

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:

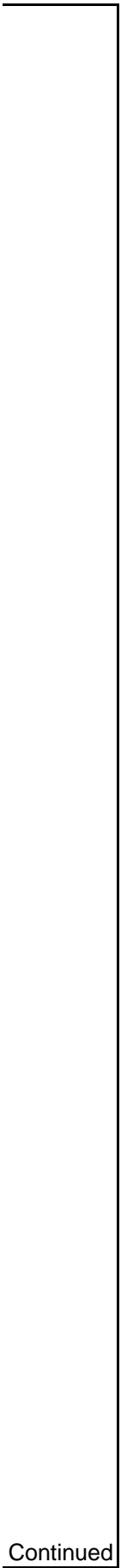
1. Combined balance sheet – all fund types and account groups
2. Combined statement of revenues, expenditures and changes in fund balance – all governmental fund types and expendable trust funds
3. Combined statement of revenues, expenditures and changes in fund balance – budget and actual – all governmental 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, 2000
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>ASSETS</u>				
Cash and Investments	\$ 34,039	\$ 2,789	\$ 89,713	\$ 14,682
Accounts Receivable, Net	26			
Loans Receivable, Net		3,473		
Patient Accounts Receivable, Net				
Interest Receivable		11		
Contributions Receivable				
Due From Other Governmental Units	10,756	5,734		295
Inventories	197	1,814		
Prepaid Expenses	465	16		
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>\$ 45,483</u>	<u>\$ 13,837</u>	<u>\$ 89,713</u>	<u>\$ 14,977</u>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
					<u>Current Year</u>
\$ 689,608	\$ 12,699	\$ 685,747	\$	\$	\$ 1,529,277
12,795	26				12,847
		610			4,083
7,741					7,741
		5,670			5,681
		572			572
1,514	2,520				20,819
1,590	1,021				4,622
607	141				1,229
1,082,532	14,122	199	359,944		1,456,797
				87,230	87,230
				5,482	5,482
23,058					23,058
3,230					3,230
				113,498	113,498
				9,673	9,673
<u>\$ 1,822,675</u>	<u>\$ 30,529</u>	<u>\$ 692,798</u>	<u>\$ 359,944</u>	<u>\$ 215,883</u>	<u>\$ 3,285,839</u>



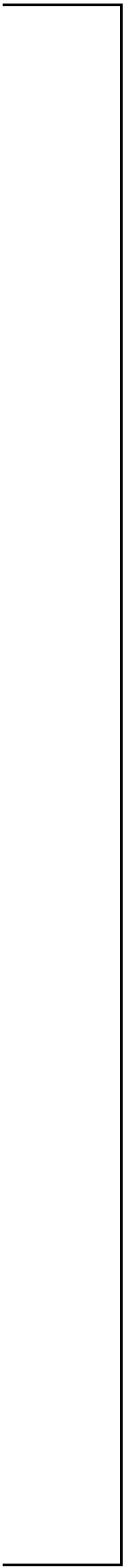
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Jefferson County, Alabama
Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2000
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Cash Deficit	\$	\$ 702	\$	\$
Accounts Payable	654	756		3,610
Deposits Payable	4			
Due to Other Governments	89	4,370		
Deferred Revenues		92		
Other Payables	2	1		
Accrued Payroll and Taxes	4,932	351		
Accrued Interest Payable			2,483	
Retainage Payable				
Arbitrage Rebate Payable				
Estimated Liability for Compensated Absences	761	443		
Estimated Claims Liability				
Warrants Payable				
Estimated Liability for Postclosure Care Costs				
TOTAL LIABILITIES	<u>6,442</u>	<u>6,715</u>	<u>2,483</u>	<u>3,610</u>
<u>FUND EQUITY</u>				
Retained Earnings				
Investment in General Fixed Assets				
Fund Balances:				
Reserved for Inventory	197	1,814		
Reserved for Petty Cash	66	2		
Reserved for Mapping and Appraisal	691			
Reserved for E911	(1,406)			
Reserved for CGH Foundation		668		
Reserved for Loan Receivable		3,473		
Reserved for Debt Service			87,230	
Reserved for Trust Requirements				
Reserved for Encumbrances	2,689	15,304		27,595
Reserved for Contingent Refunds				
Reserved for Retirement/Disability Benefits				
Unreserved	36,804	(14,139)		(16,228)
TOTAL FUND EQUITY	<u>39,041</u>	<u>7,122</u>	<u>87,230</u>	<u>11,367</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 45,483</u>	<u>\$ 13,837</u>	<u>\$ 89,713</u>	<u>\$ 14,977</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
\$	\$	\$	\$	\$	\$
28,553	2,145	513			2,847
36	796				34,882
					40
					4,459
					92
249	16	1			269
1,123	339	14			6,759
13,762					16,245
6,115					6,115
3,461					3,461
6,059	2,456	119		9,673	
	2,659				2,659
1,558,885				206,210	1,765,095
3,262					3,262
<u>1,621,505</u>	<u>8,411</u>	<u>647</u>		<u>215,883</u>	<u>1,865,696</u>
201,170	22,118				223,288
			359,944		359,944
					2,011
					68
					691
					(1,406)
					668
		610			4,083
					87,230
		1,051			1,051
		466			46,054
		61,773			61,773
		628,251			628,251
					6,437
<u>201,170</u>	<u>22,118</u>	<u>692,151</u>	<u>359,944</u>		<u>1,420,143</u>
<u>\$ 1,822,675</u>	<u>\$ 30,529</u>	<u>\$ 692,798</u>	<u>\$ 359,944</u>	<u>\$ 215,883</u>	<u>\$ 3,285,839</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, 2000
(In Thousands)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>REVENUES</u>			
Taxes	\$ 61,050	\$ 75,138	\$
Licenses and Permits	58,606		
Intergovernmental	14,427	17,466	726
Charges for Services	18,242	482	8
Indirect Cost Recovery	7,392		
Investment Income	6,606	576	3,292
Miscellaneous	259	2,663	
TOTAL REVENUES	166,582	96,325	4,026
<u>EXPENDITURES</u>			
Current:			
General Government	52,128	11,752	
Public Safety	47,298	678	
Highways and Roads		29,779	
Health and Welfare	702	2,632	
Culture and Recreation	12,677		
Education	185		
Capital Outlay	3,584	2,253	
Debt Service:			
Principal Retirement			15,252
Interest and Fiscal Charges			8,657
Indirect Costs	14,446	4,474	44
TOTAL EXPENDITURES	131,020	51,568	23,953
Excess of revenues over (under) expenditures	35,562	44,757	(19,927)
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction			107,125
Payment to Bond Agency			(57,896)
Bond Discount and Issuance Costs			(425)
Operating Transfers In	2	20,200	31,295
Proceeds from Sale of Fixed Assets	49	180	
Operating Transfers Out	(84,160)	(64,796)	
TOTAL OTHER FINANCING SOURCES (USES)	(84,109)	(44,416)	80,099
Excess of revenues and other sources over (under) expenditures and other uses	(48,547)	341	60,172
Fund balances at beginning of year	87,588	6,781	27,058
Fund balances at end of year	\$ 39,041	\$ 7,122	\$ 87,230

