

Comprehensive Annual Financial Report

Jefferson County, Alabama

**Fiscal Year Ended
September 30, 2003**

**Prepared by the Department of Finance
Steve Saylor, Finance Director**

JEFFERSON COUNTY COMMISSION



MARY M. BUCKELEW
District 3
Commissioner
Technology and Land
Development



BETTYE FINE COLLINS
District 4
Commissioner
Health &
Human
Services



LARRY P. LANGFORD
Commission President
District 1
Commissioner
Finance & General
Services



SHELIA SMOOT
District 2
Commissioner
Roads & Transportation
and Community
Development



GARY WHITE
District 5
Commissioner
Environmental Services

Jefferson County, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2003

Page

INTRODUCTORY SECTION

1	<i>Letter of Transmittal</i>
10	<i>List of Principal Officials</i>
11	<i>Organizational Chart</i>
12	<i>Responsibilities of Jefferson County Government</i>
14	<i>Distinguished Budget Presentation Award</i>

FINANCIAL SECTION

17	<i>Independent Auditor's Report</i>
19	<i>Management's Discussion and Analysis</i>

Basic Financial Statements

	Government-wide Financial Statements:
30	Statement of Net Assets (Exhibit #1)
32	Statement of Activities (Exhibit #2)
	Fund Financial Statements:
34	Balance Sheet - Governmental Funds (Exhibit #3)
36	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Exhibit #4)
38	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit #5)
40	Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit #6)
42	Statement of Net Assets - Proprietary Funds (Exhibit #7)
44	Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds (Exhibit #8)
46	Statement of Cash Flows - Proprietary Funds (Exhibit #9)
50	Statement of Fiduciary Net Assets - Fiduciary Funds (Exhibit #10)

Page

51

Notes to the Financial Statements

Required Supplementary Information

104 Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Exhibit #11)

105 Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Indigent Care (Exhibit #12)

106 Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Road Fund (Exhibit #13)

Supplementary Information

108 Combining Balance Sheet - Nonmajor Governmental Funds (Exhibit #14)

110 Combining Statement of Revenues, Expenditures and Changes in
Fund Balance - Nonmajor Governmental Funds (Exhibit #16)

112 Combining Statement of Net Assets - Nonmajor Enterprise Funds (Exhibit #16)

113 Combining Statement of Net Assets - Nonmajor Enterprise Funds (Exhibit #17)

114 Combining Statement of Cash Flows - Nonmajor Enterprise Funds (Exhibit #18)

116 Combining Statement of Net Assets - Internal Service Funds (Exhibit #19)

118 Combining Statement of Revenues, Expenses and Changes in
Net Assets - Internal Service Funds (Exhibit #20)

120 Combining Statement of Cash Flows - Internal Service Funds (Exhibit #21)

122 Combining Statement of Fiduciary Net Assets (Exhibit #22)

123 Combining Statement of Changes in Assets and Liabilities -
All Agency Funds (Exhibit #23)

124 Schedule of Expenditures of Federal Awards (Exhibit #24)

132 Notes to the Schedule of Expenditures of Federal Awards

Additional Information

134 Commission Members and Administrative Personnel

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

Page

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

139 Schedule of Findings and Questioned Costs

144 Corrective Action Plan

STATISTICAL SECTION

147 County-wide Revenues

148 General Government Expenditures By Function

151 General Government Revenues By Source

152 General Government Expenditures By Function

154 Property Tax Levies and Collections

156 Assessed and Estimated Actual Value of Taxable Property

158 Property Tax Rates - Direct and Overlapping Governments

160 Principal Taxpayers

161 Computation of Legal Debt Margin

162 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded
Debt per Capita

164 Ratio of Annual Debt Service Expenditures for General Bonded Debt
to Total General Government Expenditures

165 Computation of Direct and Overlapping Debt

166 Schedule of General Obligation Warrants

168 Revenue Bond Coverage - Sanitary Operations Fund

169 Property Values

170 Demographic Statistics

171 Economic and Demographic Information

JEFFERSON COUNTY COMMISSION



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

LARRY P. LANGFORD – COMMISSIONER
Finance and General Services

STEVE F. SAYLER
Finance Director

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

April 1, 2004

To the members of the Jefferson County Commission and the Citizens of Jefferson County, Alabama:

The comprehensive annual financial report of the Jefferson County Commission for the fiscal year ended September 30, 2003 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and the Code of Alabama 1975, Section 41-5-14 require that the Jefferson County Commission issue annually a report on its financial position and activity, and that this report be audited by the State of Alabama Department of Examiners of Public Accounts. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the Jefferson County Commission. All disclosures necessary to enable the reader to gain an understanding of the Jefferson County Commission's activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of Jefferson County, Alabama principal elected and appointed officials. The financial section includes, under new Governmental Accounting Standards Board Statement 34, the Report of Independent Auditors, Management's Discussion and Analysis, the basic financial statements, required supplementary information, and the combining and individual fund financial statements. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Reporting Entity

Jefferson County, Alabama is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of federal financial assistance, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

The financial reporting entity (the government) includes all the funds and account groups of the primary government (i.e., Jefferson County, Alabama as legally defined), as well as all of

its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events.

The following entities are component units of the Jefferson County 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 Jefferson County 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.

Governmental Structure, Local Economic Condition and Outlook

Jefferson County was created by the Alabama Territorial Legislature in 1819 and is actually older than the State of Alabama. The land was ceded in 1814 from the Creek Indian Nation in compliance with the Treaty of Fort Jackson. The area was settled by soldiers who had fought in Alabama with Andrew Jackson in the Creek War of 1813-1814. The County was named for Thomas Jefferson in honor of his many accomplishments as the author of the Declaration of Independence, the founder of the University of Virginia, and the third President of the United States. Jefferson County, Alabama's most populous county, is the principal center of finance, trade, health care, manufacturing, transportation and education in the State of Alabama. Birmingham, the largest city, and the county seat, had a population of 239,416 in 2002. Thirty-four municipalities are located within the County's 1,124 square miles. The County, which had a population of 663,222 in 2000, is the center of the seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA), ¹ which covers approximately 5,310 square miles. The total population of the counties now comprising the Birmingham-Hoover MSA was 1,025,238 ² in 2000, making it the 48th most populated area among the 316 metropolitan areas in the U. S.

Please Note:

The term "Birmingham-Hoover MSA" refers to the seven-county Birmingham-Hoover MSA as designed by the Federal Office of Management and Budget (OMB) in 2003.

¹ The Birmingham Standard Metropolitan Statistical Area (SMSA) was established in 1967, and originally included Jefferson, Shelby and Walker Counties. St. Clair County was added to the SMSA in 1973. Blount County was added in 1983, at which time the official federal government designation became the Birmingham Metropolitan Statistical Area (MSA). Walker County was removed from the Birmingham MSA in 1993. Bibb, Chilton and Walker Counties were added in 2003, at which time the official federal government designation became the Birmingham-Hoover MSA.

² The population of the Birmingham-Hoover MSA in 2000 was calculated as the sum of the population of the Birmingham MSA in 2000 (from the Bureau of Census, U. S. Department of Commerce) and the population of each of the three Alabama counties in 2000 (from the Bureau of Census, U. S. Department of Commerce) which were added by OMB in the 2003 Birmingham-Hoover designation (see footnote 1).

The governing body of Jefferson County is the Jefferson County Commission. The five commissioners are elected from five districts within the County for four-year terms. The president of the Commission is then elected from among the five commissioners. The current term of office for the present commissioners, President Larry Langford and Commissioners Mary M. Buckelew, Bettye Fine Collins, Shelia Smoot, and Gary White began in November, 2002, and will end in November, 2006. The major responsibilities of the Commission are as follows: administer the County's finances; serve as custodians of all the County's property; collect taxes as set by state law; allocate resources for the construction of buildings, roads and other public facilities; provide for the delivery of services that by law are the County's responsibility (such as sewer service, medical care for the indigent, and law enforcement); and make appointments to various governmental boards and agencies. The County employs approximately 4,000 individuals, who perform tasks in five major areas of County government. These areas are the Department of Finance and General Services, the Department of Roads & Transportation and Community Development, the Department of Environmental Services, the Department of Health and Human Services, and the Department of Technology and Land Development.

Jefferson County enjoys a broad-based economy in which no single industry dominates. This diversity helps insulate the region from many of the economic fluctuations experienced elsewhere. Major industries, measured by number of jobs, include services – 31%, trade – 24%, government – 15%, manufacturing (durable and nondurable goods) – 10%, finance, insurance and real estate – 8%, construction – 6%, and transportation and public utilities. With nationally recognized University of Alabama at Birmingham Medical Center, the Oxmoor Valley Research Park, and Southern Research Institute, Jefferson County is a leader in medical and scientific research and development. The County has become the top financial center of the Deep South with the reach of the Alabama-based banks extending to ten states from North Carolina to Texas. Ten of the twelve Alabama businesses earning spots on the elite Forbes 500 list of the nation's top performing public companies are headquartered in Jefferson County. These companies are SouthTrust Bank, Region's Financial Corporation, AmSouth Bank Corporation, Caremark Rx, Inc., Compass Bancshares, Torchmark Corporation, Protective Life Corporation, HealthSouth Corporation, Saks, Inc., and Vulcan Materials. In addition, the only four Alabama businesses ranked on Forbes' list of the top 281 private companies are headquartered in Jefferson County.

While the County's economy once depended on iron and steel and other heavy industry, it has diversified extensively over the past three decades into health care, finance, trade, government and other services. In 2001, 83 percent of the wage and salary jobs in the County were in the health care sector. Although the high growth rate enjoyed in recent years was not experienced or expected, sales taxes and occupational taxes remained stable, indicating a continued public confidence in future earnings. The County's unemployment rate of 4.1% still compares favorably to the State of Alabama's 5.6% and the national rate of 6.0% as of April 2002.

Online transactions over the Internet are becoming increasingly common. Jefferson County has taken advantage of this capability to offer online services to its citizens. Online services can be accessed by visiting the County's website or by using one of the conveniently located kiosks. The County offers motor vehicle renewals, boat and manufactured home registrations, and property tax payments online. The County Commission is looking toward expanding Internet applications to allow business license, sales tax, and other County-collected revenues to be remitted electronically.

Major Initiatives

For the Year. Jefferson County's staff has been involved in a variety of projects throughout the year. These projects reflect the Commission's commitment to improving the quality of life for its citizenry and ensuring that its citizens are able to live and work in an enviable environment.

The Jefferson County Commission identified several major areas of improvements that were needed to meet citizens' demands for services and to safeguard the environment in conformity with applicable federal and state standards. These improvements included utilizing the Internet to disseminate information and process transactions; continued upgrading of the wastewater system to comply with the Clean Water Act consent decree; construction projects for improving local roadways; solving air quality issues; and stimulating economic and industrial growth.

The Commission, responding to the public's request for information and increased service on the Internet, has a confirmed goal to make county government more accessible, more convenient, and more cost effective. Citizens can access online services by visiting the County's website or by using one of the conveniently located kiosks. The County offers motor vehicle renewals, boat and manufactured home registrations, and property tax payments online.

The County is a party of a consent decree arising out of certain litigation involving alleged violations of the Clean Water Act in the operation of the wastewater system. The County has committed to the development and implementation of a remedial plan that is intended to eliminate bypasses and other discharges of untreated sewage to streams in Jefferson County. The remedial plan requires extensive rehabilitation of lateral and collection sewers throughout the County and construction of additional capacity to the treatment plants in the system. Phases I and II of the remedial plan, involving planning documents and detailed analyses of conditions, respectively, were completed during 2000. Also, Phase III, the implementation phase, has begun and will continue through 2007. The total estimated cost of the remedial plan is approximately \$2.5 billion. As of the fiscal year ended September 30, 2003, approximately \$1.29 billion had been expended under the remediation plan. The County also has undertaken Clean Water Act compliance projects which, while not specifically mandated in the Consent Decree, must be constructed to meet existing and future Environmental Protection Agency standards. Through the end of fiscal year 2003, approximately \$284 million has been expended on the compliance projects, with total projected expenditures estimated at \$69 million through 2007. Additionally, the County has an ongoing sewer improvement program whereby approximately \$196 million has been spent through September 30, 2003 generally on expansion projects. The Jefferson County Commission has developed an acceptable financing plan to fund the remaining work on the Clean Water Act compliance projects.

During the year, the Commission demonstrated its efforts to construct and improve local roadways by spending approximately \$42 million for construction and maintenance of highways and bridges within the County.

The Jefferson County Department of Environmental Protection continues to be a leader in the fight to control air pollution in the area. Along with partners the Jefferson County Department of Health and the Birmingham Area Chamber of Commerce, the Department is coordinating an extensive ozone action campaign targeted at area citizens, businesses and local governments. Reducing ozone pollution is made difficult by the fact that the County's citizens each drive an average of approximately 32 miles per day, which is the second highest per capita in the nation. An additional contributing factor is the area's inadequate public

transportation system, with its limited routes and low rate of citizen utilization. These voluntary pollution reduction measures, combined with mandated emissions controls for area industries and coal-burning power plants, have enabled the County to come into compliance with federal ozone standards. The County has very recently received notification from the Environmental Protection Agency that its air monitor information had passed all reviews. However, continuing efforts will be made to further reduce levels to comply with tougher EPA standards which will be designated later in the year.

For the Future. Commitment to the sanitary operations capital improvement program remains a high priority. Current projects are ahead of schedule, and the County anticipates completing the entire remediation plan ahead of schedule. The County has been successful in gaining statutory approval to extend the maturity date of some warrants to forty years, thereby reducing the financial burden on current customers and extending the payments more equitably over the life of the assets.

In October 2003, the Commission approved a \$294,924 grant to the Jefferson County Economic and Industrial Development Authority. The Commission has worked closely with the Authority in conjunction with the Jefferson Metropolitan Park industrial park located in western Jefferson County. In July 2001, Office Max, Inc. became the Park's first tenant, locating a 600,000 square foot, \$45 million distribution center in the park and employing approximately 400 people. New and future tenants include three companies that will be suppliers to the nearby Mercedes plant. Oxford Automotive, which invested \$200 million and hired more than 300 persons at its 370,000 square-foot plant, Plastech Corporation, which recently completed a \$50 million, 294,000 square-foot facility and employing up to 400 persons, and Decoma International, which will lease 120,000 square feet of an existing facility and employ 80 people. In addition, Plastipak Packaging, Inc. has invested \$30 million in a 280,000 square-foot facility and will produce plastic bottles primarily for the soft drink industry.

Jefferson County utilizes a five-year Capital Improvement Plan to analyze and determine priorities for capital projects. This process allows the Commission to properly plan and budget for anticipated capital projects. The Capital Improvement Plan is presented to the Commission for approval annually. Each project is categorized and funds are appropriated for each Capital project. The following categories of projects have been appropriated for fiscal year 2003-2004:

	<u>(Thousands)</u>
Building Renovation Projects	\$ 10,887
Road Construction Projects	12,848
Landfill Improvements Projects	481
Sewer Improvements Projects	<u>44,462</u>
Total	<u>\$ 68,678</u>

Additionally, construction contracts and other significant commitments at September 30, 2003 totaled approximately \$360 million.

Internal Controls. Management of Jefferson County is responsible for establishing and maintaining an internal control structure. The purpose of the internal control structure is to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is

designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, Jefferson County is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

As a part of the County's single audit, which is required in conformity with provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine if the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended September 30, 2002, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls. In addition, Jefferson County maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Commission. Activities of the general fund, special revenue funds and the debt service fund are included in the annual appropriated budget. Project-length budgets are prepared for the capital projects funds. The level of budgetary control is the expenditure category at the departmental level within each fund. The government also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are reappropriated as part of the following year's budget.

The County's budget for fiscal year beginning October 1, 2002 was awarded the Government Finance Officers Association Award for Distinguished Budget Presentation. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. The County believes its current budget meets the above criteria, and it has been submitted to GFOA for consideration for the award.

Pension Trust Fund Operations. The General Retirement System for Employees of Jefferson County continues to be strongly funded, comparing the actuarial value of assets to the actuarial accrued liability. Accordingly, based upon the two most recent actuarial valuations, the pension trust funded ratio was 111% at both September 30, 2003 and September 30, 2002.

Debt Administration. At September 30, 2003 Jefferson County had a number of debt issues outstanding. The principal forms of indebtedness that the County is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, special or limited obligation warrants, and various revenue anticipation bonds and warrants relating to enterprises. Under existing law, the County may issue general obligation bonds only after a favorable vote of the electorate of the County. General and special obligation warrants issued for certain specified purposes may be issued without voter approval.

The County had general obligation warrants and sewer revenue warrants outstanding at year-end. The general obligation debt of the County at September 30, 2003 was \$297,830,000.

Sewer revenue warrants outstanding at September 30, 2003 totaled \$3,271,710,000. This long-term liability is represented by (1) the 1997-A Sewer Revenue Warrants (\$59,730,000); (2) the 2001-A Sewer Revenue Capital Improvement Warrants (\$15,365,000); (3) the 2002-A Sewer Revenue Warrants (\$110,000,000); (4) the 2002-C Sewer Revenue Refunding Warrants (\$839,500,000); (5) the 2003-A Sewer Revenue Refunding Warrants (\$39,325,000); (6) the 2003-B Sewer Revenue Refunding Warrants (\$1,155,765,000); and (7) the 2003-C Sewer Revenue Refunding Warrants (\$1,052,025,000).

DEBT RATIOS

The following table presents certain information and ratios that relate the net bonded debt of the County to other economic and demographic data.

Amount of net bonded debt	\$113,376,000
Ratio of net bonded debt to assessed value of taxable property	1.87%
Per capita net bonded debt (based on latest census)	\$171

CREDIT RATING

Jefferson County's most recent warrants received the following ratings from independent credit rating agencies:

	<u>Insured</u>	<u>Underlying</u>
General Obligation:		
Moody's Investor Service, Inc.	Aaa	Aa3
Standard & Poor's Corporation	AAA	AA
Sewer Revenue:		
Moody's Investors Service, Inc.	Aaa	A3
Standard & Poor's Corporation	AAA	A

Cash Management Policies and Practices. Jefferson County's investment policy is to maintain investment strategies that minimize risk and maximize return while meeting the goals of diversification, liquidity and safety of principal.

Jefferson County funds may be invested in the following instruments as allowed and modified by controlling legislation:

- (1) Direct obligations of the Department of the Treasury of the United States of America;
- (2) Obligations of certain federal agencies, which obligations represent the full faith and credit of the United States of America;
- (3) U.S. dollar denominated deposited accounts and certificates of deposit with banks or savings institutions organized under the laws of the United States or any state thereof, and as further described in paragraph 11-81-21 of the Code of Alabama.

- (4) Pre-funded public obligations (municipal bonds) as further defined by paragraph 11-81-21 of the Code of Alabama;
- (5) Common Trust Funds as defined by paragraph 11-81-21 of the Code of Alabama;
- (6) Repurchase Agreements (Repos) are authorized subject to certain restrictions.

It is the County's policy to avoid exotic derivatives or other unseasoned and/or illiquid investments, and in particular the following investment instruments are specifically prohibited:

1. Inverse Floaters
2. IOs (interest only securities)
3. POs (principal only securities)
4. Z-Tranche Securities
5. Futures
6. Options
7. Options on Futures
8. Margin Buying
9. Leveraging
10. Commodities

The County's deposits at September 30, 2003 were entirely covered by federal depository insurance or by collateral held by the pledging financial institution's trust department in the Commission's name.

Risk Management. Jefferson County 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. Therefore, the County maintains a risk management program in order to minimize its exposures to loss. As part of the comprehensive plan, the County has established a Risk Management Fund whereby resources are accumulated to meet potential losses. The County is self-insured for workers' compensation and general, auto, professional and medical malpractice liability, with a retention of \$500,000 and third party excess coverage for statutory amounts above the retention amount. Third party insurance coverage is maintained for property coverage. At September 30, 2003, the Risk Management Fund maintained a \$5 million reserve for contingencies in excess of the actuarially determined self-insurance liabilities.

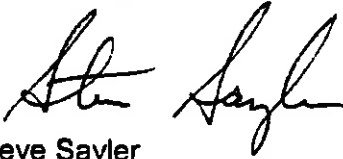
The County maintains an ongoing safety program that includes defensive driving training, as well as having recently implemented a very successful employee wellness program.

Independent Audit. Code of Alabama 1975, Section 41-5-14 requires that the books, records, vouchers, and accounts of every county commission or board be examined and audited at least once in every period of two years and more frequently or continuously if that is deemed necessary or desirable by the chief examiner. Jefferson County is audited annually by the State of Alabama Department of Examiners of Public Accounts. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

Awards. Jefferson County was awarded the Government Finance Officers Association Award for Distinguished Budget Presentation for its fiscal year ended September 30, 2003. In order to qualify for the Distinguished Budget Presentation Award, the governmental organization budget document must meet stringent program criteria as a policy document, an operating guide, a financial plan, and a communication device. The award is valid for a period of one year only. This achievement represented Jefferson County's eighth consecutive year to receive the award. We believe our current budget continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

Acknowledgments. The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also should be given the Commission President and entire Jefferson County Commission for their interest and support in planning and conducting the operations of Jefferson County in a responsible and progressive manner.

