment Valuation and Income Recognition

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

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

Reserves for Contingent Refunds and Retirement and Disability Benefits

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

C. Actuarial Information

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

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

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2001 was 22 years.

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

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-01	\$ 7,543,314	100%	\$0
9-30-00	\$ 7,752,354	100%	\$0
9-30-99	\$ 7,055,584	100%	\$0

The Schedule of Funding Progress, which is required supplementary information, is presented on pages 69-70.

XXI. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

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.

Jefferson County, Alabama
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For Year Ended September 30, 2001

Currently 264 retirees meet eligibility requirements. The Commission subsidizes a portion of the retirees health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from \$197 to \$545 per month and the total insurance premiums range from \$223 to \$639. Expenditures for post retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$276,244 were recognized for post retirement health benefits.

XXII. DEFICIT FUND BALANCES

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

	<u>In Thousands</u>	
Road Fund	\$	2,927
Senior Citizens Activities Fund	\$	35
Capital Improvement Fund	\$	4,514

XXIII. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The estimated liability for landfill closure and postclosure care costs had a balance of \$3,355,000 as of September 30, 2001. This estimate was based on 86% usage (filled) of the Jefferson County Landfill No. 1, and 59% usage (filled) of the Jefferson County Landfill No. 2, 7% usage (filled) of the Jefferson County Inert Landfill Number 1, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed October 1997.

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

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

XXIV. SUBSEQUENT EVENTS

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

XXV. FRANCHISE TAXES

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

XXVI. GASB STATEMENT NUMBER 33

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

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

XXVII. RESTATEMENTS

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

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

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

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

XXVIII. INTEREST RATE SWAP AGREEMENTS

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

**Jefferson County, Alabama
Required Supplementary Information
For Year Ended September 30, 2001**

Required Supplementary Information

Jefferson County, Alabama
Schedule of Funding Progress
For the Year Ended September 30, 2001
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/99	\$ 534,063	\$ 445,237	\$ (88,826)	120.0%	\$ 120,691	(73.6%)
10/01/00	\$ 595,364	\$ 517,622	\$ (77,742)	115.0%	\$ 126,520	(61.4%)
10/01/01	\$ 642,487	\$ 550,172	\$ (92,315)	116.8%	\$ 133,919	(68.9%)