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>
\$	\$	\$
		136,188
		58,606
4,733	2,220	39,572
873		19,605
		7,392
332	23	10,829
220	96	3,238
<u>6,158</u>	<u>2,339</u>	<u>275,430</u>
	1,312	65,192
		47,976
6,952		36,731
		3,334
		12,677
		185
31,993	108	37,938
		15,252
		8,657
	19	18,983
<u>38,945</u>	<u>1,439</u>	<u>246,925</u>
<u>(32,787)</u>	<u>900</u>	<u>28,505</u>
		107,125
		(57,896)
		(425)
32,812		84,309
95	(3)	321
<u>(4,487)</u>		<u>(153,443)</u>
<u>28,420</u>	<u>(3)</u>	<u>(20,009)</u>
(4,367)	897	8,496
<u>15,734</u>	<u>1,230</u>	<u>138,391</u>
<u>\$ 11,367</u>	<u>\$ 2,127</u>	<u>\$ 146,887</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, 2000
(In Thousands)

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Taxes	\$ 60,026	\$ 61,050	\$ 1,024
Licenses and Permits	57,574	58,606	1,032
Intergovernmental	14,930	14,427	(503)
Charges for Services	18,268	18,242	(26)
Indirect Cost Recovery	7,045	7,392	347
Investment Income	6,907	6,606	(301)
Miscellaneous	295	259	(36)
TOTAL REVENUES	<u>165,045</u>	<u>166,582</u>	<u>1,537</u>
<u>EXPENDITURES</u>			
Current:			
General Government	55,083	52,128	2,955
Public Safety	46,061	47,298	(1,237)
Highways and Roads			
Health and Welfare	702	702	
Culture and Recreation	12,677	12,677	
Education	186	185	1
Capital Outlay	5,541	3,584	1,957
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Indirect Costs	14,485	14,446	39
TOTAL EXPENDITURES	<u>134,735</u>	<u>131,020</u>	<u>3,715</u>
Excess of revenues over (under) expenditures	<u>30,310</u>	<u>35,562</u>	<u>5,252</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction			
Payment to Bond Agent			
Operating Transfers In	2	2	
Proceeds from Sale of Fixed Assets	100	49	(51)
Bond Discount and Issuance Costs			
Operating Transfers Out	(97,019)	(84,160)	12,859
TOTAL OTHER FINANCING SOURCES (USES)	<u>(96,917)</u>	<u>(84,109)</u>	<u>12,808</u>
Excess of revenues and other sources over (under) expenditures and other uses	(66,607)	(48,547)	18,060
Fund Balances at beginning of year	87,589	87,588	(1)
Fund Balances at end of year	<u>\$ 20,982</u>	<u>\$ 39,041</u>	<u>\$ 18,059</u>