Respectfully submitted,



Steve Saylor
Finance Director

**Jefferson County, Alabama
County Officials
September 30, 2003**

Jefferson County Board of Commissioners

Larry P. Langford President

Mary M. Buckelew

Bettye Fine Collins

Shelia Smoot

Gary White

Administrative

Otis Brown.....	Board of Equalization, Chairperson
Nell Hunter	Board of Registrars, Chairperson
Sylvester Kyneard	Central Laundry, Superintendent
Robert Lunsford	Community Development, Director
Dr. Sandral Hullett.....	Cooper Green Hospital, Chief Executive Officer
Dr. Robert Brissie.....	Coroner/Medical Examiner, Coroner
Edwin A. Strickland	County Attorney's Office, County Attorney
Patrick Nicovich.....	County Nursing Home, Director
Jack Swann.....	Environmental Services, Director
Jeff McGee.....	Family Court, Chief Probation Officer
Stephen F. Saylor	Finance Department, Director
Billy Morace.....	General Services, Director
Wayne Cree	Information Services, Chief Information Officer
William Mullins	Inspection Services, Director
Frank Humber	Land Development/Planning, Director
Linda Hand.....	Law Library, Law Librarian
Bill Voight	Office of Senior Citizens Services, Director
Randy Godeke	Revenue Department, Director
Wayne Sullivan	Roads and Transportation, Director
Tommy Rouse.....	Youth Detention Center, Director

Appointed

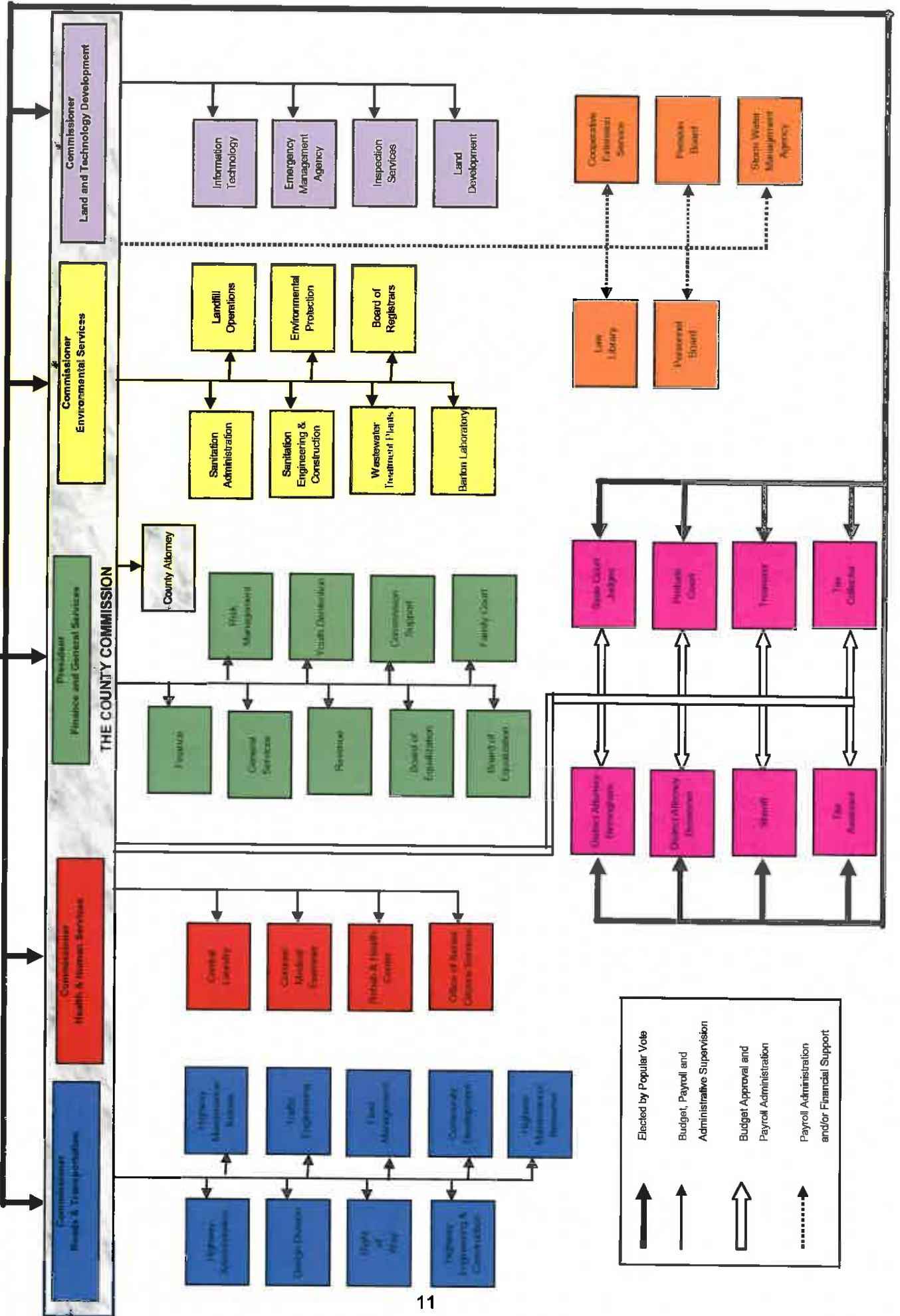
Elwood Odom.....	Emergency Management Agency, EMA Coordinator
Cathy Crumley	Pension Board, Pension Coordinator
Vacant	Personnel Board, Director
Agnes Miller	State Courts, Court Administrator

Elected

Samuel Russell.....	District Attorney, Bessemer District
David Barber	District Attorney, Birmingham District
Mike Bolin.....	Probate Court, Probate Judge 1
Mike Hale	Sheriff Department, Sheriff
Dan Weinrib	Tax Assessor's Office, Tax Assessor
John T. Smallwood	Tax Collector's Office, Tax Collector
Barry Stephenson	Treasurer's Office, Treasurer

JEFFERSON COUNTY, ALABAMA

ELECTORATE



RESPONSIBILITIES OF JEFFERSON COUNTY

The Jefferson County Commission

The governing body of the County is the County Commission. The commissioners are elected from five districts for four-year terms. The present commissioners are President Larry P. Langford, Mary M. Buckelew, Bettye Fine Collins, Shelia Smoot, and Gary White.

The major responsibilities of the County Commission are to administer the County's finances, serve as custodian of all the County's property, collect taxes as set by state law, allocate resources for the construction of buildings, roads and other public facilities, provide for the delivery of services that by law are the County's responsibility (such as sewer services, medical care, care for the indigent and law enforcement), and make appointments to various governmental boards and agencies.

As of October 1, 2003, the County employed approximately 4,200 individuals. The County's employees perform tasks in five areas of County government. These areas are the Department of Finance and General Services, the Department of Roads and Transportation, the Department of Environmental Services, the Department of Health and Human Services, and the Department of Land and Technology Development. A description of each area follows:

The Department of Finance and General Services

The Department of Finance and General Services is responsible for the administration of the financial affairs of the county, management of County-owned buildings, maintenance of the County's accounting records, and the operation of Cooper Green Hospital, which provides medical care for indigent County residents in hospital and clinic settings. The Department supervises the operations of the County Revenue Department, which collects a number of state and local taxes (such as sales and user taxes and other excise taxes), as well as the Finance Department. For the most part, the activities of the department are supported with monies from the County's General Fund with Cooper Green Hospital being supported by the Indigent Care Fund. The President of the County Commission, Larry P. Langford, has been assigned the responsibility of this department.

The Department of Roads and Transportation

The Department of Roads and Transportation is responsible for the construction and maintenance of public highways, streets and bridges within the unincorporated area of the County. Commissioner Shelia Smoot has been assigned the responsibility of this department as well as Community Development, which administers federal community development funds. Supported with monies from the Road Fund and the General Fund, the various divisions of Roads and Transportation include: Administration, Design, Right-of-Way, Highway Engineering, Highway Maintenance, Traffic Engineering, and Fleet Management.

The Department of Environmental Services

The Department of Environmental Services is responsible for the construction, operation and maintenance within the County of landfills, sewage disposal plants and sewage lines. Commissioner Gary White has been assigned the responsibility of this department. Its activities are financed through service fees in the Sanitary Operations Fund and Landfill Operations Fund.

The Department of Health and Human Services

The Department of Health and Human Services, which is the responsibility of Commissioner Bettye Fine Collins, supervises certain County health care facilities and agencies. Under the supervision of the department are the Jefferson Rehabilitation and Health Center, and the Office of Senior Citizens Services. The Rehabilitation and Health Center provides intermediate and skilled nursing care for the County's indigent population, and it is supported from the Indigent Care Fund with any deficiencies being absorbed by the General Fund. The Office of Senior Citizens Services develops and implements programs to provide services for the County's elderly residents.

The Department of Land and Technology Development

The Department of Land and Technology is responsible for activities related to the County's growth and development. Commissioner Mary M. Buckelew has been assigned the responsibility of this department, which includes the County's offices for Land Development and Inspection Services. The department also supervises Information Technology, which provides a full array of services related to information processing and management, and the County's Emergency Management Agency, which prepares for, and responds to, emergencies or disasters that threaten the lives, property and environment of Jefferson County residents.

GOVERNMENT FINANCE OFFICERS ASSOCIATION
AWARD FOR
DISTINGUISHED BUDGET PRESENTATION

For the Fiscal Year Beginning October 1, 2002

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Jefferson County, Alabama for its annual budget for the fiscal year beginning October 1, 2002.

In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

**PRESENTED TO
Jefferson County,
Alabama**

**For the Fiscal Year Beginning
October 1, 2002**

Edward Harrison
President

Jeffrey L. Esser
Executive Director



Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 10. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government, the Jefferson County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include financial data of the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jefferson County, as of September 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government, the Jefferson County Commission, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2004 on our consideration of the Jefferson County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, Exhibits 11 through 13, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 24) 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 14 through 23) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 6, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Jefferson County, Alabama's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the County's basic financial statements, which begin on page 30.

FINANCIAL HIGHLIGHTS

- The County's total net assets decreased \$110 million, or 7%. While net assets of business-type activities decreased \$107 million, or 8%, net assets of governmental activities remained virtually unchanged, showing a \$2 million, or 1% decrease.
- Total long-term liabilities increased almost \$900 million, or 32%, with the vast majority coming from business-type activities.
- Total revenues \$55 increased million, or 11%. However, total program expenses increased \$81 million, or 14%.
- Charges for services from business-type activities increased \$22 million as a result of the sewer rate going from \$3.53 per hundred cubic feet of water used to \$4.90.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 30 through 33) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements (pages 34 through 50) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the County as a Whole

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and change in them. The County's net assets – the difference between assets and liabilities – can be thought of as one way to

measure its financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

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

- **Governmental activities** – Most of the County's basic services are reported here, including general government, public safety, highways and streets, health and welfare, and culture and recreation. Property and sales taxes, occupation license fees, and state grants finance most of these activities.
- **Business-type activities** – The County charges fees to users to help it cover all or most of the cost of certain services it provides. The County's indigent care hospital, nursing home, landfill, sanitary operations, and parking facilities are reported here.

Reporting the County's Most Significant Funds

The fund financial statements begin with page 34 and provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's three types of funds – governmental, proprietary, and fiduciary – use different accounting approaches.

- **Governmental funds** – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom or immediately following the fund financial statements.
- **Proprietary funds** – When the County charges users for the services it provides – whether to outside users or to other departments of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to

report activities that provide supplies and services for the County's other programs and activities – such as the County's Building Services Fund.

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

THE COUNTY AS A WHOLE

The County's combined net assets decreased approximately \$110 million, or 7%, from a year ago, while the previous year showed an \$86 million decreased, or 5.3%. The analysis below focuses on the net assets and changes in net assets, as reflected in the following condensed statements, of the County's governmental and business-type activities.

Net Assets (\$000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets and Liabilities						
Current and Other Assets	\$ 336,193	\$ 355,259	\$ 1,368,066	\$ 883,969	\$ 1,704,259	\$ 1,239,228
Capital Assets	269,479	255,293	3,249,376	3,006,408	3,518,855	3,261,701
Total Assets	605,672	610,552	4,617,442	3,890,377	5,223,114	4,500,929
Long-term Liabilities	294,308	264,789	3,279,693	2,436,576	3,574,001	2,701,365
Other Liabilities	134,693	166,785	90,548	99,235	225,241	266,020
Total Liabilities	429,001	431,574	3,370,241	2,535,811	3,799,242	2,967,385
Net Assets						
Invested in Capital Assets, net of related debt	(26,686)	(12,947)	365,100	591,284	338,414	578,337
Restricted	152,481	203,958	939,170	816,974	1,091,651	1,020,932
Unrestricted	50,876	(12,043)	(57,069)	(53,692)	(6,193)	(65,735)
Total Net Assets	\$ 176,671	\$ 178,968	\$ 1,247,201	\$ 1,354,566	\$ 1,423,872	\$ 1,533,534

Net assets of the County's governmental activities decreased by approximately \$2.3 million, or 1.2%. However, the components of net assets showed a much greater change from the prior year. Net assets invested in capital assets, net of related debt, decreased \$14 million, or 106%. Restricted net assets decreased \$51 million, or 25%. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from a \$12 million deficit at September 30, 2002 to a \$51 million surplus at the end of the current year.

The increased deficit in net assets invested in capital assets was due to the issuance of additional capital-related debt. Although net capital assets increased approximately \$14 million, related debt increased \$30 million, mainly due to the issuance of the 2003-A general obligation warrants.

Restricted net assets decreased due to an additional \$50 million in operating transfers from the debt service fund to the capital projects funds during the year, which are classified as restricted for debt service.

Unrestricted net assets increased from a deficit to a surplus mainly due to the operating transfers referred to above which, for the capital projects funds, are reflected as unrestricted.

Net assets of the County's business-type activities decreased \$107 million, or 8%, due mainly to an increase of \$834 million in sewer revenue debt from the 2003 refunding issues and a smaller corresponding increase in net capital assets.

Changes in Net Assets						
(\$000 omitted)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
Revenues						
Program Revenues:						
Charges for Services	\$ 52,085	\$ 44,041	\$ 159,423	\$ 137,046	\$ 211,508	\$ 181,087
Operating grants	55,617	49,568			55,617	49,568
Capital grants	427	1,250			427	1,250
General revenues:					-	-
Property taxes	73,436	73,117	4,113	3,128	77,549	76,245
Sales tax	63,920	62,834			63,920	62,834
Other taxes	10,528	9,343			10,528	9,343
Occupational license	55,089	54,698			55,089	54,698
Investment earnings	5,953	14,083	69,057	43,900	75,010	57,983
Other general revenues	10,189	10,238	72	606	10,261	10,844
Total revenues	327,244	319,172	232,665	184,680	559,909	503,852
Program Expenses						
General Government	121,127	104,496			121,127	104,496
Public Safety	71,248	65,936			71,248	65,936
Highways and Roads	41,901	41,716			41,901	41,716
Welfare	16,453	14,766			16,453	14,766
Culture and Recreation	18,250	16,187			18,250	16,187
Education	231	200			231	200
Interest and Fiscal Charges	14,234	15,809			14,234	15,809
Hospital			74,526	73,375	74,526	73,375
Nursing Operations			16,306	15,279	16,306	15,279
Landfill			7,090	7,352	7,090	7,352
Sanitary Operations			287,898	234,463	287,898	234,463
Parking			307	326	307	326
Total Expenses	283,444	259,110	386,127	330,795	669,571	589,905
Excess (deficiency)						
before special items						
and transfers	43,800	60,062	(153,462)	(146,115)	(109,662)	(86,053)
Net transfers	(46,097)	(45,296)	46,097	45,296		
Increase (decrease) in						
net assets	\$ (2,297)	\$ 14,766	\$ (107,365)	\$ (100,819)	\$ (109,662)	\$ (86,053)

The County's total revenues increased \$55 million, or 11% from the previous year. The total costs of all programs and services increased \$81 million, or 14%.

Governmental Activities

Total revenue from governmental activities increased \$8 million, or 2% from the prior year. However, individual revenue components both increased and decreased by various amounts.

Charges for services increased \$8 million, or 18%. All departments and agencies of the County are charged the unbilled value of central service costs, such as payroll, accounting, and budgeting. This amount increased \$4 million. The County funds all expenses of the Jefferson County Personnel Board and then is reimbursed on a percentage basis by all jurisdictions served by the Board. During the year, the Board incurred approximately \$3 million more in expenses than the prior year, resulting in \$2 million of additional reimbursements to the County from the other jurisdictions for their allocated portions.

Operating grants increased \$6 million from last year. The County received \$1.7 million from the State of Alabama for a computerized mapping project. In addition, a \$3 million increase in Title 19 Medicaid Waiver funds were received.

The reduction in investment earnings was due to less funds being available throughout the year for investment, plus a reduction in the rates of return.

Total program expenses for governmental funds increased \$24 million, or 9%, from last year. There were several programs which showed notable increases.

General government expenses went up approximately \$17 million, or 16%. The Jefferson County Personnel Board incurred approximately \$3 million more in expenses during the year, as noted above. In addition, \$1.4 million more was paid the Children's Hospital for care of indigent pediatric patients, \$1.5 million more in senior citizen's programs, plus an increase in employees' salaries and benefits.

Public safety expenses increased \$5 million, or 8%, due mainly to a \$4 million increase in the costs of salaries and benefits. In addition, \$1 million more was paid during the year to provide medical services to jail inmates.

The \$1.7 million increase in welfare expenses was due to more being paid out in numerous Community Development grants.

The \$2 million increase in culture and recreation expenses was due to an increase in the County's grant to the Jefferson County Economic and Industrial Development Authority.

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

Governmental Activities
(\$000 omitted)

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
General government	\$ 121,127	\$ 104,496	\$ 45,543	\$ 42,695
Public safety	71,248	65,936	64,856	59,511
Highway and Roads	41,901	41,716	30,509	29,789
Welfare	16,453	14,766	1,692	60
Culture and recreation	18,250	16,187	18,250	16,187
All others	14,465	16,009	14,465	16,009
Totals	<u>\$ 283,444</u>	<u>\$ 259,110</u>	<u>\$ 175,315</u>	<u>\$ 164,251</u>

Business-type Activities

Total revenues for business-type activities increased \$8 million, or 26%, due predominantly to charges for services and investment earnings. On January 1, 2003, the sewer rate increased from \$3.53 per hundred cubic feet of water used to \$4.90 per hundred cubic feet, or 39%. More funds were available for investment during the year as a result of the new 2003 revenue bond issues. In addition, real property revaluations resulted in the property tax increase.

Practically the entire \$55 million increase in program expenses for business-type activities was from sanitary operations. Interest on sewer revenue bonds increased \$42 million as a result of a new net increase of \$800 million in sewer bonds for the year. During the year, several new sewer refunding issues defeased approximately \$2 billion of previously-issued sewer debt. Unamortized bond issue costs on refunded debt totaling \$2.4 million were written off. Depreciation on capital assets increased \$7 million from the \$1.4 billion of additional sewer infrastructure taken over by the County.

THE COUNTY'S FUNDS

The General Fund went from a \$1 million net decrease in fund balance last year to a net decrease of \$17 million during the current year. Factors contributing to this were as follows:

- Salaries and benefits increased \$7 million, or 8%, from last year. All full-time employees received a 3% wage increase, plus individuals earning merit increases received a 5% adjustment. In addition, costs for employee health insurance increased substantially.
- Operating transfers from the General Fund increased \$12 million from the prior year. The major beneficiaries of these were the Road Fund (\$6 million), Nursing Home (\$2 million), Information Services \$2 million), and the Landfill Fund (\$1 million).

The Road Fund's change in fund balance went from a \$4 million net decrease last year to a \$3 million increase in the current year. This was mainly the result of the operating transfers received from the General Fund as noted above.

BUDGETS

Throughout the year, the original budget is amended to reflect changes in funding needs. The County has established policies and procedures for amending the budget. Statements reflecting original and final budgets, plus actual compared to final budget amounts, are shown on pages 104 through 106 for the general fund and all major special refund funds.

Several revenue items saw the original budget significantly increased during the year. The original budget for total intergovernmental revenue in the general fund was increased almost \$6 million for a number of reasons. Numerous federal grants were entered into during the year. However, only a portion of these were received before year end, with the remainder expected in the following year. Intergovernmental revenue from the State of \$1.7 million was budgeted for a digital tax system. This also increased the combined expenditure budgets of the Board of Equalization and Tax Assessor by the same amount. The local revenue budget was increased to reflect the entire amount expected to be received from the City of Birmingham as part of the shared rabies control contract. However, only part of the revenue was received, with the balance expected next year. The original indirect cost recovery budget was increased for certain revenues which previously had been recorded in an internal service fund. The investment income budget was increased \$1.3 million for estimated market changes in the County's investments.

Expenditure budgets and actual amounts generated two significant items. Public safety showed \$5.9 million in actual overtime charges versus non budgeted due to reductions. A \$2 million increase in the County's grant to the Jefferson County Economic and Industrial Development Authority and the second year of a five-year, \$1 million per year, biomedical research grant to the University of Alabama at Birmingham accounted for the increase in Culture and Recreation's original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the County had \$3.5 billion invested in a broad range of capital assets, including buildings, roads, bridges, public safety equipment, and sewer lines. The amount represents a net increase (including additions and deductions) of \$255 million, or 7.8%, over the previous year.

**Capital Assets, net
(\$000 omitted)**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
	Land	\$ 10,939	\$ 10,781	\$ 45,920	\$ 36,888	\$ 56,859
Buildings and Improvement:	56,260	62,060	882,805	780,986	939,065	843,046
Equipment	26,809	28,553	11,969	11,248	38,778	39,801
Infrastructure	19,150	16,532	1,222,263	1,257,658	1,241,413	1,274,190
Construction in Progress	156,321	139,334	1,086,419	919,628	1,242,740	1,058,962
	<u>\$ 269,479</u>	<u>\$ 257,260</u>	<u>\$ 3,249,376</u>	<u>\$ 3,006,408</u>	<u>\$ 3,518,855</u>	<u>\$ 3,263,668</u>

Major additions during the year were predominantly in construction in progress. Amounts expended on construction projects during the year were \$8 million on jail renovations, \$4 million for courtrooms in the Criminal Justice Center, and \$2 million for renovations of the Community Development building. The County has budgeted approximately \$69 million for construction contracts for fiscal year 2004, principally for building renovations, road construction, and sewer improvement.

Debt

At year end, the County has \$3.6 billion in general obligation and revenue warrants outstanding versus \$2.7 billion last year, an increase of 32%.

**Outstanding Debt
(\$000 omitted)**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
	General Obligation Warrants (backed by the County)	\$ 297,830	\$ 268,230	\$	\$	\$ 297,830
Revenue Warrants (backed by Sewer fees)			3,271,710	2,437,755	3,271,710	2,437,755
	<u>\$ 297,830</u>	<u>\$ 268,230</u>	<u>\$ 3,271,710</u>	<u>\$ 2,437,755</u>	<u>\$ 3,569,540</u>	<u>\$ 2,705,985</u>

New debt totaling \$3.6 billion was issued during the year, composed of \$94 million in general obligation warrants and \$3.5 billion in sewer warrants. The general obligation warrants were issued to refund the outstanding balance of a prior issue and reimburse the County for prior capital expenditures. The majority of the sewer revenue bonds are refundings of previously-issued bonds, with the proceeds of all the bonds being used to upgrade and expand the sanitary sewer system.

CURRENTLY KNOWN FACTS AND CONDITIONS

On January 1, 2004, the residential sewer rate increased from \$4.90 per hundred cubic feet of water used to \$5.39 per hundred cubic feet, or an increase of 10%. Assuming the same volume of water consumption as last year, next year's sewer revenue as recorded in the business-type activities would increase approximately \$8 million.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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Jefferson County, Alabama
Statement of Net Assets
September 30, 2003
(In Thousands)
Exhibit #1

	<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 56,088	\$ 2,774	\$ 58,862
Accounts Receivable, Net	83	17,918	18,001
Loans Receivable, Net	4,408		4,408
Patient Accounts Receivable, Net		9,110	9,110
Property Taxes Receivable, Net	65,165	3,564	68,729
Interest Receivable	10	2,486	2,496
Due From Other Governments	40,743	1,172	41,915
Inventories	3,396	2,157	5,553
Prepaid Expenses	172	2,281	2,453
Total Current Assets	<u>170,065</u>	<u>41,462</u>	<u>211,527</u>
Deferred Charges		52,092	52,092
Deferred Loss on Early Retirement of Debt	1,665	355,056	356,721
Advances Due From Other Funds	19,714	(19,714)	
Restricted Assets - Noncurrent	144,749	939,170	1,083,919
Capital Assets, Net of Depreciation	269,479	3,249,376	3,518,855
Total Non-current Assets	<u>435,607</u>	<u>4,575,980</u>	<u>5,011,587</u>
Total Assets	<u>605,672</u>	<u>4,617,442</u>	<u>5,223,114</u>

Continued

Jefferson County, Alabama
Statement of Net Assets
September 30, 2003
(In Thousands)
Exhibit #1

	<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities:			
Cash Deficit	8,180	12,371	20,551
Accounts Payable	8,174	33,357	41,531
Deposits Payable		34	34
Due to Other Governments	4,998		4,998
Deferred Revenue	70,117	3,793	73,910
Accrued Wages Payable	4,210	1,673	5,883
Deferred Credits	5,112		5,112
Accrued Interest Payable	7,078	19,486	26,564
Retainage Payable	1,126	15,385	16,511
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Arbitrage Rebate Payable		1,123	1,123
Warrants Payable	18,025	2,595	20,620
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41	41
Estimated Liability for Compensated Absences	1,643	690	2,333
Estimated Claims Liability	6,030		6,030
Total Liabilities	<u>134,693</u>	<u>90,548</u>	<u>225,241</u>
Portion Due or Payable After One Year			
Arbitrage Rebate Payable		1,260	1,260
Warrants Payable	279,805	3,269,115	3,548,920
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,098	3,098
Estimated Liability for Compensated Absences	14,503	6,220	20,723
Total Non-current Liabilities	<u>294,308</u>	<u>3,279,693</u>	<u>3,574,001</u>
Total Liabilities	<u>429,001</u>	<u>3,370,241</u>	<u>3,799,242</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	(26,686)	365,100	338,414
Restricted For:			
Debt Service	141,000	406,785	547,785
Other Purposes	11,481	532,385	543,866
Unrestricted	50,876	(57,069)	(6,193)
Total Net Assets	<u>\$ 176,671</u>	<u>\$ 1,247,201</u>	<u>\$ 1,423,872</u>

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

Jefferson County, Alabama
Statement of Activities
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #2

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 121,127	\$ 44,813	\$ 30,771
Public Safety	71,248	4,136	1,829
Highways and Roads	41,901	3,136	8,256
Welfare	16,453		14,761
Culture and Recreation	18,250		
Education	231		
Interest and Fiscal Charges	14,234		
Total Government Activities	283,444	52,085	55,617
Business-type Activities:			
Hospital	74,526	27,052	
Nursing Operations	16,306	9,377	
Landfill	7,090	5,066	
Sanitary Operations	287,898	117,661	
Parking	307	267	
Total Business Type Activities	386,127	159,423	
Total Primary Government	\$ 669,571	\$ 211,508	\$ 55,617

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		Totals
	Governmental Activities	Business Type Activities	
	\$ (45,543)	\$	\$ (45,543)
427	(64,856)		(64,856)
	(30,509)		(30,509)
	(1,692)		(1,692)
	(18,250)		(18,250)
	(231)		(231)
	(14,234)		(14,234)
427	(175,315)		(175,315)
		(47,474)	(47,474)
		(6,929)	(6,929)
		(2,024)	(2,024)
		(170,237)	(170,237)
		(40)	(40)
		(226,704)	(226,704)
\$ 427	\$ (175,315)	\$ (226,704)	\$ (402,019)
General Revenues			
Taxes:			
Property Taxes	73,436	4,113	77,549
Sales Tax	63,920		63,920
Other Taxes	10,528		10,528
Occupational License	55,089		55,089
Unrestricted Investment Earnings	5,953	69,057	75,010
Miscellaneous	10,189	72	10,261
Transfers	(46,097)	46,097	
Total General Revenues	173,018	119,339	292,357
Change in Net Assets	(2,297)	(107,364)	(109,661)
Net Assets Beginning of Year (As Restated (Note 23))	178,968	1,354,565	1,533,533
Net Assets, End of Year	\$ 176,671	\$ 1,247,201	\$ 1,423,872

Jefferson County, Alabama
Balance Sheet - Governmental Funds
September 30, 2003
(In Thousands)
Exhibit #3

	General Fund	Indigent Care Fund	Road Fund
Assets			
Cash and Investments	\$ 12,668	\$ 319	\$ 1,192
Accounts Receivable, Net	48		
Loans Receivable, Net			
Property Taxes Receivable, Net	28,510		10,691
Interest Receivable			
Due From Other Governments	21,869	6,319	822
Inventories	134		2,138
Prepaid Expenses	31		5
Advances Due From Other Funds			
Total Assets	\$ 63,260	\$ 6,638	\$ 14,848
Liabilities			
Cash Deficit	\$	\$	\$
Accounts Payable	1,036		704
Due To Other Governments	90		4,908
Deferred Revenue	30,388		11,380
Retainage Payable			1,126
Accrued Wages and Benefits Payable	3,037		505
Accrued Interest Payable			
Estimated Liability for Compensated Absences	985		364
Total Liabilities	35,536		18,987
Fund Balances			
Reserved For:			
Advances Due From Other Funds			
Inventories	134		2,138
Petty Cash	76		1
Mapping and Reappraisal E-911	2,385 (726)		
Cooper Green Hospital Foundation		263	
Debt Service			
Encumbrances	2,969		1,417
Prepaid Expenses	31		5
Loans Receivable			
Unreserved Reported In:			
General Fund	22,855		
Special Revenue		6,375	(7,700)
Capital Projects			
Total Fund Balances	27,724	6,638	(4,139)
Total Liabilities and Fund Balances	\$ 63,260	\$ 6,638	\$ 14,848

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

<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 162,773	\$ 4,605	\$ 181,557
	6	54
	4,408	4,408
	25,964	65,165
	10	10
	5,395	34,405
		2,272
	4	40
19,714		19,714
\$ 182,487	\$ 40,392	\$ 307,625
\$ 45	\$ 2,334	\$ 2,334
	4,937	6,722
		4,998
	28,349	70,117
		1,126
	58	3,600
7,078		7,078
	(1)	1,348
7,123	35,677	97,323
19,714		19,714
		2,272
	1	78
		2,385
		(726)
		263
155,650		155,650
	26,902	31,288
	4	40
	4,409	4,409
		22,855
	(9,812)	(11,137)
	(16,789)	(16,789)
155,650	4,715	210,302
\$ 162,773	\$ 40,392	\$ 307,625

Jefferson County, Alabama
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2003
Exhibit #4

Total Fund Balances - Government Funds (Exhibit #3)		\$	210,302
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit #1) are different because:			
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets were added as net capital assets in the following amount:			244,626
Deferred Loss on Early Retirement of Debt is not reported in the funds			1,665
Deferred charges related to issuance of long-term liabilities are not reported in the funds			(5,112)
Internal service funds are used by management to charge the costs of certain activities, such as building services and risk management, to individual funds. The assets and liabilities of certain internal service funds are included in the statement of net assets.			34,861
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
General Obligation Warrants Payable			(297,830)
Estimated Liability For Compensated Absences			(11,841)
			(309,671)
Total Net Assets - Governmental Activities (Exhibit #1)		\$	176,671

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

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Jefferson County, Alabama
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #5

	General Fund	Indigent Care Fund	Road Fund
Revenues			
Taxes	\$ 66,864	\$ 39,216	\$ 12,679
Licenses and Permits	61,313		
Intergovernmental	22,122		7,549
Charges for Services	22,218		230
Indirect Costs Recovery	13,613		
Miscellaneous	440	8,079	173
Interest	3,808	1	
Total Revenues	<u>190,378</u>	<u>47,296</u>	<u>20,631</u>
Expenditures			
Current:			
General Government	74,014	9,000	
Public Safety	61,566		
Highways and Roads			34,256
Welfare	779		
Culture and Recreation	16,578		
Education	231		
Capital Outlay	1,596		1,803
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Debt Issuance Costs			
Indirect Costs	13,649	15	3,827
Total Expenditures	<u>168,413</u>	<u>9,015</u>	<u>39,886</u>
Excess (Deficiency) of Revenues Over Expenditures	21,965	38,281	(19,255)
Other Financing Sources (Uses)			
Debt Issued			
Payment to Escrow Agent			
Premiums on Debt Issued			
Proceeds From Sale of Capital Assets	1,431		199
Transfers In	1		22,496
Transfers Out	(40,947)	(37,900)	(119)
Total Other Financing Sources (Uses)	<u>(39,515)</u>	<u>(37,900)</u>	<u>22,576</u>
Net Change In Fund Balances	(17,550)	381	3,321
Fund Balances at Beginning of Year, As Restated (Note 23)	<u>45,274</u>	<u>6,257</u>	<u>(7,460)</u>
Fund Balances at End of Year	<u>\$ 27,724</u>	<u>\$ 6,638</u>	<u>\$ (4,139)</u>

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

<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
	29,124	147,883
		61,313
950	25,422	56,043
7	3,790	26,245
		13,613
	691	9,383
1,921	154	5,884
<u>2,878</u>	<u>59,181</u>	<u>320,364</u>
	11,908	94,922
	1,424	62,990
		34,256
	14,039	14,818
		16,578
		231
	25,704	29,103
17,145		17,145
14,234		14,234
1,069		1,069
63	696	18,250
<u>32,511</u>	<u>53,771</u>	<u>303,596</u>
(29,633)	5,410	16,768
94,000		94,000
(48,241)		(48,241)
5,833		5,833
	7	1,637
32,062	55,822	110,381
(53,000)	(31,106)	(163,072)
<u>30,654</u>	<u>24,723</u>	<u>538</u>
1,021	30,133	17,306
174,343	(25,418)	192,996
<u>\$ 175,364</u>	<u>\$ 4,715</u>	<u>\$ 210,302</u>

Jefferson County, Alabama
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003
Exhibit #6

Net Change in Fund Balances - Total Governmental Funds (Exhibit #5)	\$	17,306
Amounts reported for governmental activities in the Statement of Activities (Exhibit #2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$29,103) exceeded depreciation (\$14,077) in the current period.		
		15,026
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		
Debt Issued:		
Refunding Warrants	(\$94,000)	
Premium on Refunding	(5,833)	
Repayments:		
Payment to Escrow Agent	48,241	
Principal	<u>17,145</u>	(34,447)
Net Adjustment		
Some expenditures reported in the governmental funds are deferred on the statement of net assets, in particular bond issuance costs.		
		1,069
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The current year increases in Estimated Liability for Compensated Absences (\$711) exceeded Amortization of Deferred Charges (\$222).		
		(489)
Governmental Funds report Proceeds from Sale of Fixed Assets as other financing sources. However, the Statement of Activities reports a gain or loss on the sale of capital assets. The Proceeds from Sale of Capital Assets (\$1,636) exceeded the Gain on the Sale of Capital Assets (\$807)		
		(830)
Internal service funds are used by management to charge the costs of certain activities, such as building services and risk management, to individual funds. The net revenue and expense of certain internal service funds is reported with governmental activities.		
		<u>68</u>
Change in net assets of governmental activities	\$	<u><u>(2,297)</u></u>

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

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Jefferson County, Alabama
Statement of Net Assets - Proprietary Funds
September 30, 2003
(In Thousands)
Exhibit #7

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>	<u>Other Enterprise Funds</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$	\$ 2,595	\$ 179
Accounts Receivable, Net	42	16,940	936
Patient Accounts Receivable, Net	7,533		1,577
Property Taxes Receivable, Net		3,564	
Interest Receivable		2,486	
Due From Other Governments	250	922	
Inventories	1,155	946	56
Prepaid Expenses	2,271	8	2
Total Current Assets	<u>11,251</u>	<u>27,461</u>	<u>2,750</u>
Noncurrent Assets:			
Deferred Charges		51,934	158
Deferred Loss on Early Retirement of Debt		355,056	
Restricted Assets		939,170	
Capital Assets, Net Where Applicable	11,722	3,177,307	60,347
Total Noncurrent Assets	<u>11,722</u>	<u>4,523,467</u>	<u>60,505</u>
Total Assets	<u>\$ 22,973</u>	<u>\$ 4,550,928</u>	<u>\$ 63,255</u>
Liabilities			
Current Liabilities:			
Cash Deficit	\$ 12,371	\$	\$ 181
Accounts Payable	3,757	29,419	34
Deposits Payable			
Deferred Revenue		3,793	
Accrued Wages and Benefits Payable	755	644	274
Accrued Interest Payable		19,472	14
Retainage Payable		15,385	
Estimated Liability for Compensated Absences	227	365	98
Warrants Payable		2,595	
Estimated Claims Liability			
Total Current Liabilities	<u>17,110</u>	<u>71,673</u>	<u>601</u>
Noncurrent Liabilities:			
Advances Due to Other Funds			19,714
Arbitrage Rebate Payable		2,383	
Warrants Payable		3,269,115	
Estimated Liability for Landfill Closure/ Postclosure Care Costs			3,139
Estimated Liability for Compensated Absences	2,046	3,289	885
Total Noncurrent Liabilities	<u>2,046</u>	<u>3,274,787</u>	<u>23,738</u>
Total Liabilities	<u>19,156</u>	<u>3,346,460</u>	<u>24,339</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,722	312,587	40,791
Restricted for:			
Debt Service		406,785	
Capital Projects		532,385	
Unrestricted	(7,905)	(47,289)	(1,875)
Total Net Assets	<u>\$ 3,817</u>	<u>\$ 1,204,468</u>	<u>\$ 38,916</u>

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

Total	Internal Service Funds
\$ 2,774	\$ 19,280
17,918	29
9,110	
3,564	
2,486	
1,172	6,338
2,157	1,124
2,281	133
<u>41,462</u>	<u>26,904</u>
52,092	
355,056	
939,170	
<u>3,249,376</u>	<u>24,851</u>
4,595,694	24,851
<u>\$ 4,637,156</u>	<u>\$ 51,755</u>
\$ 12,371	\$ 5,846
33,357	1,448
34	
3,793	
1,673	613
19,486	
15,385	
690	296
2,595	
	6,030
<u>89,384</u>	<u>14,233</u>
19,714	
2,383	
3,269,115	
3,139	
6,220	2,661
<u>3,300,571</u>	<u>2,661</u>
<u>3,389,955</u>	<u>16,894</u>
365,100	24,851
406,785	
532,385	
(57,069)	10,110
<u>\$ 1,247,201</u>	<u>\$ 34,961</u>

Jefferson County, Alabama
Statement of Revenues, Expenses and
Changes in Fund Net Assets -
Proprietary Funds
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #8

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>	<u>Other Enterprise Funds</u>
Operating Revenues			
Taxes	\$	\$ 4,113	\$
Intergovernmental			
Charges for Services	27,050	117,236	14,164
Other Operating Revenue	2	425	546
Total Operating Revenues	<u>27,052</u>	<u>121,774</u>	<u>14,710</u>
Operating Expenses			
Provision for Bad Debts	1,122		661
Salaries	27,754	21,363	9,401
Employee Benefits and Payroll Taxes	5,883	5,998	2,635
Materials and Supplies	11,219	1,991	1,662
Utilities	1,033	5,665	849
Outside Services	10,675	6,198	3,577
Services From Other Hospitals	4,201		
Jefferson Clinic	7,874		
Office Expense	779	771	200
Depreciation and Amortization	1,769	81,647	2,868
Miscellaneous	367	118	228
Total Operating Expenses	<u>72,676</u>	<u>123,751</u>	<u>22,081</u>
Operating Income (Loss)	(45,624)	(1,977)	(7,371)
Nonoperating Revenues (Expenses)			
Interest Expense		(156,198)	(253)
Interest Revenue	12	69,045	
Miscellaneous		3	
Amortization of Bond Issue Costs		(4,857)	(9)
Indirect Costs	(1,850)	(3,092)	(1,360)
Gain/(Loss) on Sale of Capital Assets	(3)	33	39
Indirect Cost Recovery			
Total Nonoperating Revenues (Expenses)	<u>(1,841)</u>	<u>(95,066)</u>	<u>(1,583)</u>
Operating Transfers			
Transfers In	37,900		9,754
Transfers Out	(5)	(290)	(1,262)
Total Operating Transfers	<u>37,895</u>	<u>(290)</u>	<u>8,492</u>
Change in Net Assets	(9,570)	(97,333)	(462)
Total Net Assets - Beginning of Year as Restated (Note 23)	<u>13,387</u>	<u>1,301,801</u>	<u>39,378</u>
Total Net Assets - End of Year	<u>\$ 3,817</u>	<u>\$ 1,204,468</u>	<u>\$ 38,916</u>

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

<u>Total</u>	<u>Internal Service Funds</u>
\$ 4,113	\$ 6,862
158,450	22,055
973	
<u>163,536</u>	<u>28,917</u>
1,783	
58,518	21,278
14,516	5,537
14,872	4,204
7,547	3,289
20,450	11,293
4,201	
7,874	
1,750	4,804
86,284	2,887
713	606
<u>218,508</u>	<u>53,898</u>
(54,972)	(24,981)
(156,451)	
69,057	70
3	760
(4,866)	
(6,302)	(662)
69	21
	14,361
<u>(98,490)</u>	<u>14,550</u>
47,654	7,542
<u>(1,557)</u>	<u>(948)</u>
46,097	6,594
<u>(107,365)</u>	<u>(3,837)</u>
1,354,566	38,698
<u>\$ 1,247,201</u>	<u>\$ 34,861</u>

Jefferson County, Alabama
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #9

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received for Services	\$ 25,907	\$ 112,201
Other Operating Revenues	2	4,245
Cash Payments to Employees	(33,602)	(27,026)
Cash Payments for Goods and Services	(35,391)	(27,804)
Net Cash Provided (Used) by Operating Activities	<u>(43,084)</u>	<u>61,616</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers Out	(5)	(290)
Operating Transfers In	37,900	
Received From Auxiliary Services		3
Increase/(Decrease) in Cash Deficit	8,063	
Indirect Cost	(1,850)	(3,092)
Indirect Cost Recovery		
Net Cash (Used) by Non-Capital Financing Activities	<u>44,108</u>	<u>(3,379)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of Capital Assets	(1,036)	(326,799)
Proceeds From Sale of Capital Assets		830
Interest Paid		(155,111)
Proceed From Bond Issues		3,211,376
Principal Payments on Warrants		(2,730,155)
Bond Issuance Costs		(16,992)
Ratoinage Payments		2,879
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,036)</u>	<u>(13,972)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Received	12	67,226
Net Cash Flows Provided by Investing Activities	<u>12</u>	<u>67,226</u>
Net Increase (Decrease) in Cash		111,491
Cash, Beginning of Year		<u>830,274</u>
Cash, End of Year	<u>\$</u>	<u>\$ 941,765</u>

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

Other Enterprise Funds		Total	Internal Service Funds		
\$	15,648	\$	153,756	\$	22,100
	138		4,385		6,142
	(12,005)		(72,633)		(26,558)
	(6,930)		(70,125)		(20,548)
	(3,149)		15,383		(18,864)
	(1,262)		(1,557)		(948)
	9,754		47,654		7,542
			3		760
	(1,371)		6,692		752
	(1,360)		(6,302)		(662)
					14,362
	5,761		46,490		21,806
	(2,214)		(330,049)		(4,444)
	39		869		20
	(262)		(155,373)		
			3,211,376		
			(2,730,155)		
			(16,992)		
			2,879		
	(2,437)		(17,445)		(4,424)
			67,238		70
			67,238		70
	175		111,666		(1,412)
	4		830,278		20,692
\$	179	\$	941,944	\$	19,280

Jefferson County, Alabama
Statement of Cash Flows -
Proprietary Funds
September 30, 2003
(In Thousands)
Exhibit #9

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating Activities</u>		
Operating Income/(Loss)	\$ (45,624)	\$ (1,977)
<u>Adjustments to Reconcile Operating Income to</u>		
<u>Net Cash Provided by Operating Activities</u>		
<u>Provision For Bad Debt</u>		
Depreciation and Amortization	1,769	81,647
(Increase)/Decrease in Prepaid Expenses	(504)	2
(Increase)/Decrease in Accounts Receivable	4	(4,546)
(Increase)/Decrease in Patient Receivables	(1,475)	
(Increase)/Decrease in Due From Other Governments	326	(490)
(Increase)/Decrease in Inventory	(202)	(602)
Increase/(Decrease) in Accounts Payable	2,586	(12,885)
Increase/(Decrease) in Deferred Revenue		132
Increase/(Decrease) in Due to Other Funds		
Increase/(Decrease) in Deposits Payable		
Increase/(Decrease) in Accrued Wages and Benefits Payable	90	122
Increase/(Decrease) in Estimated Liability for Compensated Absences	(54)	213
Increase/(Decrease) in Estimated Claims Liability		
Increase/(Decrease) in Estimated Liability for Landfill Closure/Postclosure Care Costs		
	<hr/>	<hr/>
Total Adjustments	2,540	63,593
Net Cash Provided by Operating Activities	<u>\$ (43,084)</u>	<u>\$ 61,616</u>

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

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ (7,371)	\$ (54,972)	\$ (24,981)
2,868	86,284	2,887
(1)	(503)	4
1,274	(3,268)	50
208	(1,267)	
	(164)	(725)
26	(778)	2
36	(10,263)	652
	132	
224	224	
4	4	
38	250	127
(7)	152	127
		2,993
(448)	(448)	
4,222	70,355	6,117
\$ (3,149)	\$ 15,383	\$ (18,864)

Jefferson County, Alabama
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2003
(In Thousands)
Exhibit #10

	<u>Agency Funds</u>
Assets	
Cash and Investments	\$ 3,425
Loans Receivable, Net	405
Prepaid Expenses	<u>1</u>
Total Assets	<u><u>3,831</u></u>
Liabilities	
Due to External Organizations	2,463
Due to Other Governments	<u>1,368</u>
Total Liabilities	<u><u>\$ 3,831</u></u>

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 1 - Summary of Significant Account Policies

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

In June 1999, the GASB approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement provides for significant changes in financial reporting for state and local governments. Some of the significant changes include:

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

These and other changes are reflected in the accompanying government-wide and fund financial statements (including the notes to the financial statements). The Jefferson County Commission implemented the provisions of the Statement in the prior fiscal year. The Commission will retroactively report infrastructure (assets acquired prior to October 1, 2001) by or before the fiscal year ending September 30, 2006.