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 74,678	\$ 75,138	\$ 460
38,062	17,466	(20,596)
461	482	21
510	576	66
2,080	2,663	583
<u>115,791</u>	<u>96,325</u>	<u>(19,466)</u>
17,381	11,752	5,629
808	678	130
32,094	29,779	2,315
5,012	2,632	2,380
2,570	2,253	317
4,417	4,474	(57)
<u>62,282</u>	<u>51,568</u>	<u>10,714</u>
<u>53,509</u>	<u>44,757</u>	<u>(8,752)</u>
29,647	20,200	(9,447)
	180	180
<u>(25,890)</u>	<u>(64,796)</u>	<u>(38,906)</u>
<u>3,757</u>	<u>(44,416)</u>	<u>(48,173)</u>
57,266	341	(56,925)
6,781	6,781	
<u>\$ 64,047</u>	<u>\$ 7,122</u>	<u>\$ (56,925)</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, 2000
(In Thousands)

	<u>Debt Service Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Taxes	\$	\$	\$
Licenses and Permits			
Intergovernmental	720	726	6
Charges for Services	11	8	(3)
Indirect Cost Recovery			
Investment Income	2,981	3,292	311
Miscellaneous			
TOTAL REVENUES	<u>3,712</u>	<u>4,026</u>	<u>314</u>
<u>EXPENDITURES</u>			
Current:			
General Government			
Public Safety			
Highways and Roads			
Health and Welfare			
Culture and Recreation			
Education			
Capital Outlay			
Debt Service:			
Principal Retirement	12,622	15,252	(2,630)
Interest and Fiscal Charges	11,723	8,657	3,066
Indirect Costs	44	44	
TOTAL EXPENDITURES	<u>24,389</u>	<u>23,953</u>	<u>436</u>
Excess of revenues over (under) expenditures	<u>(20,677)</u>	<u>(19,927)</u>	<u>750</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction	107,125	107,125	
Payment to Bond Agent	(57,896)	(57,896)	
Operating Transfers In	31,295	31,295	
Proceeds from Sale of Fixed Assets			
Bond Discount and Issuance Costs	(333)	(425)	(92)
Operating Transfers Out			
TOTAL OTHER FINANCING SOURCES (USES)	<u>80,191</u>	<u>80,099</u>	<u>(92)</u>
Excess of revenues and other sources over (under) expenditures and other uses	59,514	60,172	658
Fund balances at beginning of year	27,058	27,058	
Fund Balances at end of year	<u>\$ 86,572</u>	<u>\$ 87,230</u>	<u>\$ 658</u>

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

Capital Projects Funds

Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$
6,096	4,733	(1,363)
1,280	873	(407)
385	332	(53)
220	220	
<u>7,981</u>	<u>6,158</u>	<u>(1,823)</u>
22,096		22,096
7,430	6,952	478
12,141	31,993	(19,852)
<u>41,667</u>	<u>38,945</u>	<u>2,722</u>
<u>(33,686)</u>	<u>(32,787)</u>	<u>899</u>
32,813	32,812	(1)
	95	95
<u>(2,240)</u>	<u>(4,487)</u>	<u>(2,247)</u>
<u>30,573</u>	<u>28,420</u>	<u>(2,153)</u>
(3,113)	(4,367)	(1,254)
15,733	15,734	1
<u>\$ 12,620</u>	<u>\$ 11,367</u>	<u>\$ (1,253)</u>

Jefferson County, Alabama
Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended September 30, 2000
(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	\$ 4,487	\$	\$ 4,487
Intergovernmental		2,568	2,568
Charges for Services	80,021	17,996	98,017
Patient Revenue	30,636		30,636
Medicaid Disproportionate Share	3,294		3,294
Other Operating Revenue	4,480		4,480
TOTAL OPERATING REVENUES	<u>122,918</u>	<u>20,564</u>	<u>143,482</u>
<u>OPERATING EXPENSES</u>			
Provisions for Bad Debt	2,666		2,666
Salaries	54,141	15,969	70,110
Employee Benefits and Payroll Taxes	11,716	4,009	15,725
Utilities	6,441	3,384	9,825
Supplies	11,359	3,557	14,916
Depreciation and Amortization	36,388	2,070	38,458
Outside Services	11,363	2,780	14,143
Services from other Hospitals	4,262		4,262
Jefferson Clinic	12,538		12,538
Office Expense	2,088	432	2,520
Closure and Postclosure Care Cost	220		220
Miscellaneous	2,682	3,627	6,309
TOTAL OPERATING EXPENSES	<u>155,864</u>	<u>35,828</u>	<u>191,692</u>
Operating Income/(Loss) Forward	<u>\$ (32,946)</u>	<u>\$ (15,264)</u>	<u>\$ (48,210)</u>