A. Reporting Entity

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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.

Also, the General Retirement System for Employees of Jefferson County, Alabama is a component unit of the Jefferson County Commission. The financial statements for the General Retirement System can be obtained from: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35203.

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Commission reports the following major governmental funds:

- **General Fund** – The general fund is the primary operating fund of the County. It is used to account for financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes, occupational taxes, county sales taxes and revenues collected by the State of Alabama and shared with the County.
- **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.
- **Debt Service Fund** – This fund is used to account for the accumulation of resources for, and the payment of, the Commission's principal and interest on governmental funds.

Other non-major governmental funds are as follows:

- **Senior Citizens' Activities Fund** – This fund is used to account for the expenditure of federal and county funds to provide social, nutritional, transportation, and other services to elderly residents of Jefferson County.
- **Bridge and Public Building Fund** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.
- **Community Development Fund** – This fund is used to account for the expenditure of federal block grant funds.
- **CDBGIEDA Revolving Loan Fund** – This fund is used to account for the Commission's administration of various loan programs for rental housing rehabilitation and economic development.
- **Home Grant Fund** – This fund is used to account for the expenditure of funds received from the U. S. Department of Housing and Urban Development.
- **Emergency Management Fund** – This fund is used to account for the expenditure of funds received for disaster assistance programs.
- **Capital Improvements Fund** – This fund is used to account for the financial resources used in the improvement of major capital facilities.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

- **Road Construction Fund** – This fund is used to account for the financial resources used in the construction of roads.

The Commission reports the following major enterprise funds:

- **Cooper Green Hospital Fund** – This fund is used to account for the operations of the Cooper Green Hospital. Operating revenues are derived from net patient charges and reimbursements from third parties including Medicare and Medicaid.
- **Sanitary Operations Fund** – This fund is used to account for the operations of the County's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated ad valorem taxes.

Other non-major enterprise funds are as follows:

- **County Home Fund** – This fund is used to account for the operations of in-patient nursing facilities. Net revenues are received from patient charges and reimbursements from third parties, principally Medicaid.
- **Landfill Operations Fund** – This fund is used to account for the operations of the County's landfill systems. Revenues are generated primarily through user charges.
- **Parking Deck Fund** – This fund is used to account for the operations of the County parking deck. Revenues are generated through user charges.

Also reported on Exhibits 7 & 8 are Internal Service Funds. These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis and for a governmental entity's risk financing activities. These funds are as follows:

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

- **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.

The Commission also reports the following Fiduciary Fund Types:

Agency Funds

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

The Commission reports the following columns:

Proprietary Funds

- **Enterprise Funds** – These funds report the activities for which fees are charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.
- **Internal Service Funds** – These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis and for a governmental entity's risk financing activities.

Fiduciary Fund Types

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

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

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

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

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

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

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

1. Deposits and Investments

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

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

2. Receivables

All trade, property tax, sales tax, and motor vehicle tax receivables are shown net of an allowance for uncollectibles.

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

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

	<u>(In Thousands)</u>
	<u>Enterprise Funds</u>
Patient Receivables	\$ 28,413
Allowance Accounts	<u>(19,303)</u>
Net Patient Receivables	<u>\$ 9,110</u>

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 \$4,408,000 at September 30, 2003.

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, 2003, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled \$405,000.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

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

3. Inventories

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

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

Depreciation on all assets is provided on the straight-line basis over the assets' estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

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

GASB No. 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2002. These infrastructure assets are likely to be the largest asset class of the Commission. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period of up to four years. The Commission will retroactively report its infrastructure built or acquired since June 30, 1980 by the beginning of fiscal year 2006.

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

7. Long-Term Obligations

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

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

Bond discount/issue cost of the Series 2003-C Sewer Revenue Refunding Warrants contain deferred costs of \$23,965,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred cost of the 2003-C issue was \$23,861,000.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Bond discount/issue cost of the Series 2003-B Sewer Revenue Refunding Warrants contain deferred costs of \$10,814,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred cost of the 2003-B issue was \$10,697,000.

Bond discount/issue cost of the Series 2003-A Sewer Revenue Refunding Warrants contain deferred costs of \$28,000,000 that are being amortized over 12 years. At September 30, 2003, the unamortized deferred cost of the 2003-A issue was \$26,000,000.

Bond discount/issue cost of the Series 2002-C Sewer Revenue Refunding Warrants contain deferred costs of \$13,346,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred cost of the 2002-C issue was \$13,018,000.

Bond discount/issue cost of the Series 2002-A Sewer Revenue Refunding Warrants contain deferred costs of \$1,607,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred cost of the 2002-A issue was \$1,543,000.

Bond discount/issue cost of the Series 2001-A Sewer Revenue Warrants contained deferred costs of \$11,905,000 that are being amortized over 40 years. As a result of portions of this issue being defeased by the aforementioned 2003-C, 2003-B and 2002-C issues \$10,426,000 in costs were removed from the financial statements. At September 30, 2003, the unamortized deferred cost of the 2001-A issue was \$583,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contained deferred costs of \$9,956,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred charge of the 1997-A issue was \$2,205,000.

Bond (premium)/issue costs of the Series 2003-A General Obligation Refunding Warrants contain deferred costs of (\$4,764,000) that are being amortized over 20 years. At September 30, 2003, the unamortized deferred credit of the 2003-A issues was (\$4,531,000).

Bond (premium)/issue cost of the Series 2002-A General Obligation Warrants contain deferred costs of \$589,000 that are being amortized over 5 years. At September 30, 2003, the unamortized deferred credit of the 2002-A issue was (\$406,000).

Bond (premium)/issue cost of the Series 2001-A General Obligation Warrants contain deferred costs of (\$682,000) that are being amortized over 10 years. At September 30, 2003, the unamortized deferred credit of the 2001-A issue was (\$512,000).

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of \$379,000 attributable to general governmental operations and \$179,000 attributable to Landfill Operations that are being amortized over 20 years. At September 30, 2003, the unamortized deferred cost of the 2001-B issue was \$337,000 for the governmental funds and \$158,000 for the enterprise funds.

Bond discount/issue cost of the Series 1993 General Obligation Warrants contained deferred costs of \$1,898,000. Because the issue was defeased by aforementioned 2003-A issue there is no remaining balance at September 30, 2003.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

8. 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 for 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 (1) payment at the current hourly pay step of the employee or (b) granting equivalent time off.

The Commission uses the termination method to accrue sick leave liability. **Termination Payment Method** – Under this method an accrual for earned sick leave is made only to the

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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, 2003, the liability for accrued vacation and compensatory leave is approximately \$14,434,000. Of this amount \$10,166,000 is reported in the governmental activities and \$4,268,000 is reported in the business-type activities.

As of September 30, 2003, the liability for accrued sick leave is approximately \$8,622,000. Of this amount, \$5,980,000 is reported in the governmental activities and \$2,642,000 is reported in the business-type activities.

9. Net Assets/Fund Equity

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

- ***Invested in Capital Assets, net of related debt*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- ***Restricted*** – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ***Unrestricted*** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

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

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

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

(In Thousands)	
<u>Revenues:</u>	
Charges for Services	\$ 6,004
Interest	70
Transfers In	7,541
Total Revenues	13,615
<u>Expenses:</u>	
General Government	10,289
Public Safety	1,115
Highways and Roads	638
Health and Welfare	239
Culture and Recreation	319
Transfers Out	947
Total Expenses	13,547
Total Revenues Over Expenses	\$ 68

Note 3 – Stewardship, Compliance and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

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

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

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2003, the following governmental funds had a deficit fund balance:

(In Thousands)	
Road Fund	\$ 4,139
Senior Citizens Fund	747
Capital Improvement Fund	2,077

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 4 – Deposits and Investments

Deposits

The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Programs (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the 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)		
	Category 1	Reported Amount	Fair Value
U. S. Government Securities (**)	\$ 235,002	\$ 235,002	\$ 235,002
Repurchase Agreements	580,506	580,506	580,506
Total Investments	\$ 815,508	\$ 815,508	\$ 815,508

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 deposit 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 \$16,786,000 are included as part of Cash and Investments on Exhibit 1, but are not included in deposits and investments discussed above. They are not covered by collateral agreements between financial institutions and the Jefferson County Commission, and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2003 was as follows:

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

	(In Thousands)				
	Balance 10/01/02	Additions	Retirements	Reclassification	Balance 09/30/03
Governmental Activities:					
Capital Assets, not being depreciated					
Land	\$ 10,781				\$ 10,781
Construction in Progress	139,334				139,334
General Infrastructure - C. I. P.	16,532				16,532
	166,647				166,647
Total Capital Assets, not being depreciated	166,647				166,647
Capital Assets, being depreciated:					
Buildings	196,479				196,479
Improvements Other than Land/Bldg	8,408				8,408
Maintenance Equipment	4,696				4,696
Motor Vehicle (Non Fleet)	18,884				18,884
Office Furniture and Fixtures	3,625				3,625
Motor Vehicle (Fleet)	38,226				38,226
Miscellaneous Equipment	33,140				33,140
	303,458				303,458
Total Capital Assets, being depreciated	303,458				303,458
Less Accumulated Depreciation for:					
Buildings	(138,745)				(138,745)
Improvements Other than Land/Bldg	(4,082)				(4,082)
Maintenance Equipment	(4,094)				(4,094)
Motor Vehicle (Non Fleet)	(10,240)				(10,240)
Office Furniture and Fixtures	(2,344)				(2,344)
Motor Vehicle (Fleet)	(28,019)				(28,019)
Miscellaneous Equipment	(25,321)				(25,321)
	(212,845)				(212,845)
Total Accumulated Depreciation	(212,845)				(212,845)
	90,613				90,613
Total Capital Assets, being depreciated, net	90,613				90,613
Governmental Activities Capital Assets, net	\$ 257,260	\$	\$	\$	\$ 257,260

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

	(In Thousands)				
	Balance 10/01/01	Additions	Retirements	Reclassification	Balance 09/30/02
Business-Type Activities					
Capital Assets, not being depreciated					
Land	\$ 36,888	\$ 8,339	\$ (28)	\$ 721	\$ 45,920
Construction in Progress	919,628	315,114	(752)	(147,571)	1,086,419
Total Capital Assets, not being depreciated	956,516	323,453	(780)	(146,850)	1,132,339
Capital Assets, being depreciated:					
Buildings	354,236	73		40,027	394,336
Improvements Other than Land/Bldg	790,225	2,531		106,282	899,038
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,943	38	(10)		5,971
Motor Vehicle (Non Fleet)	6,493	2,556	(3)		9,046
Office Furniture and Fixtures	9,996	159	(108)		10,047
Motor Vehicle (Fleet)	11,295	731	(382)		11,644
Miscellaneous Equipment	13,006	1,031	(79)		13,958
Total Capital Assets, being depreciated	2,607,004	7,119	(582)	146,309	2,759,850
Less Accumulated Depreciation for:					
Buildings	(132,382)	(11,665)	12		(144,035)
Improvements Other than Land/Bldg	(231,093)	(35,618)	177		(266,534)
Infrastructure North	(57,284)	(13,333)			(70,617)
Infrastructure South	(100,868)	(22,062)			(122,930)
Maintenance Equipment	(5,408)	(212)	10		(5,610)
Motor Vehicle (Non Fleet)	(3,846)	(719)	3		(4,562)
Office Furniture and Fixtures	(9,547)	(92)	107		(9,532)
Motor Vehicle (Fleet)	(7,965)	(1,141)	191		(8,915)
Miscellaneous Equipment	(8,719)	(1,442)	83		(10,078)
Total Accumulated Depreciation	(557,112)	(86,284)	583		(642,813)
Total Capital Assets, being depreciated, net	2,049,892	(79,165)	1	146,309	2,117,037
Business-type Activities Capital Assets, net	\$ 3,006,408	\$ 244,288	\$ (779)	\$ (541)	\$ 3,249,376

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

	<u>(In Thousands)</u>
Governmental Activities:	
General Government	\$ 8,064
Public Safety	1,785
Highway and Roads	4,093
Health & Welfare	<u>135</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 14,077</u>
	<u>(In Thousands)</u>
Business-Type Activities:	
Hospital	\$ 1,769
Nursing Operations	339
Landfill	2,522
Sanitary Operations	81,647
Parking Services	<u>7</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 86,284</u>

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The General Retirement System for Employees of Jefferson County, Alabama (Retirement System) is the administrator of a single-employer, defined benefit pension plan (Plan) covering substantially all employees of Jefferson County, Alabama. The Retirement System was established by Act Number 487, 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, 2003. 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. Funding Policy

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

C. Annual Pension Costs

For the year ended September 30, 2003, the Commission's annual pension contribution of \$8,580,000 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of October 1, 2003, the latest actuarial valuation date, were: 9a) 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 level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2003 was 13 years.

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

Fiscal Year Ending	(In Thousands) Annual Pension Costs (APC)	Percentage of APC Contributed	Net Penion Obligation
09/29/03	\$8,580	100%	\$0
09/30/02	\$8,189	100%	\$0
09/30/01	\$7,543	100%	\$0

D. Schedule of Funding Progress

(In Thousands)						
Actuarial Valuation Date	Acturial Value of Assets (a)	Actuarial Accrued Liaability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	Percentage of Covered Payroll [(b-a)/c]
09/30/01	\$ 642,487	\$ 550,172	\$ (92,315)	116.8%	\$ 133,919	(68.0%)
09/30/02	\$ 676,094	\$ 610,321	\$ (65,773)	110.8%	\$ 144,465	(45.5%)
09/30/03	\$ 720,939	\$ 651,635	\$ (69,304)	110.6%	\$ 151,206	(45.8%)

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 7 – Other Post-Employment Benefits (OPEB)

In addition to the pension benefits described in Note 6, the Commission provides post employment health care benefits, in accordance with a resolution approved by the Commission on September 25, 1990, to employees who meet the following requirements. Employees must: (1) have been covered by the County group health care plan at the time of retirement, (2) immediately upon retirement begin receiving a retirement pension under the rules and regulations of the General Retirement System for the Employees of Jefferson County, and the amount of the pension must be sufficient to cover the required retiree contributions, (3) be under 65 years of age, and (4) not be eligible for Medicare. The Commission adopted a resolution on September 22, 1992 to allow those retirees who are not eligible to receive a retirement pension to participate in the health care plan by prepaying to the Commission the semi-annual premium for the retiree contributions.

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

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

Currently 323 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 \$11.43 to \$666 per month and total insurance premiums range from \$269 to \$780. Expenditures for post retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$499,000 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

<u>Nature of Commitment</u>	(In Thousands)	
	<u>Nature of Commitment</u>	
Cahaba River Sewer Improvements	\$	30,156
Criminal Justice Center and Community Development Renovation		3,096
Consent Decree Improvements		2,475
East Village Creek Sewer Improvements		9,755
Five Mile Creek Sewer Improvements		14,786
Hopewell Pump Station		16,544
Integrated Tax System		2,098
Lower Valley Creek Sewer Improvements		11,285
Miscellaneous Sewer Rehabilitation		7,048
Morris Kimberly Sewr Improvements		23,296
Health Care Services		6,342
Prudes Creek Sewer Improvements		2,351
Trussville Sewer Improvements		13,186
Turkey Creek Sewer Improvements		26,500
Upper Valley Creek Sewer Improvements		8,614
Valley Creek Sewer Improvements		131,532
Youth Services Grant		3,502
Totals	\$	<u>312,566</u>

Note 9 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Jefferson County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total compensation which at September 30, 2003 amounted to \$4,000.

Note 10 – Deferred Revenues

Governmental funds and proprietary funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2003,

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

	(In Thousands)	
	Unavailable	Unearned
Ad Valorem Taxes Receivable	\$ 68,729	\$ 4,467
Grant Drawdowns Prior to Meeting All Eligibility Requirements		714
Total Deferred/Unearned Revenue for Governmental Funds	\$ 68,729	\$ 5,181

Note 11 – Lease Obligations

Operating Leases

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected as part of the Commission's capital assets. During the fiscal year ended September 30, 2003, total costs paid by the Commission were \$1,234,000 for governmental activities and \$303,000 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2003 were as follows:

Fiscal Year Ended September 30	(In Thousands)	
	Governmental Activities	
2004	\$	278
2005		278
2006		277
2007		265
2008		240
2009-2013		992
2014-2018		314
Total:	\$	<u>2,644</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 12 – 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.

Note 13 – Long-Term Debt

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

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

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

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

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

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

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

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

The Sewer Revenue Warrants Series 2002-D dated November 1, 2002 were issued for the purpose funding various sewer improvements. This issue was refunded and defeased within

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

the same fiscal year. See the description of the Sewer Revenue Refunding Warrants Series 2003-C below.

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

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

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

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2003.

(In Thousands)					
	Debt Outstanding October 1, 2002	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2003	Amounts Due Within One Year
Governmental Activities:					
General Obligation Warrants	\$ 268,230	\$ 94,000	\$ 64,400	\$ 297,830	\$ 18,025
Estimated Claims Liability	3,038	4,460	1,468	6,030	6,030
Estimated Liability for Compensated Absences	15,070	1,076		16,146	1,643
Governmental Activity Long- Term Liabilities	<u>\$ 286,338</u>	<u>\$ 99,536</u>	<u>\$ 65,868</u>	<u>\$ 320,006</u>	<u>\$ 25,698</u>
Business-type Activities:					
Arbitrage Rebate Payable	2,383			2,383	1,123
Revenue Warrants	2,437,755	3,564,110	2,730,155	3,271,710	2,595
Estimated Liability for Post- Closure Landfill Costs	3,587		448	3,139	41
Estimated Liability for Compensated Absences	6,151	759		6,910	690
Business-type Activity Long- Term Liabilities	<u>\$ 2,449,876</u>	<u>\$ 3,564,869</u>	<u>\$ 2,730,603</u>	<u>\$ 3,284,142</u>	<u>\$ 3,326</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

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

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

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

		<u>(In Thousands)</u>	
		<u>Governmental Activities</u>	
		<u>General Obligation Warrants</u>	
		<u>Principal</u>	<u>Interest</u>
Fiscal Year Ended			
September 30,			
	2004	18,025	13,623
	2005	21,175	12,718
	2006	15,980	11,906
	2007	23,725	10,917
	2008	14,430	9,963
	2009-2013	60,425	40,605
	2014-2018	64,315	26,905
	2019-2023	79,755	9,729
Totals		<u>\$ 297,830</u>	<u>\$ 136,366</u>
		<u>Business-Type Activities</u>	
		<u>Revenue Warrants</u>	
		<u>Principal</u>	<u>Interest</u>
Fiscal Year Ended			
September 30,			
	2004	\$ 2,595	\$ 125,916
	2005	4,365	125,773
	2006	3,855	125,610
	2007	6,430	125,412
	2008	6,685	123,760
	2009-2013	139,910	607,403
	2014-2018	304,785	572,705
	2019-2023	283,310	524,481
	2024-2028	448,850	451,370
	2029-2033	490,975	363,355
	2034-2038	719,850	256,427
	2039-2043	960,100	71,150
Totals		<u>\$ 3,371,710</u>	<u>\$ 3,473,362</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Warrant Issuance Costs and Premiums

The Commission reports warrant issuance costs and premiums in the deferred charges account.

Balances in this account for the governmental-type activities are as follows:

	(In Thousands)
	<u>Deferred Charges</u>
Total Issuance Costs and Premium	\$ (3,759)
Amounts Removed as a Result of Amortization and Refunds	<u>(1,353)</u>
Balance Issuance Costs and Premium	<u><u>\$ (5,112)</u></u>

Balances in this account for business-type activities are as follows:

	(In Thousands)
	<u>Deferred Charges</u>
Total Issuance Costs and Premium	\$ 108,601
Amounts Removed as a Result of Amortization and Refunds	<u>(56,509)</u>
Balance Issuance Costs and Premium	<u><u>\$ 52,092</u></u>

Refunded Debt

On March 19, 2003, Jefferson County Commission issued \$94,000,000 in General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, for the purpose (1) of refunding outstanding Series 1993 General Obligation Warrants, (2) paying the costs of issuing the Series 2003-A warrants and (3) funding certain capital improvements. The Series 1993 General Obligation Warrants were redeemed on April 7, 2003 and have therefore been removed. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1,793,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the new debt issued. As a result of the refunding, the Commission increased its debt service requirements by approximately \$13,359,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,024,000.

On January 9, 2003, Jefferson County Commission issued \$41,820,000 in Sewer Revenue Refunding Warrants, for the purpose of refunding outstanding Series 1997-C Sewer Revenue Warrants. The Series 1997-C Sewer Revenue Warrants were refunded and cancelled on

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

January 10, 2003 and have therefore been removed. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$607,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the new debt issued. As a result of the refunding, the Commission decreased its debt service requirements by approximately \$2,807,000. This resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$2,434,000.

Defeased Debt

2002-C Sewer Revenue Refunding Warrants

On October 26, 2002, the Commission issued \$839,500,000 in Sewer Revenue Warrants with a variable interest rate to advance refund portions of the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, and the 2001-A Sewer Revenue Warrants. In connection with the issuance of the debt the Commission entered into interest rate swap transactions obligating the county to pay a fixed rate on the debt of 3.92%. Issuance costs associated with this debt were approximately \$13,581,000. The net proceeds of \$825,919,000 were used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

1997-D Sewer Revenue Warrants (Interest Rate 5.65% to 5.70%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$27,812,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately \$38,420,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$21,906,000.

1999-A Sewer Revenue Refunding Warrants (Interest Rate 5.00% to 5.75%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$69,603,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$168,480,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$67,669,000.

2001-A Sewer Revenue Warrants (Interest Rate 4.5% to 5.00%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$14,751,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

the life of the new debt issued. As a result of the advance refunding, the Commission decreased the debt service requirements by approximately \$49,437,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$15,061,000.

2003-B Sewer Revenue Refunding Warrants

On May 1, 2003, the Commission issued \$1,155,765,000 in Sewer Revenue Warrants with a variable interest rate to advance refund portions of the 1997-A Sewer Revenue Refunding Warrants, the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, the 2001-A Sewer Revenue Warrants, the 2002-B Sewer Revenue Warrants and the 2002-D Sewer Revenue Warrants. In connections with the issuance of the debt, the Commission entered into interest rate swap transactions obligating the county to pay a fixed rate on the debt of 3,678%. Issuance costs associated with this debt were approximately \$21,570,000. The original issue premium on the issue was \$10,724,000. Funds contributed from other sources were \$12,731,000. Accrued interest on the issue was \$526,000.00. The net proceeds of the issue were \$1,157,650,000. Of this amount \$1,028,910,000 was used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

1997-A Sewer Revenue Warrants (Interest Rate 5.00% to 5.65%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$16,790,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately \$11,272,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$14,397,000.

1997-D Sewer Revenue Warrants (Interest Rate 5.65% to 5.70%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$9,584,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately \$19,562,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$8,069,000.

1999-A Sewer Revenue Refunding Warrants (Interest Rate 5.00% to 5.75%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$50,182,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding the Commission decreased

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

its debt service requirements by approximately \$104,875,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$39,905,000.

2001-A Sewer Revenue Warrants (Interest Rate 4.5% to 5.00%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$14,813,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$70,937,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$14,317,000.

2002-B Sewer Revenue Warrants (Interest Rate 4.75% to 5.125%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$27,727,000. This difference is being netted against the new debt and amortized over the remaining life of the debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$134,190,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$27,518,000.

2002-D Sewer Revenue Warrants (Interest Rate 5.00% to 5.25%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$3,637,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$12,679,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$3,080,000.

2003-C Sewer Revenue Refunding Warrants

On August 7, 2003, the Commission issued \$1,052,025,000 in Sewer Revenue Warrants with a variable interest rate to advance refund portions of the 1997-A Sewer Revenue Refunding Warrants, the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, the 2001-A Sewer Revenue Warrants, the 2002-B Sewer Revenue Warrants, and the 2002-D Sewer Revenue Warrants. In connection with the issuance of the debt the Commission entered into interest rate swap transactions obligating the county to pay a fixed rate on the debt of 3.596%. Issuance costs associated with this debt were approximately \$24,187,000. Funds contributed from other sources were \$171,928,000. The net proceeds of the issue were \$1,199,765,000. Of this amount \$1,128,462,000 was used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

1997-A Sewer Revenue Warrants (Interest Rate 5.00% to 5.65%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$2,659,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately \$15,509,000 resulting in an economic loss (difference between the present value of the debt service payments on the old and new debt) of approximately \$2,075,000.

1997-D Sewer Revenue Warrants (Interest 5.65% to 5.70%)

The advance refunded resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$5,267,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately \$21,952,000 resulting in an economic loss (difference between the present value of the debt service payments on the old and new debt) of approximately \$634,000.

1999-A Sewer Revenue Refunding Warrants (Interest Rate 5.00% to 5.75%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$16,235,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$7,250,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$8,249,000.

2001-A Sewer Revenue Warrants (Interest Rate 4.5% to 5.00%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$5,393,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$15,495,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$15,549,000.

2002-B Sewer Revenue Warrants (Interest Rate 4.75 to 5.125%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$40,342,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$174,356,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$46,830,000.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

2002-D Sewer Revenue Warrants (Interest Rate 5.00% to 5.25%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$52,992,000. This is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately \$97,541,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$41,378,000.

Prior year Defeasance of Debt

In prior years, the Commission defeased certain revenue warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2003, the total of \$83,875,000 of warrants outstanding are considered defeased.

Note 14 – Warrants Payable – Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of \$3,271,710,000 at September 30, 2003. This long-term liability represents (1) The 1997-A Sewer Revenue Refunding Warrants, (2) the 2001-A Taxable Sewer Revenue Capital Improvements Warrants, (3) the 2002-A Sewer Revenue Capital Improvement Warrants, (4) the 2002-C Sewer Revenue Refunding Warrants, (5) the 2003-A Sewer Revenue Refunding Warrants, (6) the 2003-B Sewer Revenue Refunding Warrants, and (7) the 2003-C Sewer Revenue Refunding Warrants.

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

The balances as of September 30, 2003, exceeded the bond indenture requirements and were as follows:

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

(In Thousands)	
Sewer Reserve Fund	\$ 54,106
1999 Sewer Reserve Fund	\$ 60,229
Sewer Rate Stabilization Fund	\$ 77,829
Sewer Depreciation Fund	\$ 49,114
2002-B Sewer Reserve Fund	\$ 54,898
2002-D Reserve Fund	\$ 30,199

Note 15 – Continuing Disclosure

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

	Fiscal Year Ended September 30,									
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Active Accounts	143,056	143,038	142,305	142,277	142,042	141,606	140,324	140,146	141,141	141,141
Average Daily Treatment Volume (millions of gallons)	120	116	97	114	119	132	127	130	130	130
Sewer Charges	\$ 92,409,648	\$ 84,470,770	\$ 72,129,478	\$ 66,834,206	\$ 57,020,426	\$ 49,531,824	\$ 46,950,835	\$ 44,387,013	\$ 44,387,013	\$ 39,587,900
% Revenues - Largest Customer	3.98%	2.74%	2.66%	2.57%	2.93%	2.91%	2.92%	3.08%	3.08%	2
% Revenues - Top 10 Customer	12.66%	11.13%	12.53%	11.99%	11.62%	12.35%	10.37%	13.10%	13.10%	10

<u>2002 Top Ten Customers</u>	<u>Consumption</u> (in cubic feet)	<u>Amount</u>
University of Alabama - Birmingham	851,918	\$ 3,681,315
Birmingham Housing Authority	472,570	2,152,632
US Steel	503,627	1,502,281
Barber Dairies	135,858	1,016,555 *
Birmingham Board of Education	137,746	605,185
Brookwood Medical Center	135,177	597,825 *
Buffalo Rock	243,973	572,100 *
Golden Flake	113,472	568,047
Children's Hospital	112,035	507,703
Baptist Medical Center	153,905	495,232

* Indicates surcharge on same consumption

Effective March 1, 1999, January 1, 2000, January 1, 2001, January 1, 2002, and January 1, 2003 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 the Year Ended September 30, 2003

Note 16 – Landfill Closure and Postclosure Care Costs

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

The estimated liability for landfill closure and postclosure care costs had a balance of \$3,139,000 as of September 30, 2003. This estimate was based on 52% usage (filled) of the Jefferson County Landfill Number 1, and 66% usage (filled) of the Jefferson County Landfill Number 2, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed in 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, 2003. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 17 – Conduit Debt Obligations

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

As of September 30, 2003, the principal amount outstanding was \$41,140,000.

Note 18 – Risk Management

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

- **General and Auto Liability** - Self-insured with an established internal service fund to finance losses.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

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

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

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 the Year Ended September 30, 2003

	(In Thousands)							
	General Liability		Auto Liability		Workers' Compensation		Totals	
	2003	2002	2003	2002	2003	2002	2003	2002
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 260	\$ 1,234	\$ 704	\$ 383	\$ 2,074	\$ 3,023	\$ 3,038	\$ 4,640
<u>Incurrd claims and claim adjustment expenses:</u>								
Provision for insured events of current fiscal year	148	168	38	363	827	783	1,013	1,314
Increases/(Decreases) in provision for insured events of prior fiscal years	1,485		(46)		2,008		3,447	
Total incurrd claims and claim adjustment expenses	1,633	168	(8)	363	2,835	783	4,460	1,314
<u>Payments:</u>								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	203	1,142	76	42	1,189	1,732	1,468	2,916
Claims and claim adjustment expenses attributable to insured evens of prior fiscal year								
Total payments	203	1,142	76	42	1,189	1,732	1,468	2,916
Total unpaid claim and claim adjustment expenses at end of fiscal year	<u>\$ 1,690</u>	<u>\$ 260</u>	<u>\$ 620</u>	<u>\$ 704</u>	<u>\$ 3,720</u>	<u>\$ 2,074</u>	<u>\$ 6,030</u>	<u>\$ 3,038</u>

Jefferson County Employee Benefit Trust

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

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

The schedule below presents health claims information for the fiscal year ended September 30, 2003:

(In Thousands)			
Balance 09/30/02	Claims Incurred	Claims Paid	Balance 09/30/02
\$ 0	\$ 21,504,000	\$ (20,004,000)	\$ 1,500,000

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 19 – Advances to Other Funds

The amounts due to/from other funds at September 30, 2003 were as follows:

<u>(In Thousands)</u>	
<u>Advances From Other Funds</u>	
<u>Sanitary Landfill Operation Fund</u>	
<u>Advances to Other Funds</u>	
Debt Service Fund	<u>\$19,714</u>

Interfund Transfers

	Transfers							Totals
	In							
General Fund	Road Fund	Debt Service Fund	Cooper Green Hospital	Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds		
Transfers Out								
General Fund	\$ 22,211			\$ 2,663	\$ 6,373	\$ 9,700	\$ 40,947	
Indigent Care Fund			37,900				37,900	
Road Fund				119			119	
Debt Service Fund				53,000			53,000	
Cooper Green Hospital						5	5	
Sanitary Operations Fund	285				5		290	
Nonmajor Governmental Funds		30,800		28	278		31,106	
Internal Service Funds	1			12	886	49	948	
Nonmajor Proprietary Funds		1,262					1,262	
Totals	<u>\$ 1</u>	<u>\$ 22,496</u>	<u>\$ 32,062</u>	<u>\$ 37,900</u>	<u>\$ 55,822</u>	<u>\$ 7,542</u>	<u>\$ 9,754</u>	<u>\$ 165,577</u>

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

Note 20 – Subsequent Events

Under Alabama law and the County's Liability Management Policy, the County has the power to enter into interest rate swap transactions from time to time.

The County and Bank of America, N.A. are parties to an interest rate swap with a trade date of October 9, 2003 and an effective date of April 1, 2004. The notional amount of \$100,000,000 effective April 1, 2004 and a termination date of February 1, 2024. The County receives

**Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003**

semiannual payments at a fixed rate of 4.815% per annum and makes monthly payments calculated using the BMA Municipal Swap Index. Bank of America, N.A. has the option to cancel all or a specified portion of the notional amount of the swap on every Monthly Floating Rate Payer Payment Date from and including April 1, 2005 to and including January 1, 2024.

The County and JPMorgan are parties to an interest rate swap with a trade date of November 7, 2003 and an effective date of May 1, 2004. The notional amount is \$111,825,000 effective May 1, 2004 and a termination date of February 1, 2024. The County receives semiannual payments at a fixed rate of 4.325% per annum and makes monthly payments calculated using the BMA Municipal Swap Index. JPMorgan has the option to cancel the swap on any Floating Rate Payer Payment Date on or following November 1, 2004.

Note 21 – Deficit Cash Balance

As of September 30, 2003 the following funds had deficit cash balances:

	(In Thousands)
Senior Citizens Fund	\$ 1,741
Community Development Fund	593
Personnel Board Fund	5,762
Central Laundry Fund	84
Total Governmental Activities	<u>\$ 8,180</u>
Cooper Green Hospital	\$ 12,371
Total Business-type Activities	<u>\$ 12,371</u>

Note 22 – Franchise Taxes

Several counties of the State of Alabama receive a portion of the revenues received by the State for the franchise taxes levied by the State of Alabama on in-state and out-of-state companies under the provisions of the **Code of Alabama 1975**, Section 40-14-41. The State is currently involved in litigation that challenges the constitutionality of the State's franchise tax based on the premise that it violates the Commerce Clause of the U. S. Constitution. The potential liability to the State of Alabama exceeds \$300,000,000. The State has received an unfavorable ruling; however, a settlement order has not been issued by the courts. Several counties of the 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
Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 23 - Restatements

The fund balance of the nonmajor governmental funds were restated as follows:

	(in Thousands)					Total Governmental Funds
	General Fund	Indigent Care Fund	Road Fund	Debt Service Fund	Nonmajor Governmental Funds	
Fund Balance, September 30, 2002, as previously reported	\$ 45,274	\$ 6,257	\$ (7,460)	\$ 174,343	\$ (26,857)	\$ 191,557
Restatement to correct prior year receivables					1,439	1,439
Fund Balance, September 30, 2002, as restated	<u>\$ 45,274</u>	<u>\$ 6,257</u>	<u>\$ (7,460)</u>	<u>\$ 174,343</u>	<u>\$ (25,418)</u>	<u>\$ 192,996</u>
Net Assets September 30, 2002						184,966
Restatement of Capital Assets						(4,565)
Adjustment of HOME Grant Fund						1,439
Change in Internal Service Funds						(2,804)
Effect of Internal Service Fund Eliminations						(68)
Governmental Activities Net Assets September 30, 2002						<u>\$ 178,968</u>

The fund equity of the discretely presented internal service funds was restated as follows:

	(In Thousands)
	Internal Service Hospital
Net Assets, September 30, 2002 as previously reported	\$ 37,667
Restatement for Assets purchased in prior year	<u>1,031</u>
Net Assets, September 30, 2002 as restated	<u>\$ 38,698</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 24 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

Objective of the Swap – In October 2002, the County entered into three (3) swaps to synthetically refund outstanding bonds that provided the County with present value savings of \$57,529,000 or 7.939% of the refunded bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in October 2002. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms – The swaps were executed with JPMorgan Chase Bank, Lehman Brothers Special Financing and Bank of America, NA with notional amounts of \$539,446,000, \$190,054,000 and \$110,000,000 respectively. The swaps commenced on October 25, 2002 and mature on February 1, 2040. Under the swaps, the County pays a fixed rate of 3.92% and receives a variable rate computed as 67 percent of the London Interbank Offered Rate (LIBOR). The swaps have a combined notional amount of \$839,500,000 and the associated variable-rate bond has a \$839,500,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003 rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.9200%
Variable Payment from Counterparty	67% of LIBOR	0.7504%
Net interest rate swap payments		<u>3.1696%</u>
Variable-Rate Bond Payments		<u>0.9815%</u>
Synthetic Interest Rate on Bonds		<u>4.1511%</u>

Fair Value – As of September 30, 2003, the swap had a negative fair value of \$58,038,378.83. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

form and substance to the counterparties providing for the collateralization of the County's obligations under the Swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swaps expose the County to basis risk should the relationship between LIBOR and the bonds converge, changing the synthetic rate on the bonds.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 8,240	\$ 26,609	\$ 34,849
2005		8,240	26,609	34,849
2006		8,240	26,609	34,849
2007	2,700	8,226	26,566	37,492
2008	2,800	8,199	26,479	37,478
2009-2013	16,300	40,543	130,928	187,771
2014-2018	20,200	39,650	128,042	187,892
2019-2023	79,600	38,004	122,727	240,331
2024-2028	145,850	31,101	100,434	277,385
2029-2033	27,700	27,337	88,280	143,317
2034-2038	471,050	15,609	50,408	537,067
2039-2040	73,300	1,050	3,392	77,742
Totals:	<u>\$ 839,500</u>	<u>\$ 234,439</u>	<u>\$ 757,083</u>	<u>\$ 1,831,022</u>

2003-B1 – B7 Sewer Refunding Warrants

Objective of the Swap – In May 2003, the County entered into a swap to synthetically refund outstanding bonds that provided the County with present value savings of \$6,676,000 or 7.009% of the refunded bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in May of 2003. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms – The swap was executed with JPMorgan Chase Bank. The swap commenced on May 1, 2003 and matures on February 1, 2042. Under the swap, the County pays a fixed rate of

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

3.678% and receives a variable rate computed as the BMA Municipal Swap Index (BMA) until May 1, 2004 and 67 percent of the London Interbank Offered Rate (LIBOR) thereafter. The swap has a notional amount of \$1,035,800,000 and the associated variable-rate bond has a \$1,035,890,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003, rates were as follows.

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to Counterparty	Fixed	3.6780%
Variable Payment from Counterparty	BMA	<u>1.1200%</u>
Net Interest Rate Swap Payments		2.5580%
Variable-Rate Bond Payments		<u>0.9550%</u>
Synthetic Interest Rate on Bonds		<u><u>3.5130%</u></u>

Fair value – As of September 30, 2003, the swap had a negative fair value of \$32,948,000. Since coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payment required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the Swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligation hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligation hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 9,892	\$ 28,617	\$ 38,509
2005		9,892	26,910	36,802
2006		9,892	26,910	36,802
2007		9,892	26,910	36,802
2008		9,892	26,910	36,802
2009-2013	29,150	48,784	132,714	210,648
2014-2018	35,075	47,255	128,554	210,884
2019-2023	141,675	42,636	115,988	300,299
2024-2028	170,675	36,392	99,001	306,068
2029-2033	218,525	27,111	73,754	319,390
2034-2038	70,550	20,021	54,468	145,039
2039-2042	370,150	6,512	17,714	394,376
Totals	<u>\$ 1,035,800</u>	<u>\$ 278,171</u>	<u>\$ 758,450</u>	<u>\$ 2,072,421</u>

2003-C Sewer Refunding Warrants

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

Terms – The swaps were executed with JPMorgan Chase Bank and Bank of America, NA with notional amounts of \$789,018,790 and \$263,006,250 respectively. The swaps commenced on August 7, 2003 and mature on February 1, 2042. Under the swaps, the County pays a fixed rate of 3.596% and receives a variable rate computed as the BMA Municipal Swap Index (BMA) until February 1, 2005 and 67 percent of the London Interbank Offered Rate (LIBOR) thereafter. The swaps have a combined notional amount of \$1,052,025,000 and the associated variable-rate bond has a \$1,052,025,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003 rates were as follows:

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	67% of BMA	<u>0.7504%</u>
Net Interest Rate Swap Payments		2.8456%
Variable-Rate Bond Payments		<u>0.9500%</u>
Synthetic Interest Rate on Bonds		<u>3.7956%</u>

Fair Value – As of September 30, 2003, the swaps had a negative fair value of \$20,098,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligation under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substances to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 9,994	\$ 25,838	\$ 35,832
2005		9,994	28,202	38,196
2006		9,994	29,936	39,930
2007		9,994	29,936	39,930
2008		9,994	29,936	39,930
2009-2013	14,575	49,636	148,678	212,889
2014-2018	69,750	48,386	144,935	263,071
2019-2023	39,200	45,227	135,471	219,898
2024-2028	98,850	41,772	125,124	265,746
2029-2033	244,750	33,022	98,912	376,684
2034-2038	178,250	24,789	74,252	277,291
2039-2042	406,650	7,427	22,246	436,323
Totals	<u>\$ 1,052,025</u>	<u>\$ 300,229</u>	<u>\$ 893,466</u>	<u>\$ 2,245,720</u>

2001-B General Obligation Refunding Warrants

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

Terms – The swap was executed with JPMorgan Chase Bank. The swap commenced on April 19, 2001 and matures on April 1, 2011. Under the swap, the County pays a fixed rate of 4.295% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of \$120,000,000 and the associated variable-rate bond has a \$120,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. JPMorgan Chase has the right to cancel the swap on or after April 1, 2008. As of September 30, 2003 rates were as follows.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.2950%
Variable Payment from Counterparty	BMA	1.1200%
Net Interest Rate Swap Payments		3.1750%
Variable-Rate Bond Payments		1.2500%
Synthetic Interest Rate on Bonds		<u>4.4250%</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Fair value – As of September 30, 2003, the swap had a negative fair value of \$11,495,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligation hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds of change. The swap increases the County's exposure to variable interest rates starting on April 1, 2008 and thereafter since JPMorgan Chase has the option to terminate the swap.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 1,500	\$ 3,354	\$ 4,854
2005		1,500	3,354	4,854
2006		1,500	3,354	4,854
2007		1,500	3,354	4,854
2008		1,500	3,354	4,854
2009-2013	19,845	7,379	16,499	43,723
2014-2018	58,275	4,869	10,887	74,031
2019-2021	41,880	1,063	2,377	45,320
Totals	<u>\$ 120,000</u>	<u>\$ 20,811</u>	<u>\$ 46,533</u>	<u>\$ 187,344</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

2002-A Sewer Revenue Warrants

Objective of the Swap – As a means of lowering its borrowing costs, when compared against fixed-rate bonds at the time of issuance in February 2002, the County entered into an interest rate swap in connection with its \$100,000,000 variable rate revenue warrants. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms – The swap was executed with JPMorgan Chase Bank. The swap commenced on February 12, 2002 and matures on February 15, 2042. Under the swap the County pays a fixed rate of 5.06% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of \$110,000,000 and the associated variable-rate bond has a \$110,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003 rates were as follows.

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	5.060%
Variable Payment from Counterparty	BMA	<u>1.120%</u>
Net Interest Rate Swap Payments		<u>3.940%</u>
Variable-Rate Bond Payments		<u>1.080%</u>
Synthetic Interest Rate on Bonds		<u><u>5.020%</u></u>

Fair Value – As of September 30, 2003, the swap had a negative fair value of \$17,688,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligation under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 1,188	\$ 4,378	\$ 5,566
2005		1,188	4,378	5,566
2006		1,188	4,378	5,566
2007		1,188	4,378	5,566
2008		1,188	4,378	5,566
2009-2013		5,940	21,890	27,830
2014-2018		5,940	21,890	27,830
2019-2023		5,940	21,890	27,830
2024-2028		5,940	21,890	27,830
2029-2033		5,940	21,890	27,830
2034-2038		5,940	21,890	27,830
2039-2042	110,000	4,158	15,823	129,981
Totals	<u>\$ 110,000</u>	<u>\$ 45,738</u>	<u>\$ 169,053</u>	<u>\$ 324,791</u>

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

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

Terms – The swap was executed with JPMorgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.52% per year until February 1, 2004. Once the short-term interim reversal matures, the County will pay a variable rate equivalent to the Bond Market Association Swap Index (BMA) and receives a fixed rate of 5.069%. The notional of the swap is \$200 million and matures on January 1, 2016. JPMorgan Chase Bank has the option to cancel this swap on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009. This option to cancel was exercised in February 2004 by bank.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Fair value – As of September 30, 2003, the swap and short-term interim reversal had a negative fair value of \$6,275,000. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (“Moody’s”) and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County’s obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a “Substitute Credit Provider”) insuring the prompt and timely performance of the County’s obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenues indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody’s and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County’s obligations hereunder. After February 1, 2004 the swap increases the County’s exposure to variable interest rates. As BMA increases, the County’s net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 2,506	\$ (3,040)	\$ (534)

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

Objective of the Swap - The County’s asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In January of 2001, the County entered into a fixed-to-variable interest rate swap for \$175 million of various outstanding bonds to become effective

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

February of 2002. In May of 2001, the County executed a short-term interim reversal to become effective February of 2002 of this swap to lock in a positive spread 1.455% per year until February of 2004.

Terms – The swap was executed with JPMorgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.455% per year until February 1, 2004. Once the short-term interim reversal matures, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.225%. The notional of the swap is \$175 million and matures on January 1, 2016. JPMorgan Chase Bank has the option to cancel this swap on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009. The bank exercised its right to cancel in February 2004.