Continued

Jefferson County, Alabama
Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended September 30, 2000
(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	\$ (2,858)	\$	\$ (2,858)
Interest Revenue	46,681	119	46,800
Miscellaneous Revenue	1,171	394	1,565
Interest Expense	(83,949)		(83,949)
Indirect Costs	(4,067)	(323)	(4,390)
Gain (Loss) on Sale of Fixed Assets	(328)	(43)	(371)
Indirect Costs Recovery		15,979	15,979
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(43,350)</u>	<u>16,126</u>	<u>(27,224)</u>
Income (Loss) Before Operating Transfers	<u>(76,296)</u>	<u>826</u>	<u>(75,434)</u>
<u>OPERATING TRANSFERS</u>			
Operating Transfers In	68,667	5,982	74,649
Operating Transfers Out	<u>(5,509)</u>	<u>(6)</u>	<u>(5,515)</u>
TOTAL OPERATING TRANSFERS	<u>63,158</u>	<u>5,976</u>	<u>69,134</u>
Net Income/(Loss)	(13,138)	6,802	(6,300)
Fund Equity, Beginning of Year	<u>214,308</u>	<u>15,280</u>	<u>229,588</u>
Fund Equity, End of Year	<u>\$ 201,170</u>	<u>\$ 22,082</u>	<u>\$ 223,288</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, 2000
(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)	\$ (32,946)	\$ (15,264)	\$ (48,210)
<u>Adjustments to Reconcile Operating Income</u>			
<u>To net Cash Provided by Operating Activities</u>			
Depreciation	36,388	2,070	38,458
Provision for Bad Debts	1,871		1,871
(Increase)/Decrease in Accounts Receivable	(679)	(10)	(689)
(Increase)/Decrease in Patients Receivable	200		200
(Increase)/Decrease in Prepaid Items	(384)	(84)	(468)
(Increase)/Decrease in Due from			
Governmental Units	52	148	200
(Increase)/Decrease in Due from Other Funds		5	5
(Increase)/Decrease in Inventory	(205)	43	(162)
Increase/(Decrease) in Accounts Payable	1,537	334	1,871
Increase/(Decrease) in Other Accounts Payable	(566)	(94)	(660)
Increase/(Decrease) in Accrued			
Payroll and Taxes	(1,889)	(552)	(2,441)
Increase/(Decrease) in Deposits Payable	(4)		(4)
Increase/(Decrease) in Retainage Payable	2,430		2,430
Increase/(Decrease) in Interest Payable	(102)		(102)
Increase/(Decrease) in Arbitrage Rebate Payable	2,858		2,858
Increase/(Decrease) in Compensated			
Absences Payable	462	217	679
Increase/(Decrease) in Estimated Claims Liability		(378)	(378)
Increase/(Decrease) in Estimated Liability for			
Landfill Postclosure Costs	168		168
Total Adjustments	<u>42,137</u>	<u>1,699</u>	<u>43,836</u>
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	<u>\$ 9,191</u>	<u>\$ (13,565)</u>	<u>\$ (4,374)</u>

Continued

Jefferson County, Alabama
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2000
(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	\$ 9,191	\$ (13,565)	\$ (4,374)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers In	68,667	5,982	74,649
Operating Transfers Out	(5,509)	(6)	(5,515)
Increase/(Decrease) in Cash Deficit	(12,608)	37	(12,571)
Received from Auxiliary Services	1,171	394	1,565
Indirect Cost Recovery		15,978	15,978
Indirect Costs	(4,067)	(322)	(4,389)
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>47,654</u>	<u>22,063</u>	<u>69,717</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Interest Paid	(83,949)		(83,949)
Acquisition of Fixed Assets	(289,435)	(4,483)	(293,918)
Principal Payments	(13,090)		(13,090)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(386,474)</u>	<u>(4,483)</u>	<u>(390,957)</u>
<u>Cash Flows from Investing Activities</u>			
Interest and Dividend Income	46,681	119	46,800
Net Cash Provided/(Used) by Investing Activities	<u>46,681</u>	<u>119</u>	<u>46,800</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(282,948)	4,134	(278,814)
Cash and Investments, Beginning of Year	972,556	8,565	981,121
Cash and Investments, End of Year	<u>\$ 689,608</u>	<u>\$ 12,699</u>	<u>\$ 702,307</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, 2000
(In Thousands)

	Pension Trust Fund
<hr/>	
<u>Additions</u>	
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 72,959
Investments	20,760
Dividends	2,828
Total Investment Income	96,547
Less: Investment Manager Fees	1,524
Sub-Total	95,023
<u>Contributions</u>	
Members	7,751
Employer	7,752
Total Contributions	15,503
<u>Other</u>	
Pistol Permits	234
Other Income	66
Sub-Total	300
Total Additions	110,826
<u>Deductions</u>	
Participant Expenses	
Benefits Paid to Participants and Beneficiaries	14,110
Refunds of Member Contributions	1,539
Interest Paid on Refunds of Member Contributions	122
Sub-Total	15,771
<u>Administrative Expenses</u>	
Office Expenses	205
Other Expenses	43
Sub-Total	248
Total Deductions	16,019
Change in Net Assets	94,807
<u>Net Assets Held in Trust for Pension Benefits</u>	
Beginning of Year	595,217
End of Year	\$ 690,024

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, 2000

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.

A. Reporting Entity

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

Based on the application of the above criteria, the following entities are component units of the Commission: Jefferson County Tax Collector – Birmingham and Bessemer Divisions, Tax Assessor – Birmingham and Bessemer Divisions, Revenue Commission, 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.

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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.

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 the health care of 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.

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

- ❖ **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, 2000, 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 proprietary funds). During the fiscal year ended September 30, 2000, 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).

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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.

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, 2000, 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.

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

- ❖ **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.

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 unmaturing principal of its general long-term

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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.

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. 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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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 both 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.

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.

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

F. 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2000, are recorded as prepaid items.

H. 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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

I. 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 the 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.

J. Compensated Absences

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

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.

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

Maximum limitations of accumulated compensatory time are as follows:

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

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

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

As of September 30, 2000, the liability for accrued vacation and compensatory leave is approximately \$12,126,000. The amounts applicable to the proprietary funds of \$5,189,000 have been recorded in those funds. Only the current portion of \$1,128,000 has been reported as a liability in the governmental funds and fiduciary funds. The remainder of \$5,809,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

As of September 30, 2000, the liability for accrued sick leave is approximately \$7,385,000. The amounts applicable to the proprietary funds of \$3,326,000 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 \$3,864,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

K. 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.

L. Fund Equity

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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

M. 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 1999-A Sewer Revenue Refunding Warrants contain deferred costs of \$8,003,000 that are being amortized over 40 years. At September 30, 2000, the unamortized deferred costs of the 1999-A issue was \$7,686,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contain deferred costs of \$9,956,000 that are being amortized over 30 years. At September 30, 2000, the unamortized deferred cost of the 1997-A issue was \$8,739,000.

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, 2000, the unamortized deferred cost of the 1997-B issue was \$198,000.

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, 2000, the unamortized deferred cost of the 1997-C issue was \$753,000.

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, 2000, the unamortized deferred cost of the 1997-D issue was \$5,565,000.

Bond issue/discount cost of the Series 1996 Landfill Warrants contain deferred costs of \$212,000 that are being amortized over 10 years. At September 30, 2000, the unamortized deferred cost of this issue was \$117,000.

N. 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.

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

O. 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.

P. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government’s financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

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.

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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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.

III. DEPOSITS AND INVESTMENTS

The Commission’s deposits at year-end were entirely covered by federal depository insurance or by collateral held by the pledging financial institution’s trust department in the Commission’s name.

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

	(In Thousands)				
	Category			Reported Amount	Fair Value
	1	2	3		
U. S. Government Securities	\$ 485,067	\$	\$	\$ 485,067	\$ 485,067
Repurchase Agreements	542,230			542,230	542,230
Corporate Obligations*	148,267			148,267	148,267
Common Stocks*	301,094			301,094	301,094
Total Investments	<u>\$ 1,476,658</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,476,658</u>	<u>\$ 1,476,658</u>

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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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 \$6,114,742.32 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, 2000, are as follows:

	(In Thousands)					Totals
	General Fund	Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	
Federal	\$ 5	\$ 1,336	\$	\$	\$	\$ 1,341
State	835	63		1,023	28	1,949
County	9,388	4,252		56	312	14,008
Municipal	528	83	295	435	2,180	3,521
Total	\$ 10,756	\$ 5,734	\$ 295	\$ 1,514	\$ 2,520	\$ 20,819

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

V. 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, 2000, are listed as follows:

	(In Thousands)			
	Governmental Fund Types	Proprietary Fund Types		Grand Total
	General	Enterprise	Internal Service	
Accounts Receivable	\$ 26	\$ 16,360	\$ 26	\$ 16,412
Allowance Accounts		(3,565)		(3,565)
Net Accounts Receivable	<u>\$ 26</u>	<u>\$ 12,795</u>	<u>\$ 26</u>	<u>\$ 12,847</u>

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.

	(In Thousands)	
	Enterprise Funds	
Patient Receivables	\$	15,847
Allowance Account		(8,106)
Net Patient Receivables	<u>\$</u>	<u>7,741</u>

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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 \$3,473,000 at September 30, 2000.

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, 2000, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled \$610,000.