Fair value – As of September 30, 2003, the swap and short-term interim reversal had a negative fair value of \$5,071,000. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law required the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (Moody’s”) and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County’s obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a “Substitute Credit Provider”) insuring the prompt and timely performance of the County’s obligation hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody’s and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County’s obligation hereunder. After February 1, 2004 the swap increases the County’s exposure to variable interest rates. As BMA increases, the County’s net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 1,441	\$ (2,546)	\$ (1,105)

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

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

Terms – The swap was executed with JPMorgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.225% per year until February 1, 2007 unless cancelled by the counterparty on or after February 1, 2005. Once the short-term interim reversal matures or is cancelled, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.17%. The notional of the swap is \$70 million and matures on February 1, 2031. JPMorgan Chase Bank has the option to cancel this swap on or after February 1, 2007. As of September 30, 2003 rates were as follows.

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty to 2/1/07		0%
Fixed Payment to Counterparty after 2/1/07		1.2250%
Net Interest Rate Swap Payments to 2/1/07		-1.2250%
Variable-Rate Bond Payments		1.0800%
Synthetic Interest Rate on Bonds to 2/1/07		-0.1450%
Fixed Payment to Counterparty after 2/1/07	BMA	1.0800%
Variable Payment from Counterparty after 2/1/07	Fixed	5.1700%
Net Interest Rate Swap Payments after 2/1/07		-4.0900%
Variable -Rate Bond Payments		1.0800%
Synthetic Interest Rate on Bonds after 2/1/07		-3.0100%

Fair value – As of September 30, 2003, the swap and short-term interim reversal had a negative fair value of \$2,588,000. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003

Risks – As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap may be terminated if the long-term sewer indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (“Moody’s”) and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County’s obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to counterparties by a financial insurer satisfactory to the counter parties (a “Substitute Credit Provider”) insuring the prompt and timely performance of the County’s obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody’s and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County’s obligations hereunder. After February 1, 2005 the swap increases the County’s net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2007.

Swap payments and associated debt – As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rate vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2004	\$	\$ 756	\$ (857)	\$ (101)
2005		756	(857)	(101)
2006		756	(857)	(101)
2007		756	(1,880)	(1,124)
2008		756	(2,901)	(2,145)
2009-2013		3,780	(14,508)	(10,728)
2014-2018		3,780	(14,508)	(10,728)
2019-2023		3,780	(14,508)	(10,728)
2024-2028		3,780	(14,508)	(10,728)
2029-2031		1,890	(7,254)	(5,364)
Totals	\$	\$ 20,790	-\$ 72,638	-\$ 51,848

Note 25 – Jointly Governed Organization

The Jefferson County Commission, along with numerous municipalities and other counties, participates in the Storm Water Management Authority, Inc. (the “Authority”). This organization

**Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2003**

provides storm water analysis services to the citizenry of these governments. The Commission does not have an ongoing financial interest or any responsibility in the management of the Authority. However, the Commission has entered in to an agreement to act in a custodial capacity relating to receipts and disbursements of funds for the Authority.

Required Supplemental Information

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #11

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<u>Revenues</u>			
Taxes	\$ 66,914	\$ 66,535	\$ 66,876
Licenses and Permits	62,950	62,100	61,313
Intergovernmental	18,747	24,604	22,122
Charges for Services	20,564	20,618	22,218
Indirect Cost Recovery	9,973	13,711	13,613
Miscellaneous	142	142	440
Interest	2,207	3,533	3,808
Total Revenues	<u>181,497</u>	<u>191,243</u>	<u>190,390</u>
<u>Expenditures</u>			
Current:			
General Government	78,602	78,733	74,014
Public Safety	54,467	55,633	61,566
Welfare	592	838	779
Culture and Recreation	13,553	16,586	16,578
Education	239	234	231
Capital Outlay	2,070	2,158	1,596
Indirect Costs	12,468	13,649	13,649
Total Expenditures	<u>161,991</u>	<u>167,831</u>	<u>168,413</u>
Excess (Deficiency) of Revenues over Expenditures	<u>19,506</u>	<u>23,412</u>	<u>21,977</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets	50	101	1,431
Transfers In		1	1
Transfers Out		(41,044)	(40,947)
Total Other Financing Sources (Uses)	<u>50</u>	<u>(40,942)</u>	<u>(39,515)</u>
Change in Net Assets	19,556	(17,530)	(17,538)
Fund Balances Beginning of Year	<u>45,274</u>	<u>45,274</u>	<u>45,274</u>
Fund Balances End of Year	<u>\$ 64,830</u>	<u>\$ 27,744</u>	<u>\$ 27,736</u>
Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:			
Net Changes in Fund Balance - General Fund - Budgetary Basis			\$ (17,538)
The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis			<u>\$ (12)</u>
Net Changes in Fund Balance for General Fund (Exhibit #5)			<u>\$ (17,550)</u>

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Indigent Care Fund
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #12

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>Revenues</u>			
Taxes	\$ 39,312	\$ 39,312	\$ 39,216
Miscellaneous	6,854	6,854	8,079
Interest	3	3	1
Total Revenues	<u>46,169</u>	<u>46,169</u>	<u>47,296</u>
<u>Expenditures</u>			
Current:			
General Government	7,947	7,947	9,000
Indirect Costs	14	14	15
Total Expenditures	<u>7,961</u>	<u>7,961</u>	<u>9,015</u>
Excess (Deficiency) of Revenues over Expenditures	<u>38,208</u>	<u>38,208</u>	<u>38,281</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In		1,881	
Transfers Out		(37,900)	(37,900)
Total Other Financing Sources (Uses)		<u>(36,019)</u>	<u>(37,900)</u>
Net Change in Fund Balances	38,208	2,189	381
Fund Balance at Beginning of Year	<u>6,256</u>	<u>6,256</u>	<u>6,257</u>
Fund Balance at End of Year	<u>\$ 44,464</u>	<u>\$ 8,445</u>	<u>\$ 6,638</u>

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Road Fund
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #13

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<u>Revenues</u>			
Taxes	\$ 13,000	\$ 13,001	\$ 12,684
Intergovernmental	7,841	7,841	7,549
Charges for Services	165	165	230
Miscellaneous	31	31	173
Total Revenues	<u>21,037</u>	<u>21,038</u>	<u>20,636</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	37,691	34,355	34,256
Capital Outlay	1,213	1,978	1,803
Indirect Costs	3,828	3,828	3,827
Total Expenditures	<u>42,732</u>	<u>40,161</u>	<u>39,886</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(21,695)</u>	<u>(19,123)</u>	<u>(19,250)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets		197	199
Transfers In		296	22,496
Transfers Out		(119)	(119)
Total Other Financing Sources (Uses)		<u>374</u>	<u>22,576</u>
Net Change in Fund Balance	(21,695)	3,451	3,326
Fund Balance at Beginning of Year,	<u>(3,587)</u>	<u>(7,460)</u>	<u>(7,460)</u>
Fund Balance at End of Year	<u>\$ (25,282)</u>	<u>\$ (4,009)</u>	<u>\$ (4,134)</u>
Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:			
Net Changes in Fund Balance - Road Fund - Budgetary Basis			\$ 3,326
The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis			<u>\$ (5)</u>
Net Changes in Fund Balance for Road Fund (Exhibit #5)			<u>\$ 3,321</u>

Supplementary Information

Jefferson County, Alabama
Combining Balance Sheet
Other Governmental Funds
September 30, 2003
(In Thousands)
Exhibit #14

	<u>Sr. Citizens' Activities Fund</u>	<u>Bridge and Public Building Fund</u>	<u>Community Development Fund</u>
Assets			
Cash and Investments	\$	\$ 1,248	\$
Accounts Receivable, Net			152
Loans Receivable, Net		25,964	
Property Taxes Receivable, Net			10
Interest Receivable	1,241	450	1,675
Due From Other Governments			1
Prepaid Expenses			
Total Assets	<u>1,241</u>	<u>27,662</u>	<u>1,838</u>
Liabilities			
Cash Deficit	1,741		593
Accounts Payable	231		1,103
Deferred Revenue		27,635	
Accrued Wages and Benefits Payable	16		31
Estimated Liability for Compensated Absences			
Total Liabilities	<u>1,988</u>	<u>27,635</u>	<u>1,727</u>
Fund Balances			
Reserved For:			
Petty Cash			10,710
Encumbrances	44		152
Loans Receivable			
Unreserved Reported In:			
Special Revenue Funds	(791)	27	(10,751)
Capital Projects Funds			
Total Fund Balances	<u>(747)</u>	<u>27</u>	<u>111</u>
Total Liabilities and Fund Balances	<u>\$ 1,241</u>	<u>\$ 27,662</u>	<u>\$ 1,838</u>

CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
\$ 1,155	\$ 95	\$ 1,397	\$ 390	\$ 320	\$ 4,605
2,228	2,028			6	6
					4,408
					25,964
	1,136	656		237	10
		3			5,395
					4
<u>3,383</u>	<u>3,259</u>	<u>2,056</u>	<u>390</u>	<u>563</u>	<u>40,392</u>
					2,334
40	10	692	2,467	394	4,937
	470	244			28,349
	2	9			58
		(1)			(1)
<u>40</u>	<u>482</u>	<u>944</u>	<u>2,467</u>	<u>394</u>	<u>35,677</u>
					1
		1,267	11,984	2,897	26,902
2,229	2,028				4,409
1,114	749	(156)			(9,808)
			(14,061)	(2,728)	(16,789)
<u>3,343</u>	<u>2,777</u>	<u>1,112</u>	<u>(2,077)</u>	<u>169</u>	<u>4,715</u>
<u>\$ 3,383</u>	<u>\$ 3,259</u>	<u>\$ 2,056</u>	<u>\$ 390</u>	<u>\$ 563</u>	<u>\$ 40,392</u>

Jefferson County, Alabama
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ending September 30, 2003
(In Thousands)
Exhibit #15

	<u>Sr. Citizens' Activities Fund</u>	<u>Bridge and Public Building Fund</u>	<u>Community Development Fund</u>
Revenues			
Taxes	\$ 8,236	\$ 29,124	\$ 14,137
Intergovernmental		707	
Charges for Services			
Miscellaneous	547		
Interest	3	74	
Total Revenues	<u>8,786</u>	<u>29,905</u>	<u>14,137</u>
Expenditures			
Current:			
General Government	10,093		1,397
Public Safety			
Highways and Roads			12,979
Welfare			71
Capital Outlay	51		284
Indirect Costs	235	36	
Total Expenditures	<u>10,379</u>	<u>36</u>	<u>14,731</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,593)</u>	<u>29,869</u>	<u>(594)</u>
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets	5		2
Transfers In	1,881		294
Transfers Out		(30,800)	(28)
Total Other Financing Sources (Uses)	<u>1,886</u>	<u>(30,800)</u>	<u>268</u>
Net Change in Fund Balances	293	(931)	(326)
Fund Balances at Beginning of Year,	(1,040)	958	437
Fund Balance at End of Year	<u>\$ (747)</u>	<u>\$ 27</u>	<u>\$ 111</u>

CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
\$	\$	\$	\$	\$	\$
	623	1,292	427		29,124
		884		2,906	25,422
2	133	9			3,790
55	19	2		1	691
<u>57</u>	<u>775</u>	<u>2,187</u>	<u>427</u>	<u>2,907</u>	<u>59,181</u>
	418				11,908
		1,424			1,424
596	464				14,039
		667	22,548	2,367	25,704
40	26	75			696
<u>636</u>	<u>908</u>	<u>2,166</u>	<u>22,548</u>	<u>2,367</u>	<u>53,771</u>
(579)	(133)	21	(22,121)	540	5,410
					7
	123	151	51,281	2,092	55,822
			(278)		(31,106)
	<u>123</u>	<u>151</u>	<u>51,003</u>	<u>2,092</u>	<u>24,723</u>
(579)	(10)	172	28,882	2,632	30,133
3,922	2,787	940	(30,959)	(2,463)	(25,418)
<u>\$ 3,343</u>	<u>\$ 2,777</u>	<u>\$ 1,112</u>	<u>\$ (2,077)</u>	<u>\$ 169</u>	<u>\$ 4,715</u>

Jefferson County, Alabama
Combining Statement of Net Assets
Nonmajor Enterprise Funds
(In Thousands)
September 30, 2003
Exhibit #16

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
Assets				
Current Assets:				
Cash and Investments	\$ 113	\$ 65	\$ 1	\$ 179
Accounts Receivable, Net		935	1	936
Patient Accounts Receivable, Net	1,577			1,577
Inventories	56			56
Prepaid Expenses	2			2
Total Current Assets	<u>1,748</u>	<u>1,000</u>	<u>2</u>	<u>2,750</u>
Noncurrent Assets:				
Capital Assets, Net Where Applicable	8,972	51,366	9	60,347
Deferred Charges		158		158
Total Noncurrent Assets	<u>8,972</u>	<u>51,524</u>	<u>9</u>	<u>60,505</u>
Total Assets	<u>10,720</u>	<u>52,524</u>	<u>11</u>	<u>63,255</u>
Liabilities				
Current Liabilities:				
Accounts Payable	168	13		181
Deposits Payable	34			34
Accrued Wages and Benefits Payable	218	55	1	274
Accrued Interest Payable		14		14
Estimated Liability for Compensated Absences	55	43		98
Total Current Liabilities	<u>475</u>	<u>125</u>	<u>1</u>	<u>601</u>
Noncurrent Liabilities:				
Advances Due to Other Funds		19,714		19,714
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,139		3,139
Estimated Liability for Compensated Absences	495	390		885
Total Noncurrent Liabilities	<u>495</u>	<u>23,243</u>		<u>23,738</u>
Total Liabilities	<u>970</u>	<u>23,368</u>	<u>1</u>	<u>24,339</u>
Net Assets				
Invested in Capital Assets Net of Related Debt	8,972	31,810	9	40,791
Unrestricted	778	(2,654)	1	(1,875)
Total Net Assets	<u>\$ 9,750</u>	<u>\$ 29,156</u>	<u>\$ 10</u>	<u>\$ 38,916</u>

Jefferson County, Alabama
Combining Statement of Net Assets
Nonmajor Enterprise Funds
(In Thousands)
For the Year Ended September 30, 2003
Exhibit #17

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
Operating Revenues				
Charges for Services	\$ 9,300	\$ 4,597	\$ 267	\$ 14,164
Other Operating Revenues	77	469		546
Total Revenues	<u>9,377</u>	<u>5,066</u>	<u>267</u>	<u>14,710</u>
Operating Expenses				
Provision for Bad Debt	641	20		661
Salaries	7,433	1,947	21	9,401
Employees Benefits and Payroll Taxes	2,001	628	6	2,635
Materials and Supplies	1,329	329	4	1,662
Utilities	582	226	41	849
Outside Services	3,149	422	6	3,577
Office Expense	177	23		200
Depreciation and Amortization	339	2,522	7	2,868
Closure and Postclosure Care Costs				
Miscellaneous	55	14	159	228
Total Operating Expenses	<u>15,706</u>	<u>6,131</u>	<u>244</u>	<u>22,081</u>
Operating Income (Loss)	<u>(6,329)</u>	<u>(1,065)</u>	<u>23</u>	<u>(7,371)</u>
Nonoperating Revenues (Expenses)				
Interest Expense		(253)		(253)
Interest Revenue				
Miscellaneous				
Amortization of Bond Issue Costs		(9)		(9)
Indirect Costs	(601)	(696)	(63)	(1,360)
Gain/(Loss) on Sale of Capital Assets		39		39
Total Nonoperating Revenues (Expenses)	<u>(601)</u>	<u>(919)</u>	<u>(63)</u>	<u>(1,583)</u>
Operating Transfers				
Transfers In	6,306	3,400	48	9,754
Transfers Out		(1,262)		(1,262)
Total Operating Transfers	<u>6,306</u>	<u>2,138</u>	<u>48</u>	<u>8,492</u>
Changes in Net Assets	(624)	154	8	(462)
Total Net Assets - Beginning of Year	<u>10,374</u>	<u>29,002</u>	<u>2</u>	<u>39,378</u>
Total Net Assets - End of Year	<u>\$ 9,750</u>	<u>\$ 29,156</u>	<u>\$ 10</u>	<u>\$ 38,916</u>

Jefferson County, Alabama
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
(In Thousands)
For the Year Ended September 30, 2003
Exhibit #18

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>				
Cash Received for Services	\$ 10,979	\$ 4,403	\$ 266	\$ 15,648
Other Operating Revenues	77	61		138
Cash Payments to Employees	(9,374)	(2,599)	(32)	(12,005)
Cash Payments for Goods and Services	(5,879)	(841)	(210)	(6,930)
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,197)</u>	<u>\$ 1,024</u>	<u>\$ 24</u>	<u>\$ (3,149)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Operating Transfers Out		(1,262)		(1,262)
Operating Transfers In	6,306	3,400	48	9,754
Increase/(Decrease) in Cash Deficit	(1,371)			(1,371)
Indirect Costs	(600)	(697)	(63)	(1,360)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>4,335</u>	<u>1,441</u>	<u>(15)</u>	<u>5,761</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition of Capital Assets	(25)	(2,180)	(9)	(2,214)
Proceeds From Sale of Capital Assets		39		39
Interest Paid		(262)		(262)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25)</u>	<u>(2,403)</u>	<u></u>	<u>(2,437)</u>
Net Increase (Decrease) in Cash	113	62	9	175
Cash and Investments, Beginning of Year		3	1	4
Cash and Investments, End of Year	<u>\$ 113</u>	<u>\$ 65</u>	<u>\$ 10</u>	<u>\$ 179</u>

Continued

Jefferson County, Alabama
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
(In Thousands)
For the Year Ended September 30, 2002
Exhibit #18

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
<u>Reconciliation of Operating Income to Net Cash</u>				
<u>Provided (Used) by Operating Activities</u>				
Operating Income/(Loss)	\$ (6,329)	\$ (1,065)	\$ 23	\$ (7,371)
<u>Adjustments to Reconcile Operating Income to</u>				
<u>Net Cash Provided (Used) by Operating Activities</u>				
Depreciation and Amortization	339	2,522	7	2,868
(Increase)/Decrease in Prepaid Expenses	(1)			
(Increase)/Decrease in Accounts Receivable	1,469	(194)	(1)	1,274
(Increase)/Decrease in Patient Receivables	208			208
(Increase)/Decrease in Inventories	26			26
Increase/(Decrease) in Accounts Payable	27	9		36
Increase/(Decrease) in Due to Other Funds		224		224
Increase/(Decrease) in Deposits Payable	4			4
Increase/(Decrease) in Accrued Wages and Benefits Payable	34	4		38
Increase/(Decrease) in Estimated Liability for Compensated Absences	26	(28)	(5)	(7)
Increase/(Decrease) in Landfill Closure/Postclosure Costs		(448)		(448)
Total Adjustments	<u>2,132</u>	<u>2,089</u>	<u>1</u>	<u>4,222</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,197)</u>	<u>\$ 1,024</u>	<u>\$ 24</u>	<u>\$ (3,149)</u>

Jefferson County, Alabama
Combining Statement of Net Assets
Internal Service Funds
September 30, 2003
(In Thousands)
Exhibit #19

	<u>Risk Management Fund</u>	<u>Personnel Board Fund</u>	<u>Elections Fund</u>
Assets			
Current Assets:			
Cash and Investments	\$ 8,012		\$ 1
Accounts Receivable, Net			
Due From Other Governments		6,149	150
Inventories			
Prepaid Expenses	130		
Total Current Assets	<u>8,142</u>	<u>6,149</u>	<u>151</u>
Noncurrent Assets:			
Capital Asset, Net Where Applicable	79	312	834
Total Noncurrent Assets	<u>79</u>	<u>312</u>	<u>834</u>
Total Assets	<u>8,221</u>	<u>6,461</u>	<u>985</u>
Liabilities			
Current Liabilities:			
Cash Deficit		5,762	
Accounts Payable	68	227	24
Accrued Wages and Benefits Payable	18	103	7
Estimated Liability for			
Compensated Absences	7	37	4
Estimated Claims Liability	6,030		
Total Current Liabilities	<u>6,123</u>	<u>6,129</u>	<u>35</u>
Noncurrent Liabilities:			
Estimated Liability for			
Compensated Absences	67	330	37
Total Noncurrent Liabilities	<u>67</u>	<u>330</u>	<u>37</u>
Total Liabilities	<u>6,190</u>	<u>6,459</u>	<u>72</u>
Net Assets			
Invested in Capital Assets Net of			
Related Debt	79	312	834
Unrestricted	1,952	(310)	79
Total Net Assets	<u>\$ 2,031</u>	<u>\$ 2</u>	<u>\$ 913</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 1 20	\$ 290		\$ 149	\$ 10,827	\$ 19,280
	7	1		9	29
	263	5	172	31	6,338
3				684	1,124
24	560	6	321	11,551	133
<u>6,247</u>	<u>1,907</u>	<u>7,790</u>	<u>38</u>	<u>7,644</u>	<u>24,851</u>
<u>6,247</u>	<u>1,907</u>	<u>7,790</u>	<u>38</u>	<u>7,644</u>	<u>24,851</u>
<u>6,271</u>	<u>2,467</u>	<u>7,796</u>	<u>359</u>	<u>19,195</u>	<u>51,755</u>
		84			5,846
302	563	1	32	231	1,448
111	83	12	8	271	613
48	45	7	4	144	296
<u>461</u>	<u>691</u>	<u>104</u>	<u>44</u>	<u>646</u>	<u>6,030</u>
<u>430</u>	<u>403</u>	<u>58</u>	<u>39</u>	<u>1,297</u>	<u>2,661</u>
<u>430</u>	<u>403</u>	<u>58</u>	<u>39</u>	<u>1,297</u>	<u>2,661</u>
<u>891</u>	<u>1,094</u>	<u>162</u>	<u>83</u>	<u>1,943</u>	<u>16,894</u>
<u>6,247</u>	<u>1,907</u>	<u>7,790</u>	<u>38</u>	<u>7,644</u>	<u>24,851</u>
<u>(867)</u>	<u>(534)</u>	<u>(156)</u>	<u>238</u>	<u>9,608</u>	<u>10,010</u>
<u>\$ 5,380</u>	<u>\$ 1,373</u>	<u>\$ 7,634</u>	<u>\$ 276</u>	<u>\$ 17,252</u>	<u>\$ 34,861</u>

Jefferson County, Alabama
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ending September 30, 2003
(In Thousands)
Exhibit #20