VI. CHANGES IN FIXED ASSETS

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

	(In Thousands)			
	Balance 10/01/99	Additions	Reductions	Balance 09/30/00
Land	\$ 10,729	\$ 323	\$ 2,028	\$ 9,024
Buildings	182,689	6,677		189,366
Improvements Other Than Land/Buildings	7,819		34	7,785
Equipment and Furniture	74,438	8,367	4,773	78,032
Construction in Progress	50,484	25,440	187	75,737
Total	\$ 326,159	\$ 40,807	\$ 7,022	\$ 359,944

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

	(In Thousands)			
	Balance 10/01/99	Additions	Reductions	Balance 09/30/00
Equipment and Furniture	\$ 229	\$ 127		\$ 356
Less: Accumulated Depreciation	(99)	(58)		(157)
Total	\$ 130	\$ 69	\$	\$ 199

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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

Enterprise Funds

	(In Thousands)			Balance 09/30/00
	Balance 10/01/99	Additions	Reductions	
Land	\$ 15,516	\$ 4,797		\$ 20,313
Buildings	246,439	20,830	705	266,564
Improvements Other Than Land/Buildings	454,082	109,078	309	562,851
Equipment and Furniture	42,633	3,082	544	45,171
Construction in Progress	366,118	280,407	133,440	513,085
Subtotal	1,124,788	418,194	134,998	1,407,984
Less: Accumulated Depreciation	(291,601)	(35,517)	1,666	(325,452)
Total	<u>\$ 833,187</u>	<u>\$ 382,677</u>	<u>\$ 133,332</u>	<u>\$ 1,082,532</u>

Internal Service Funds

	(In Thousands)			Balance 09/30/00
	Balance 10/01/99	Additions	Reductions	
Land	\$ 76	\$	\$	\$ 76
Buildings	6,640	79		6,719
Improvements Other Than Land/Buildings	542	6		548
Equipment and Furniture	10,723	4,386	1,129	13,980
Construction In Progress	624			624
Sub-Total	18,605	4,471	1,129	21,947
Less: Accumulated Depreciation	(6,855)	(2,095)	1,125	(7,825)
Total	<u>\$ 11,750</u>	<u>\$ 2,376</u>	<u>\$ 4</u>	<u>\$ 14,122</u>

VII. OPERATING LEASES

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Commission's account groups. During the fiscal year ended September 30, 2000, the Commission paid a total of \$1,323,000 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, 2000:

	<u>(In Thousands)</u>	
	<u>Facilities</u>	
2000-01	\$	244
2001-02		244
2002-03		244
2003-04		196
2004-05		196
Thereafter		<u>1,901</u>
Total Minimum Payments Required	<u>\$</u>	<u><u>3,025</u></u>

VIII. 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.

IX. RISK MANAGEMENT

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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, 2000

	(In Thousands)							
	General Liability		Auto Liability		Workers' Compensation		Totals	
	2000	1999	2000	1999	2000	1999	2000	1999
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 551	\$ 108	\$ 200	\$ 120	\$ 2,286	\$ 1,612	\$ 3,037	\$ 1,840
Incurred claims and claim adjustment expenses:								
Provision for insured events of current fiscal year	404	378	90	125	591	699	1,085	1,202
Increases in provision for insured events of prior fiscal years		313		73		1,186		1,572
Total incurred claims and claim adjustment expenses	404	691	90	198	591	1,885	1,085	2,774
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	270	248	315	118	878	1,211	1,463	1,577
Claims and claim adjustment expenses attributable to insured events of prior fiscal year								
Total Payments	270	248	315	118	878	1,211	1,463	1,577
Total unpaid claim and claim adjustment expenses at end of fiscal year	\$ 685	\$ 551	\$ (25)	\$ 200	\$ 1,999	\$ 2,286	\$ 2,659	\$ 3,037

X. LITIGATION

On April 12, 1992, a class action was filed in Jefferson County Circuit Court by two sets of plaintiffs that are subject to the Special County License (Occupational) Tax. They contend that this violates the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution because of exemptions allowed to certain occupations. In addition, those plaintiffs who are federal employees claim that the Special County License Tax violates their rights under provision of the Buck Act which allows state and local taxation of compensation of federal officers and employees because of the source of compensation. The plaintiffs seek damages in the amount of taxes collected since January 1, 1988, costs, interest and attorney's fees and an injunction against the collection of the Special County License Tax in its current form with respect to all taxpayers. The County estimates a possible liability of \$5000 million in refunds plus the additional loss of future revenues.

State legislators have repealed the Special County License (Occupational) Tax effective April 1, 2000, and a new occupational tax was implemented by Act Number 2000-215, Acts of Alabama. The trial court enjoined the County from implementing the tax, therefore, the tax was never collected. The case is presently on appeal to the Alabama Supreme Court.

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, 2000:

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

	(In Thousands)			
	<u>Debt Outstanding</u> <u>October 1, 1999</u>	<u>Issued/</u> <u>Increased</u>	<u>Repaid/</u> <u>Decreased</u>	<u>Debt Outstanding</u> <u>September 30, 2000</u>
General Obligation Warrants	\$ 171,370	\$ 107,125	\$ 72,285	\$ 206,210
Estimated Liability for Compensated Absences	9,403	270		9,673
Total	\$ 180,773	\$ 107,395	\$ 72,285	\$ 215,883

The following is a summary of proprietary long-term debt transactions for the Commission for the year ended September 30, 2000:

	(In Thousands)			
	<u>Debt Outstanding</u> <u>October 1, 1999</u>	<u>Issued/</u> <u>Increased</u>	<u>Repaid/</u> <u>Decreased</u>	<u>Debt Outstanding</u> <u>September 30, 2000</u>
Revenue Warrants	\$ 1,571,975		\$ 13,090	\$ 1,558,885
Estimated Liability for Postclosure Landfill Costs	3,094	209	41	3,262
Estimated Claims Liability	3,037	1,085	1,463	2,659
Estimated Liability for Compensated Absences	7,837	678		8,515
Total	\$ 1,585,943	\$ 1,972	\$ 14,594	\$ 1,573,321

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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

(In Thousands of Dollars)						
		General Obligation Warrants		Revenue Warrants		Total Principal and Interest Requirements
<u>Fiscal Year Ended</u>		Principal	Interest	Principal	Interest	
September 30	2001	15,220	10,697	15,635	82,164	123,716
	2002	13,635	9,516	8,495	81,439	113,085
	2003	13,995	8,821	13,300	80,782	116,898
	2004	21,570	8,204	2,595	80,320	112,689
	2005	117,140	2,743	8,575	80,213	208,671
	2006	15,460	1,857	6,490	79,808	103,615
	2007	15,810	1,344	2,935	79,494	99,583
	2008	5,815	815	3,055	79,373	89,058
	2009	6,145	510	3,180	79,246	89,081
	2010	3,420	184	3,310	79,115	86,029
	2011			3,450	78,978	82,428
	2012			3,590	78,835	82,425
	2013			3,740	78,687	82,427
	2014			3,895	78,533	82,428
	2015			4,055	78,372	82,427
	2016				78,289	78,289
	2017			26,770	77,690	104,460
	2018			29,745	76,135	105,880
	2019			32,945	74,408	107,353
	2020			36,480	72,499	108,979
	2021			36,775	70,484	107,259
	2022			44,555	68,242	112,797
	2023			46,755	65,729	112,484
	2024			51,840	63,068	114,908
	2025			57,565	60,123	117,688
	2026			63,765	56,863	120,628
	2027			70,695	53,257	123,952
	2028			58,820	48,806	107,626
	2029			61,915	45,712	107,627
	2030			65,125	42,497	107,622
	2031			68,465	39,158	107,623
	2032			71,980	35,646	107,626
	2033			75,670	31,955	107,625
	2034			79,705	27,921	107,626
	2035			84,105	23,519	107,624
	2036			88,750	18,874	107,624
	2037			93,835	13,791	107,626
	2038			99,390	8,235	107,625
	2039			104,935	2,689	107,624
Totals		\$ 228,210	\$ 44,691	\$ 1,536,885	\$ 2,350,949	\$ 4,160,735

XII. WARRANTS PAYABLE-ENTERPRISE FUNDS

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

The Landfill Operations Fund has Bonds and Warrants Payable of \$22,000,000 at September 30, 2000, which represents the General Obligation Warrants, Series 1996. In accordance with the bond indenture, the County uses a Debt Service Fund to which it deposits principal and interest amounts due.

The Sanitary Operations Fund has Bond and Warrants payable of \$1,536,885,000 at September 30, 2000. 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, and 5) the 1999-A Sewer Revenue Capital Improvement 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, 2000, exceeded the bond indenture requirements and were as follows:

	<u>(In Thousands)</u>	
Sewer Reserve Fund	\$	54,097
1999 Sewer Reserve Fund	\$	70,340
Sewer Rate Stabilization Fund	\$	54,852
Sewer Depreciation Fund	\$	33,172

XIII. CONTINUING DISCLOSURE

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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

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

	<u>Consumption</u>	<u>Amount</u>
<u>2000 Top Ten Customers</u>		
University of Alabama - Birmingham	882,586	\$ 1,768,999
Birmingham Housing Authority	692,196	\$ 1,749,754
US Steel	563,439	\$ 1,266,550
Barbers Dairies	164,914	\$ 828,239
Golden Flake	154,562	\$ 492,675
Baptist Medical Centers	211,688	\$ 431,577
Buffalo Rock	220,411	\$ 424,205
Birmingham Board of Education	155,059	\$ 370,192
Brookwood Medical Center	145,944	\$ 349,326
PEMCO	139,457	\$ 332,648

Effective March 1, 1999 and January 1, 2000, 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.

XIV. Defeased Debt

On October 1, 1999, the Jefferson County Commission issued \$100,000,000 in General Obligation Warrants, Series 1999, with a variable interest rate for the purposes of 1) refunding \$50,000,000 of outstanding Series 1998-A General Obligation Warrants with an interest rate of 3.45% and 2) to pay the costs of various capital improvements to County buildings and facilities. Of the net proceeds (\$99,675,000 after payment of \$325,000 in bond discount and issuance costs), \$50,862,500 was used to retire the Series 1998-A Warrants and pay interest due. As a result, the 1998-A 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 September 27, 2000, the Commission issued \$7,125,000 in General Obligation Warrants, Series 2000, with a variable interest rate for the purpose of refunding \$6,895,000 of outstanding Series 1990 General Obligation Warrants with an interest rate of 6.75%. The net proceeds (\$7,032,900 after payment of \$92,100 in bond discount and issuance costs) were used to call for redemption those Series 1990 G.O. Warrants on

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

October 1, 2000. As a result, the 1990 Warrants are considered to be defeased and the liability for those warrants has been removed from the general long-term debt account group.