	Risk Management Fund	Personnel Board Fund	Elections Fund
Revenues			
Intergovernmental	\$	\$	\$
Charges for Services	1,364	6,553	309
Total Revenue	<u>1,364</u>	<u>6,553</u>	<u>309</u>
Operating Expenses			
Salaries	566	3,546	669
Employee Benefits and Payroll Taxes	136	814	56
Materials and Supplies	22	192	126
Utilities	1		10
Outside Services	496	3,537	6
Office Expense	3,482	380	31
Depreciation and Amortization	55	67	68
Miscellaneous	11	161	14
Total Operating Expenses	<u>4,769</u>	<u>8,697</u>	<u>980</u>
Operating Income (Loss)	<u>(3,405)</u>	<u>(2,144)</u>	<u>(671)</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	26		
Miscellaneous			
Indirect Costs		(332)	(79)
Gain/(Loss) on Sale of Capital Assets			
Indirect Cost Recovery		1,404	
Total Nonoperating Revenues (Expenses)	<u>26</u>	<u>1,072</u>	<u>(79)</u>
Operating Transfers			
Transfers In		1,074	961
Transfers Out			
Total Operating Transfers		<u>1,074</u>	<u>961</u>
Changes in Net Assets	(3,379)	2	211
Total Net Assets Beginning of Year	<u>5,410</u>		<u>702</u>
Total Net Assets End of Year	<u>\$ 2,031</u>	<u>\$ 2</u>	<u>\$ 913</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 98	\$ 1,365	\$ 744	\$ 790	\$ 17,694	\$ 22,055
98	1,365	744	790	17,694	28,917
3,626	2,642	470	270	9,489	21,278
870	755	150	66	2,690	5,537
422	1,594	49	352	1,447	4,204
2	41	6		3,229	3,289
3,801	777	353	22	2,301	11,293
483	14	2	5	407	4,804
2,028	216	8	27	418	2,887
101	15		74	230	606
11,333	6,054	1,038	816	20,211	53,898
(11,235)	(4,689)	(294)	(26)	(2,517)	(24,981)
	1			43	70
	2			758	760
(251)					(662)
	16			5	21
7,251	3,979		99	1,628	14,361
7,000	3,998		99	2,434	14,550
5,367		21		119	7,542
(1)		(1)		(946)	(948)
5,366		20		(827)	6,594
1,131	(691)	(274)	73	(910)	(3,837)
4,249	2,064	7,908	203	18,162	38,698
\$ 5,380	\$ 1,373	\$ 7,634	\$ 276	\$ 17,252	\$ 34,861

Jefferson County, Alabama
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ending September 30, 2003
(In Thousands)
Exhibit #21

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Cash Flows From Operating Activities</u>			
Cash Received for Services	\$ 1,364	\$ 5,966	\$ 176
Other Operating Revenues		(4,287)	(712)
Cash Payments to Employees	(683)	(4,247)	(262)
Cash Payments for Goods and Services	(997)	(2,568)	(798)
Net Cash Provided (Used) by Operating Activities	(316)	(2,568)	(798)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers Out		1,074	961
Operating Transfers In			
Received From Auxillary Services		668	
Increase/(Decrease) in Cash Deficit		(332)	(79)
Indirect Cost		1,404	
Indirect Cost Recovery			882
Net Cash Provided (Used) by Non-Capital Financing Activities		2,814	882
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Capital Assets	(9)	(246)	(83)
Proceeds From Sale of Capital Assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(9)	(246)	(83)
<u>Cash Flows from Investing Activities</u>			
Interest Received	26		
Net Cash Flows Provided by Investing Activities	26		
Net Increase (Decrease) in Cash	(299)		1
Cash and Investments, Beginning of Year	8,311		
Cash and Investments, End of Year	8,012		1
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income/(Loss)	(3,405)	(2,144)	(671)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Depreciation and Amortization	55	67	68
(Increase)/Decrease in Prepaid Expenses	(4)		
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due From Other Governments		(588)	(132)
(Increase)/Decrease in Inventories			
Increase/(Decrease) in Accounts Payable	27	25	(75)
Increase/(Decrease) in Accrued Wages and Benefits Payable	2	42	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	16	30	10
(Decrease) in Estimated Claims Liability	2,993		
Total Adjustments	3,089	(424)	(127)
Net Cash Provided by Operating Activities	\$ (316)	\$ (2,568)	\$ (798)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 79	\$ 1,357	\$ 745	\$ 791	\$ 17,764	\$ 22,100
(4,443)	(3,368)	(617)	(329)	(12,119)	(26,558)
(4,562)	(1,995)	(407)	(489)	(7,589)	(20,548)
(8,926)	(4,006)	(279)	(27)	(1,944)	(18,864)
(1)		(1)		(946)	(948)
5,367		21		119	7,542
	2			758	760
		84			752
(251)					(662)
7,251	3,979		100	1,628	14,362
12,366	3,981	104	100	1,559	21,806
(3,440)	(21)	(21)	(23)	(601)	(4,444)
	15			5	20
(3,440)	(6)	(21)	(23)	(596)	(4,424)
	1			43	70
	1	-		43	70
-	(30)	(196)	50	(938)	(1,412)
1	320	196	99	11,765	20,692
1	290	-	149	10,827	19,280
(11,235)	(4,689)	(294)	(26)	(2,517)	(24,981)
2,028	216	8	27	418	2,887
6				2	4
(18)				68	50
	(7)	1		1	(725)
	29	2	(23)	(6)	2
240	416	1	(12)	30	652
22	15	1	1	42	127
31	14	2	6	18	127
					2,993
2,309	683	15	(1)	573	6,117
\$ (8,926)	\$ (4,006)	\$ (279)	\$ (27)	\$ (1,944)	\$ (18,864)

Jefferson County, Alabama
Combining Statement of Fiduciary
Net Assets
All Agency Funds
September 30, 2003
(In Thousands)
Exhibit #22

	<u>Storm Water Management Authority Fund</u>	<u>City of Birmingham Revolving Loan Fund</u>	<u>Totals</u>
Assets			
Cash and Investments	\$ 2,462	\$ 963	\$ 3,425
Loans Receivable, Net		405	405
Prepaid Expenses	1		1
Total Assets	<u>\$ 2,463</u>	<u>\$ 1,368</u>	<u>\$ 3,831</u>
Liabilities			
Other Payables	\$ 2,463		\$ 2,463
Due to Other Governments		1,368	1,368
Total Liabilities	<u>\$ 2,463</u>	<u>\$ 1,368</u>	<u>\$ 3,831</u>

Jefferson County, Alabama
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended September 30, 2003
(In Thousands)
Exhibit #23

	<u>Balance</u> <u>10/01/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/03</u>
<u>Storm Water Management</u>				
<u>Authority Fund</u>				
<u>Assets</u>				
Cash and Investments	\$ 2,228	\$ 2,312	\$ 2,078	\$ 2,462
Prepaid Expenses		1		1
Total Assets	<u>\$ 2,228</u>	<u>\$ 2,313</u>	<u>\$ 2,078</u>	<u>\$ 2,463</u>
<u>Liabilities</u>				
Due to External Organizations	\$ 2,228	\$ 2,313	\$ 2,078	\$ 2,463
Total Liabilities	<u>\$ 2,228</u>	<u>\$ 2,313</u>	<u>\$ 2,078</u>	<u>\$ 2,463</u>
<u>City of Birmingham Revolving</u>				
<u>Loan Fund</u>				
<u>Assets</u>				
Cash and Investments	\$ 884	\$ 79		\$ 963
Loans Receivable, Net	465		60	405
Total Assets	<u>\$ 1,349</u>	<u>\$ 79</u>	<u>\$ 60</u>	<u>\$ 1,368</u>
<u>Liabilities</u>				
Due to Other Governments	\$ 1,349	\$ 79	\$ 60	1,368
Total Liabilities	<u>\$ 1,349</u>	<u>\$ 79</u>	<u>\$ 60</u>	<u>\$ 1,368</u>
TOTALS - ALL AGENCY FUNDS				
<u>Assets</u>				
Cash and Investments	\$ 3,112	\$ 2,391	\$ 2,078	\$ 3,425
Loans Receivable, Net	465		60	405
Prepaid Expenses		1		1
Total Assets	<u>\$ 3,577</u>	<u>\$ 2,392</u>	<u>\$ 2,138</u>	<u>\$ 3,831</u>
<u>Liabilities</u>				
Due to External Organizations	\$ 2,228	\$ 2,313	\$ 2,078	\$ 2,463
Due to Other Governments	1,349	79	60	1,368
Total Liabilities	<u>\$ 3,577</u>	<u>\$ 2,392</u>	<u>\$ 2,138</u>	<u>\$ 3,831</u>

Jefferson County, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003
Exhibit #24

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
<u>U. S. Department of Agriculture</u>			
<u>Passed Through Alabama Department of Education</u>			
Food Donation (N)			
Nutrition Cluster:	10.55		10-01-02 To 9-30-03
School Breakfast Program			
National School Lunch Program	10.553		10-01-02 To 9-30-03
	10.555		10-01-02 To 9-30-03
Sub-Total Nutrition Cluster			
Sub-Total Passed Through Alabama Department of Education			
<u>Passed Through Alabama Department of Senior Services</u>			
Nutrition Services Incentive	10.57		10-01-02 To 9-30-03
Total U. S. Department of Agriculture			
<u>U. S. Department of Commerce</u>			
<u>Direct Program</u>			
Economic Development - Technical Assistance	11.303	04-39-3391.02	07-25-86 To 9-30-03
Total U. S. Department of Commerce			
<u>U. S. Department of Housing and Urban Development</u>			
<u>Direct Programs</u>			
Community Development Block Grants/Entitlement Grants	14.218	B99-UC-01-0001	10-1-99 To 9-30-03
	14.218	B00-UC-01-0001	10-1-00 To 9-30-03
	14.218	B01-UC-01-0001	10-1-01 To 9-30-03
	14.218	B02-UC-01-0001	10-1-02 To 9-30-03
Related Revolving Loan Funds	14.218		10-1-02 To 9-30-03
Sub-Total Community Development Block Grants/Entitlement Grants			
HOME Investment Partnership Program	14.239	M97-UC-01-0202	10-1-97 To 9-30-03
	14.239	M99-UC-01-0202	10-1-99 To 9-30-03
	14.239	M00-UC-01-0202	10-1-00 To 9-30-03
	14.239	M01-UC-01-0202	10-1-01 To 9-30-03
	14.239	M02-UC-01-0202	10-1-02 To 9-30-03
Sub-Total HOME Investment Partnership Program			
Emergency Shelter Grants Program	14.231	S01-UC-01-0006	10-1-02 To 9-30-03
	14.231	S02-UC-01-0006	10-1-02 To 9-30-03
Sub-Total Emergency Shelter Grants Programs (Direct Programs)			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Emergency Shelter Grants Program	14.231	ESG-01-036	6-4-01 To 6-4-03
Sub-Total Emergency Shelter Grants Program			
Community Development Block Grants/State's Program	14.228	DRI-98-001	10-4-99 To 4-30-03
Total U. S. Department of Housing and Urban Development			
Sub-Total Forward			

Budget		Revenue Recognized	Expenditures
Total	Federal Share		
\$ 6,287	\$ 6,287	\$ 6,287	\$ 6,287
34,385	34,385	34,385	34,385
63,440	63,440	63,440	63,440
97,825	97,825	97,825	97,825
104,112	104,112	104,112	104,112
310,065	310,065	269,109	269,109
414,177	414,177	373,221	373,221
			455,932
			455,932
2,745,000	2,745,000		5,107
2,724,000	2,724,000	839,872	638,911
2,809,000	2,809,000	2,622,747	959,684
2,773,000	2,773,000		1,858,917
			2,694,644
11,051,000	11,051,000	3,462,620	6,157,263
1,118,750	895,000	20,633	20,633
1,272,500	1,018,000	168,812	168,812
1,240,675	1,023,000	213,454	213,454
1,274,331	1,051,000	111,652	111,652
1,308,750	1,047,000	108,114	108,114
6,215,006	5,034,000	622,666	622,666
96,000	96,000	9,870	9,870
96,000	96,000	90,508	90,508
192,000	192,000	100,378	100,378
216,500	111,500	21,665	21,665
408,500	303,500	122,043	122,043
1,830,000	1,500,000	335,507	335,507
19,504,506	17,888,500	4,542,836	7,237,480
19,918,683	18,302,677	4,916,057	8,066,633

Jefferson County, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003
Exhibit #24

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
Sub-Total Brought Forward			
<u>U. S. Department of Justice</u>			
<u>Direct Programs</u>			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (M)	16.580	2002-DD-BX-0027	5-1-02 To 1-31-03
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-2463	10-15-02 To 10-14-04
Bullet Proof Vest Partnership Program	16607	2009175	3-1-99 To 2-28-03
Public Safety Partnership and Community Policing Grants	16.710	199-SH-WX-0529	9-1-99 To 8-31-03
	16.710	2002-SH-WX-0654	9-1-02 To 8-31-05
	16.710	2002-HS-WX-0038	9-1-02 To 8-31-03
Sub-Total Public Safety Partnership and Community Policing Grants			
Total U. S. Department of Justice			
<u>U. S. Department of Labor</u>			
<u>Direct Programs</u>			
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60	3-20-00 To 6-30-04
Homeless Veterans Reintegration Project	17.805	E-9-0-0039	4-1-00 To 9-30-03
<u>Passed Through Senior Service America, Inc.</u>			
Senior Community Service Employment Program	17.235		7-1-02 To 6-30-03
Senior Community Service Employment Program	17.235		7-1-03 To 6-30-04
Sub-Total Passed Through Senior Service America, Inc.			
<u>Passed Through Alabama Department of Senior Services</u>			
Senior Community Service Employment Program	17.235		7-1-02 To 6-30-03
Senior Community Service Employment Program	17.235		7-1-03 To 6-30-04
Sub-Total Passed Through Alabama Department of Senior Services			
Total Senior Community Service Employment Program			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Employment Service	17.207	6N308303	5-1-02 To 6-30-03
Welfare-to-Work Grants to States and Localities	17.253	84WTW	7-1-00 To 6-30-03
	17.253	92WTW	7-1-01 To 9-28-04
Sub-Total Welfare-to-Work Grants to States and Localities			
Workforce Investment Act	17.255	02	7-1-20 To 6-30-03
Sub-Total Forward			

Budget		Revenue Recognized	Expenditures
Total	Federal Share		
\$ 19,918,683	\$ 18,302,677	\$ 4,916,057	\$ 8,066,633
900,000	900,000	655,972	655,972
426,456	426,456	426,456	426,456
995	995	995	995
1,035,670	1,035,670	320,355	320,355
517,870	517,870	65,554	65,554
75,250	75,250	3,120	3,120
1,628,790	1,628,790	389,029	389,029
2,956,241	2,956,241	1,472,452	1,472,452
13,750,000	13,750,000	4,082,333	4,082,333
718,750	718,750	7,195	7,195
392,500	349,105	264,219	264,219
404,852	358,277	147,781	147,781
797,352	707,382	412,000	412,000
190,677	171,609	108,179	108,179
190,778	171,700	56,960	56,960
381,455	343,309	165,139	165,139
1,178,807	1,050,691	577,139	577,139
499,476	499,476	249,001	249,001
2,291,268	2,291,268	720,071	720,071
2,117,352	2,117,352	692,434	692,434
4,408,620	4,408,620	1,412,505	1,412,505
1,693,481	1,693,481	268,816	268,816
45,124,058	43,379,936	12,985,497	16,136,073

Jefferson County, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003
Exhibit #24

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
Sub-Total Brought Forward			
WIA Adult Program	17.258	12	7-1-02 To 6-30-03
WIA Adult Program	17.258	22	7-1-02 To 6-30-04
Sub-Total WIA Adult Program			
WIA Youth Activities	17.259	12	7-1-01 To 6-30-03
WIA Youth Activities	17.29	22	7-1-02 To 6-30-04
Sub-Total WIA Youth Activities			
WIA Dislocated Workers	17.260	12	7-1-01 To 6-30-03
WIA Dislocated Workers	17.260	22	7-1-02 To 6-30-04
Sub-Total WIA Dislocated Workers			
Total WIA Cluster			
Total U. S. Department Of Labor			
<u>U. S. Department of the Treasury</u>			
Gang Resistance Education and Training	21.053	ATC020090	1-16-02 To 1-15-03
Total U. S. Department of the Treasury			
<u>Appalachian Regional Commission</u>			
<u>Direct Program</u>			
Appalachian Area Development	23.002	AL-13542	10-1-02 To 9-30-03
Total Appalachian Regional Commission			
<u>U. S. Department of Education</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Safe and Drug-Free Schools and Communities - State Grants	84.186	02-GV-DR-032	10-1-02 To 9-30-03
Total U. S. Department of Education			
<u>U. S. Department of Health and Human Services</u>			
<u>Direct Programs</u>			
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	US2MPOWH10-01-0	9-30-02 To 9-29-03
Consolidated Knowledge Development and Application (KD&A) Program	93.230	6 H79 T12422-03-1	9-30-02 To 9-29-03
Health Care and Other Facilities	93.887	4C76HF00183-01-01	9-20-02 To 9-19-03
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (M)	93.918	6H76HA00098-09-03	10-1-02 To 12-31-02
	93.918	6H76HA00098-10-03	10-1-03 To 12-31-03
Sub-total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			
Sub-Total Forward			

Budget		Revenue Recognized	Expenditures
Total	Federal Share		
\$ 45,124,058	\$ 43,379,936	\$ 12,985,497	\$ 16,136,073
662,054	662,054	505,201	505,201
1,205,585	1,205,585	751,250	751,250
1,867,639	1,867,639	1,256,451	1,256,451
951,413	951,413	699,813	699,813
1,110,011	1,110,011	579,394	579,394
2,061,424	2,061,424	1,279,207	1,279,207
609,999	609,999	469,207	469,207
1,093,374	1,093,374	413,480	413,480
1,703,373	1,703,373	882,687	882,687
5,632,436	5,632,436	3,418,345	3,418,345
27,881,570	27,753,454	10,015,333	10,015,333
49,525	49,525	16,704	16,704
49,525	49,525	16,704	16,704
469,000	469,000	20,000	20,000
469,000	469,000	20,000	20,000
5,434	5,434	5,434	5,434
5,434	5,434	5,434	5,434
149,354	149,354	50,000	50,000
191,343	191,343	188,062	188,062
987,673	957,381	330,000	330,000
1,015,955	1,015,955	75,000	75,000
1,015,650	1,015,650	990,955	990,955
2,031,605	2,031,605	1,065,955	1,065,955
\$ 76,889,563	\$ 74,987,033	\$ 24,676,985	\$ 27,827,561

Jefferson County, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003
Exhibit #24

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
Sub-Total Brought Forward			
<u>Passed Through Alabama Department of Senior Services</u>			
<u>Special Programs for the Aging</u>			
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	03-01-01-03A	10-1-02 To 9-30-03
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	03-01-01-03A	10-1-02 To 9-30-03
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-1-03A	10-1-02 To 9-30-03
Aging Cluster:			
Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-01-03A	10-1-02 To 9-30-03
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-01-03A	10-1-02 To 9-30-03
Sub-Total Title III, Part B			
Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-01-03A	10-1-02 To 9-30-03
Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-01-03A	10-1-02 To 9-30-03
Sub-Total Title III, Part C			
Total Aging Cluster			
Title IV - and Title II - Discretionary Projects	93.048	03-01-01-03A	10-1-02 To 9-30-03
National Family Caregiver Support	93.052	03-01-01-03A	10-1-02 To 9-30-03
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	03-01-01-03A	10/1/2002
Total U. S. Department of Health and Human Services			
<u>U. S. Department of Homeland Security</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Hazard Mitigation Grant	97.039	HMGP1208-0025	5-1-01 To 4-30-03
Hazard Mitigation Grant	97.039	FMA-PJ-04AL-2000001	7-3-01 To 7-2-03
Sub-Total Hazard Mitigation Grant			
Total U. S. Department of Homeland Security			
Total Expenditures of Federal Awards			

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

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

Budget		Revenue Recognized	Expenditures
Total	Federal Share		
\$ 76,889,563	\$ 74,987,033	\$ 24,676,985	\$ 27,827,561
18,843	16,959	16,959	16,959
37,072	33,365	33,365	33,365
52,125	46,476	46,476	46,476
153,231	114,923	114,923	114,923
616,304	553,730	507,762	507,762
769,535	668,653	622,685	622,685
1,010,620	660,490	600,845	600,845
1,142,063	606,672	503,109	503,109
2,152,683	1,267,162	1,103,954	1,103,954
2,922,218	1,935,815	1,726,639	1,726,639
83,212	67,986	45,546	45,546
586,655	524,790	475,864	475,864
50,787	50,787	21,675	21,675
7,110,887	6,005,861	4,000,541	4,000,541
263,353	263,353	68,906	68,906
25,400	25,400	10,000	10,000
288,753	288,753	78,906	78,906
288,753	288,753	78,906	78,906
\$ 58,680,094	\$ 55,830,946	\$ 20,525,427	\$ 23,670,569

**Notes to the Schedule of Expenditures
Of Federal Awards
For the Year Ended September 30, 2003**

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant-Entitlement Grants	17.253	\$ 2,930,853
Community Development Block Grant-Entitlement Grants	17.207	\$ 347,130
Emergency Shelter Grants Program		\$ 117,496
Employment Service	17.246	\$ 249,001
Welfare-to-Work Grants to States and Localities	17.250	\$ 1,895,557
Workforce Investment Act:		
Workforce Investment Act	17.255	
WIA Cluster:		
WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Workers	17.260	
Total Workforce Investment Act		\$ 3,325,824
Youth Opportunity Grant	17.263	\$ 3,727,354
Homeless Veterans Reintegration Project	17.805	\$ 7,195
Consolidated Knowledge Development and Application (KD&A) Program	93.230	\$ 188,062
Hazard Mitigation Grant	97.039	\$ 20,943

Note 3 – Workforce Investment Act

Pursuant to instructions from the pass-through entity, CFDA Number 17.255 is being separately displayed in the schedule. These programs have been consolidated into the WIA Cluster (CFDA Number 17.258, 17.259 and 17.260).

**Notes to the Schedule of Expenditures
Of Federal Awards
For the Year Ended September 30, 2003**

Note 4 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2003:

	<u>CFDA Number</u>	<u>Loans Outstanding</u>	<u>Less: Allowance for Doubtful Accounts</u>	<u>Net Loans Outstanding</u>
Economic Development Technical Assistance	11.303	\$ 415,420	\$ (34,503)	\$ 380,917
Community Development Block Grants/Entitlement Grants	11.218	\$ 1,927,590	\$ (79,682)	\$ 1,847,908
HOME Investment Partnership Program	14.239	\$ 2,285,691	\$ (258,000)	\$ 2,027,691

**Commission Members and Administrative Personnel
October 1, 2002 through September 30, 2003**

Commission Members			Term Expires
Hon. Larry P. Langford, President	President	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Mary M. Buckelew	Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Bettye Fine Collins	Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Shelia Smoot	Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Gary White	Member	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Jeff Germany	Member	927 Brandy Lane Birmingham, AL 35214	2002
Hon. Steve Small, Jr.	Member	401 19 th Street South, Unit 404 Birmingham, AL 35233	2002
<u>Administrative Personnel</u>			
Mr. Steve Saylor	Finance Director	Suite 810 Jefferson County Courthouse Birmingham, AL 35263	
Mr. Travis Hulseay	Assistant Finance Director	Suite 810 Jefferson County Courthouse Birmingham, AL 35263	
Mr. Danny Panos	Chief Accountant	Suite 820 Jefferson County Courthouse Birmingham, AL 35263	

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

We have audited the financial statements of the Jefferson County Commission as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Jefferson County Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 2003-1.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 6, 2004

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

Compliance

We have audited the compliance of the Jefferson County Commission with the types of compliance requirements described in the **U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that are applicable to each of its major federal programs for the year ended September 30, 2003. The Jefferson County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs, Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on the Jefferson County Commission's compliance based on our audit.