XV. PRIOR YEAR DEFEASANCE OF DEBT

As of September 30, 2000, the following warrants outstanding are considered defeased:

	(In Thousands)	
Sewer Revenue Warrants, Series 1988	\$	27,990
Sewer Revenue Warrants, Series 1992		47,095
Sewer Revenue Warrants, Series 1993		30,525
Sewer Construction Warrants, Series 1977		1,795
Sanitary Sewer Refunding Warrants, Series 1978		10,925
General Obligation Warrants, Series 1990		<u>27,660</u>
Total Warrants Defeased	<u>\$</u>	<u>145,990</u>

XVI. CONDUIT DEBT

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

As of September 30, 2000, the principal amount outstanding was \$45,210,000.00, the original amount of the issue.

XVII. 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, 2000, is presented below:

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

	(In Thousands)					
	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Total Enterprise Funds
Operating Revenues	\$ 30,520	\$ 7,889	\$ 4,755	\$ 79,531	\$ 221	\$ 122,916
Depreciation, Depletion and Amortization Expense	2,298	326	2,248	31,503	13	36,388
Operating Income or (Loss)	(37,367)	(6,088)	(1,529)	11,984	53	(32,947)
Operating Grants, Entitlements and Shared Revenues	7,687	87				7,774
Operating Transfers:						
In	39,662	6,388	22,617			68,667
(Out)		(2)	(5,450)	(58)		(5,510)
Tax Revenues				4,487		4,487
Net Income or (Loss)	2,032	(130)	14,325	(29,389)	24	(13,138)
Property, Plant & Equipment						
Additions	1,198	392	2,375	275,004		278,969
Deletions	990			1,556		2,546
Net Working Capital	8,008	1,016	632,335	650,826	77	1,292,262
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenue	2,273	473	25,684	1,539,772	4	1,568,206
Total Equity	<u>\$ 19,475</u>	<u>\$ 9,652</u>	<u>\$ 28,875</u>	<u>\$ 143,063</u>	<u>\$ 105</u>	<u>\$ 201,170</u>

XVIII. 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, 2000:

Nature of Commitment	(In Thousands)	
	Amount	
Cahaba Sewer Improvement Project	\$	33,298
Correctional Facilities Project		1,521
Courthouse Building Renovation Project		18,998
Five Mile Creek Sewer Improvement Project		9,382
Miscellaneous Sewer Improvements-System Wide		8,717
Highway Improvements		3,471
Home Buyer Assistance Program		3,312
Valley Creek Sewer Improvement Project		131,624
Village Creek Sewer Improvement Project		149,418
Voting Machine Purchase		831
Totals	<u>\$</u>	<u>360,572</u>

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

XIX. 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, 2000. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35263-0003.

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.

**Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000**

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, 2000, the Commission's annual pension contribution of \$7,052,354 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, 2000, the latest actuarial valuation date, were: (a) 7.0 percent investment rate of return on present and future assets, and (b) projected salary increases of 5.5 percent. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2000 was 19 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
9-30-00	\$ 7,752,354	100%	\$0
9-30-99	\$ 7,055,584	100%	\$0
9-30-98	\$ 6,615,917	100%	\$0

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

XX. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 19, 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

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

retirement pension under the rules and regulations of the General Retirement System for the Employees of Jefferson County and the amount of the pension must be sufficient to cover the required retiree contributions; (3) be under 65 years of age; and (4) not be eligible for Medicare. The Commission adopted a resolution on September 22, 1992 to allow those retirees who are not eligible to receive a retirement pension to participate in the health care plan by prepaying to the Commission the semi-annual premium for the retiree contributions.

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

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

Currently 262 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 \$32 to \$397 per month and the total insurance premiums range from \$143 to \$480. Expenditures for post retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$393,432 were recognized for post retirement health benefits.

XXI. DEFICIT FUND BALANCES

At September 30, 2000, the following funds had a deficit fund balance:

	<u>In Thousands</u>
Road Fund	<u>\$ 2,890</u>

Jefferson County, Alabama
Notes to the Financial Statements
For Year Ended September 30, 2000

XXII. 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 \$3,262,000, as of September 30, 2000. This estimate was based on 86% usage (filled) of the Jefferson County Landfill No. 1, and 47% usage (filled) of the Jefferson County Landfill No. 2, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed October 1997.

This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2000. 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.

XXIII. 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.

**Jefferson County, Alabama
Required Supplementary Information
For Year Ended September 30, 2000**

Required Supplementary Information

Jefferson County, Alabama
Schedule of Funding Progress
For the Year Ended September 30, 2000
(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]
10/01/98	\$ 484,496	\$ 413,789	\$(70,707)	117.1%	\$ 115,959	(61.0%)
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%)