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

In our opinion, the Jefferson County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

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

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2002**

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Funding	Finding/Noncompliance	Questioned Costs
99-1	Internal Control	<p><u>Finding:</u> Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services</p> <p><u>Recommendation:</u> Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.</p>	
2003-1	Internal Control	<p><u>Finding:</u> Procedures were not in place to ensure that all customers who are receiving sewer service are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers. Of fifty-eight (58) new customer notifications tested, thirteen (13) were not set up for sewer billing by Bessemer Water Service.</p> <p><u>Recommendation:</u> Procedures should be implemented to ensure that all customers who receive sewer service are billed for the service</p>	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2003-2	17.263	U. S. Department of Labor; Youth Opportunity Grant Contract Number AZ-1-126-00-60 March 20, 2000 through June 30, 2004	<p><u>Finding:</u> The compliance requirement for subrecipient monitoring requires that all subrecipients be monitored to ensure compliance with all federal regulations. Procedures were not in place to monitor the subrecipient of the Youth Opportunity Grant to ensure that compliance requirements were timely and properly met. Some claims for reimbursement were submitted several months after the period of performance. The agency hired to monitor the subrecipient did not provide any monitoring reports to the Office of Community Development as required.</p> <p><u>Recommendation:</u> The Jefferson County Office of Community Development should implement procedures to ensure that subrecipients of the Youth Opportunity Grant are in compliance with all requirements</p>	

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Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION



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

LARRY P. LANGFORD—COMMISSIONER
Finance and General Services

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

VIA Email

Christine.harden@examiners.state.al.us

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

Corrective Action Plan For the Year Ended September 30, 2003

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, Section .315(c), the Jefferson County Commission has prepared and hereby submits the following Correction Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2003.

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

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

Finding #2003-1: Procedures were not in place to ensure that all customers who are receiving sewer service are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers. Of fifty-eight (58) new customer notifications tested, thirteen (13) were not set up for sewer billing by Bessemer Water Service.

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

Finding #2003-2: The compliance requirement for subrecipient monitoring requires that all subrecipients be monitored to ensure compliance with all federal regulations. Procedures were not in place to monitor the subrecipient of the Youth Opportunity Grant to ensure that compliance requirements were timely and properly met. Some claims for reimbursement were submitted several months after the period of performance. The agency hired to monitor the subrecipient did not provide any monitoring reports to the Office of Community Development as required.

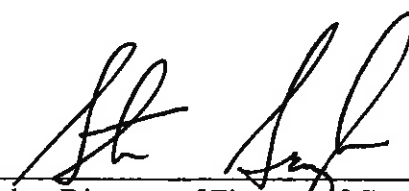
Response: The Office of Community Development has begun a stringent reorganization of this program's oversight and operation during fiscal year 2004 in partnership with the State and Federal agencies involved with the program. The Office is confident that these changes will eliminate these compliance problems and documentation of these changes all available for your review.

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

Finding: At September 30, 2003, the following funds had deficit fund balances:

Road Fund	\$ 4,139,000
Senior Citizen's Activities Fund	\$ 747,000
Capital Improvements Fund	\$ 2,077,000

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



Steve Saylor, Director of Finance of County Commission



Jefferson County, Alabama
 County -wide Revenues
 Last Two Fiscal Years
 (In Thousands)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			Total
	Chrges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	
2002	\$ 181,087	\$ 49,568	\$ 1,250	\$203,120	\$ 57,983	\$ 10,844	\$ 503,852
2003	\$ 211,508	\$ 55,617	\$ 427	\$207,086	\$ 75,010	\$ 10,261	\$ 559,909

Government-wide balances are shown for all fiscal years subject to GASB Statement 34 requirements

Jefferson County, Alabama
General Government Expenditures by Function
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	General Government	Public Safety	Highways and Streets	Welfare	Culture and Recreation	Education	Interest and Fiscal Charges
2002	\$ 104,496	\$ 65,936	\$ 41,716	\$ 14,766	\$ 16,187	\$ 200	\$ 15,809
2003	\$ 121,127	\$ 71,248	\$ 41,901	\$ 16,453	\$ 18,250	\$ 231	\$ 14,234

Government-wide balances are shown for all fiscal years subject to GASB Statement 34 requirements

<u>Hospital</u>	<u>Nursing Operations</u>	<u>Landfill</u>	<u>Sanitary Operations</u>	<u>Parking</u>	<u>Total</u>
\$ 73,375	\$ 15,279	\$ 7,352	\$ 234,463	\$ 326	\$ 589,905
\$ 74,526	\$ 16,306	\$ 7,090	\$ 287,898	\$ 307	\$ 669,571

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Jefferson County, Alabama
 General Government Revenues by Source
 Last Ten Fiscal Years
 (In Thousands)

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges For Services	Miscellaneous (1)	Net Bond Proceeds	Total
1994	\$ 95,679	\$ 42,248	\$ 26,929	\$ 15,384	\$ 10,526	\$ 64,940	\$ 255,706
1995	\$ 109,555	\$ 45,131	\$ 29,492	\$ 15,852	\$ 16,850	\$	\$ 216,880
1996	\$ 108,131	\$ 47,380	\$ 27,590	\$ 16,886	\$ 19,998	\$	\$ 219,985
1997	\$ 113,609	\$ 49,138	\$ 26,692	\$ 16,965	\$ 18,474	\$	\$ 224,878
1998	\$ 121,746	\$ 52,657	\$ 35,933	\$ 19,722	\$ 20,360	\$ 50,000	\$ 300,418
1999	\$ 127,688	\$ 53,683	\$ 30,975	\$ 19,269	\$ 14,480	\$	\$ 246,095
2000	\$ 136,188	\$ 58,606	\$ 37,352	\$ 19,605	\$ 21,664	\$ 107,125	\$ 380,540
2001	\$ 142,260	\$ 59,846	\$ 48,973	\$ 20,460	\$ 30,917	\$ 202,267	\$ 504,723
2002	\$ 145,295	\$ 60,903	\$ 50,819	\$ 24,477	\$ 30,660	\$ 20,793	\$ 332,947
2003	\$ 147,884	\$ 61,313	\$ 56,042	\$ 26,247	\$ 30,515	\$ 99,833	\$ 421,834

Includes revenues of the General, Special Revenue, Debt Service, and Capital Projects Funds.

(1) Composed of indirect cost recovery, investment income, and miscellaneous revenue.

Jefferson County, Alabama
General Government Expenditures by Function (1)
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Culture and Recreation
1994	\$ 50,115	\$ 34,988	\$ 29,654	\$ 5,305	\$ 13,970
1995	\$ 53,035	\$ 35,815	\$ 26,856	\$ 9,304	\$ 16,106
1996	\$ 63,897	\$ 39,429	\$ 32,521	\$ 4,880	\$ 13,503
1997	\$ 48,547	\$ 41,101	\$ 37,192	\$ 3,944	\$ 13,144
1998	\$ 53,027	\$ 49,115	\$ 35,516	\$ 6,916	\$ 13,260
1999	\$ 55,136	\$ 46,929	\$ 31,974	\$ 4,283	\$ 12,819
2000	\$ 63,880	\$ 47,976	\$ 36,731	\$ 3,334	\$ 12,677
2001	\$ 75,667	\$ 51,313	\$ 36,718	\$ 9,604	\$ 13,758
2002	\$ 83,525	\$ 56,336	\$ 33,554	\$ 14,209	\$ 14,684
2003	\$ 94,923	\$ 62,989	\$ 34,256	\$ 14,819	\$ 16,578

(1) Includes expenditures of the General, Special Revenue, Debt Service and Capital Projects Funds.

<u>Education</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Indirect Cost</u>	<u>Total</u>
\$ 363	\$ 3,979	\$ 12,438	\$ 128	\$ 150,940
\$ 199	\$ 6,459	\$ 15,277	\$	\$ 163,051
\$ 163	\$ 5,336	\$ 17,560	\$ 351	\$ 177,640
\$ 168	\$ 31,346	\$ 17,506	\$ 12,740	\$ 205,688
\$ 170	\$ 21,919	\$ 21,706	\$ 11,508	\$ 213,137
\$ 185	\$ 22,243	\$ 24,575	\$ 14,812	\$ 212,956
\$ 185	\$ 37,830	\$ 82,230	\$ 18,964	\$ 303,807
\$ 197	\$ 37,873	\$ 128,545	\$ 19,094	\$ 372,769
\$ 200	\$ 38,242	\$ 54,091	\$ 20,401	\$ 315,242
\$ 231	\$ 29,103	\$ 80,688	\$ 18,249	\$ 351,836

Jefferson County, Alabama
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year Beginning October 1	Total Taxes Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections
1994	\$ 213,803,830	\$ 207,038,287	96.84%	\$ 4,447,531
1995	\$ 245,901,867	\$ 235,457,220	95.75%	\$ 4,254,077
1996	\$ 247,358,892	\$ 239,414,593	96.79%	\$ 4,853,300
1997	\$ 254,823,293	\$ 249,806,279	98.03%	\$ 4,130,970
1998	\$ 265,673,868	\$ 262,277,245	98.72%	\$ 4,253,108
1999	\$ 284,182,209	\$ 283,265,317	99.68%	\$ 1,390,376
2000	\$ 333,238,350	\$ 330,192,023	99.09%	\$ 2,280,785
2001	\$ 340,759,254	\$ 336,421,870	98.73%	\$ 1,686,156
2002	\$ 351,730,297	\$ 248,124,036	98.97%	\$ 5,606,431
2003	\$ 365,507,555	\$ 361,085,704	98.79%	\$ 4,205,271

Source: Jefferson County Tax Assessor and Jefferson County Tax Collector

Total Tax Collections	Ratio of Total Tax Collections to Total Taxes Levied	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Taxes Levied
\$ 211,485,818	98.92%	\$ 1,867,499	0.87%
\$ 239,711,297	97.48%	\$ 1,578,755	0.64%
\$ 244,267,893	98.75%	\$ 1,147,635	0.46%
\$ 253,937,249	99.65%	\$ 761,341	0.30%
\$ 266,530,353	100.32%	\$ 687,408	0.26%
\$ 284,655,693	100.17%	\$ 892,304	0.31%
\$ 332,472,808	99.77%	\$ 633,356	0.19%
\$ 338,108,026	99.22%	\$ 897,388	0.26%
\$ 353,730,497	100.57%	\$ 1,169,066	0.33%
\$ 365,290,975	99.94%	\$ 2,502,273	0.68%

Jefferson County, Alabama
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Assessment Date October 1	Real Property*		Personal Property*	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1994	\$ 3,496,624,420	\$ 20,553,159,088	\$ 623,080,254	\$ 3,115,401,270
1995	\$ 3,508,608,069	\$ 20,694,608,522	\$ 638,847,151	\$ 3,194,235,755
1996	\$ 3,569,535,589	\$ 21,147,002,093	\$ 690,979,113	\$ 3,454,895,565
1997	\$ 3,646,343,831	\$ 21,718,757,694	\$ 785,184,132	\$ 3,925,920,770
1998	\$ 3,764,036,047	\$ 22,434,017,344	\$ 883,387,978	\$ 4,416,939,890
1999	\$ 4,062,038,925	\$ 23,291,507,597	\$ 1,092,375,051	\$ 5,461,875,255
2000	\$ 4,132,989,142	\$ 23,766,470,052	\$ 859,648,212	\$ 4,298,241,060
2001	\$ 4,167,485,910	\$ 31,309,817,539	\$ 891,135,934	\$ 4,482,575,120
2002	\$ 4,277,742,048	\$ 32,103,509,180	\$ 938,489,379	\$ 4,721,523,800
2003	\$ 5,026,883,707	\$ 38,965,716,871	\$ 973,288,174	\$ 4,901,177,855

* Source: Jefferson County Tax Assessor
 ** Source: Jefferson County Revenue Director

Property is assessed on the following basis:
 Class I Public Utility-----30%
 Class II Commercial-----20%
 Class III Residential-----10%
 Class IV Automobile-----15%

Automobile**		Total Assessed Value	Total Estimated True Value	Ratio of Total Assessed Value to Total Actual Value
Assessed Value	Estimated Actual Value			
\$ 329,556,560	\$ 2,197,043,733	\$ 4,449,261,234	\$ 25,865,604,091	17.20%
\$ 379,586,980	\$ 2,530,579,867	\$ 4,527,042,200	\$ 26,419,424,144	17.14%
\$ 409,392,840	\$ 2,729,285,600	\$ 4,669,907,542	\$ 27,331,183,258	17.09%
\$ 450,545,420	\$ 3,003,636,133	\$ 4,882,073,383	\$ 28,648,314,597	17.04%
\$ 530,077,135	\$ 3,533,847,567	\$ 5,177,501,160	\$ 30,384,804,801	17.04%
\$ 570,975,326	\$ 3,806,502,173	\$ 5,725,389,302	\$ 32,559,885,025	17.58%
\$ 697,002,840	\$ 4,646,685,600	\$ 5,689,640,194	\$ 32,711,396,712	17.39%
\$ 811,100,700	\$ 5,407,338,000	\$ 5,869,722,544	\$ 41,199,730,659	14.25%
\$ 834,311,980	\$ 5,562,079,867	\$ 6,050,543,407	\$ 42,387,112,847	14.27%
\$ 843,387,480	\$ 5,622,583,200	\$ 6,843,559,361	\$ 49,489,477,926	13.83%

Jefferson County, Alabama
Property Tax Rates-Direct and Overlapping Governments
(Composition of tax rate per hundred dollars of assessed value)

State of Alabama		
General Fund (no limit as to time)	\$	0.25
Soldier Fund (no limit as to time)		0.10
School Fund (no limit as to time)		0.30
Total State of Alabama		0.65
 Jefferson County		
County Tax:		
General Fund (no limit as to time)		0.56
Road Fund (no limit as to time)		0.29
Road Fund (shared with City)		0.21
Bridge and Public Building Fund (no limit as to time)		0.22
Sewer Fund (no limit as to time)		0.07
Total		1.35
County Schools:		
General School Fund		0.54
General School Fund		0.21
General School Fund		0.07
Special School Fund		2.19
Total (shared with City schools based on average daily attendance)		3.01
Total Jefferson County		4.36
 City of Birmingham		
Municipal Tax:		
General Municipal purposes (no limit as to time)		0.90
Debt Service (no limit as to time)		0.92
Public School Use (voted to September 30, 2021)		0.42
Debt Service of School Bonds (voted to September 30, 2021)		0.28
Public School Operation (voted to September 30, 2021)		0.28
Library (no limit as to time)		0.05
Total		2.85
Special School Taxes:		
Public School Uses (School District Levy) (voted to September 30, 20		0.57
Public School Uses (School District Levy) (voted to September 30, 20		0.71
Total		1.28
Total City of Birmingham		4.13
Total Tax		\$ 9.14

Source: Jefferson County Tax Assessor

Tax Due Date: October 1

Delinquent Date: January 1

Delinquent Penalties: \$5.00 plus interest at 1% per month

Discounts Allowed: None

Tax Sale Date: Usually May or June

Jefferson County, Alabama
Property Tax Rates - Direct And Overlapping Governments
(Per \$100 OF ASSESSED VALUE)
Last Ten Fiscal Years

Fiscal Year	Jefferson County			City of Birmingham					State of Alabama	Total Tax
	County Government	County Schools	County Total	General Fund	Debt Service Funds	Board of Education Fund	Library	City Total		
1994	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1995	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1996	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1997	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1998	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1999	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2000	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2001	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2002	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2003	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14

Jefferson County, Alabama
Principal Taxpayers
September 30, 2003

Taxpayer	Type of Business	2003 Assessed Valuation	Percentage Of Total Assessed Valuation
Alabama Power Company	Public Utility	\$ 497,347,800	9.89%
BellSouth Telecommunications	Public Utility	265,478,160	5.28%
USX Corporation	Steel Mfr. And Real Estate	110,078,942	2.19%
HealthSouth Corporation	Healthcare	76,258,652	1.52%
Colonial Realty Ltd. Partnership	Real Estate	56,961,276	1.13%
AmSouth Bank Corporation	Financial Institution	41,473,660	0.83%
SouthTrust Corporation	Financial Institution	38,915,628	0.77%
Alabama Gas Corporation	Public Utility	36,075,930	0.72%
Blue Cross Blue Shield of Alabama	Insurance	33,839,820	0.67%
American Cast Iron Pipe Co.	Foundry	33,536,581	0.67%
		<u>\$ 1,189,966,449</u>	<u>27.82%</u>

Source: Jefferson County Tax Assessor

Jefferson County, Alabama
 Computation of Legal Debt Margin
 (In Thousands)

Assessed value of real and personal property	\$	6,843,559
Debt limit, 5% of assessed value (see note below)	\$	342,178
Outstanding general obligation bonds and warrants net of accreted interest		
Less amount available for repayment of general obligation warrants	297,830	
	175,364	122,466
Legal debt margin	\$	219,712

Note: Section 225 of the Constitution of the State of Alabama, as amended, limits debts of counties to 5% of the assessed value of taxable property.

Jefferson County, Alabama
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year Ended	Population		Assessed Value	Gross Bonded Debt (1)
	Census	Number		
1994	1990	651,520	\$ 4,449,261,234	\$ 156,660,000
1995	1990	651,520	\$ 4,527,042,200	\$ 178,555,000
1996	1990	651,520	\$ 4,669,907,532	\$ 190,195,000
1997	1990	651,520	\$ 4,882,073,383	\$ 177,685,000
1998	1990	651,520	\$ 5,177,501,160	\$ 212,190,000
1999	1990	651,520	\$ 5,732,807,599	\$ 195,370,000
2000	2000	662,047	\$ 5,689,675,034	\$ 228,210,000
2001	2000	662,047	\$ 5,869,722,544	\$ 288,865,000
2002	2000	662,047	\$ 6,050,543,407	\$ 268,230,000
2003	2000	662,047	\$ 6,843,559,361	\$ 297,830,000

Sources: Jefferson County Tax Assessor and Jefferson County Commission Finance Department

(1) All general obligation bonds and warrants

<u>General Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
\$ 14,840,000	\$ 141,820,000	3.19%	\$ 218
\$ 17,021,000	\$ 161,534,000	3.57%	\$ 248
\$ 19,483,000	\$ 170,712,000	3.14%	\$ 225
\$ 22,317,000	\$ 155,368,000	2.69%	\$ 202
\$ 24,273,000	\$ 187,917,000	3.63%	\$ 288
\$ 27,058,000	\$ 168,312,000	2.94%	\$ 258
\$ 87,230,000	\$ 140,980,000	2.48%	\$ 213
\$ 153,033,000	\$ 135,832,000	2.31%	\$ 205
\$ 154,854,000	\$ 113,376,000	1.87%	\$ 171
\$ 175,364,000	\$ 122,466,000	1.79%	\$ 185

Jefferson County, Alabama
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Total Debt Service (1)		Total General Expenditures (2)		Debt Service as a Percentage of Expenditures
1994	\$	12,438	\$	150,940	8.24%
1995	\$	15,277	\$	163,051	9.37%
1996	\$	17,560	\$	177,640	9.89%
1997	\$	17,506	\$	205,688	8.51%
1998	\$	21,706	\$	213,137	10.18%
1999	\$	24,575	\$	212,956	11.54%
2000	\$	23,909	\$	245,486	9.74%
2001	\$	28,545	\$	272,769	10.48%
2002	\$	34,026	\$	295,177	11.53%
2003	\$	80,688	\$	351,836	22.93%

Source: Jefferson County Commission, Finance Department

- (1) Debt service includes regular principal and interest on general obligation debt made out of the Debt Fund.
- (2) Total General expenditures represent total expenditures for all governmental types.

Jefferson County, Alabama
Computation of Direct and Overlapping Debt

Direct:

Gross bonded debt and warrants	\$ 297,830,000
Less debt service funds available	<u>175,364,000</u>
Net direct debt	<u>122,466,000</u>

Overlapping:

City of Birmingham (as of June 30, 2002)	503,660,000
Jefferson County Board of Education (as of September 30, 2002)	<u>111,341,679</u>
Total overlapping debt	<u>615,001,679</u>

Total direct and overlapping debt	<u>\$ 737,467,679</u>
-----------------------------------	-----------------------

Jefferson County, Alabama
Schedule of General Obligation Warrants
Debt Service Payments to Maturity
For the Year Ended September 30, 2003
(In Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
2001-A General Obligation Warrants	7,365	7,645	7,945	8,270	8,615
2001-B General Obligation Warrants					
2002-A General Obligation Warrants	4,415	4,570	1,550	5,270	
2003-A General Obligation Warrants	6,245	8,960	6,485	10,185	5,815
	<u>\$ 18,025</u>	<u>\$ 21,175</u>	<u>\$ 15,980</u>	<u>\$ 23,725</u>	<u>\$ 14,430</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Thereafter</u>	<u>Outstanding Principal Balance September 30, 2003</u>
8,990	9,385	9,810			68,025
			8,144	111,856	120,000
					15,805
<u>6,145</u>	<u>3,420</u>	<u>560</u>	<u>1,135</u>	<u>45,050</u>	<u>94,000</u>
<u>\$ 15,135</u>	<u>\$ 12,805</u>	<u>\$ 10,370</u>	<u>\$ 9,279</u>	<u>\$ 111,856</u>	<u>\$ 297,830</u>

Jefferson County, Alabama
Revenue Bond Coverage - Sanitary Operations Fund
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1994	\$ 47,193	\$ 24,264	\$ 22,929	\$ 3,935	\$ 7,662	\$ 11,597	1.98
1995	\$ 50,554	\$ 22,811	\$ 27,743	\$ 4,000	\$ 9,420	\$ 13,420	2.07
1996	\$ 58,288	\$ 25,495	\$ 32,793	\$ 5,245	\$ 12,703	\$ 17,948	1.83
1997	\$ 70,338	\$ 27,405	\$ 42,933	\$ 4,915	\$ 25,575	\$ 30,490	1.41
1998	\$ 80,120	\$ 31,158	\$ 48,962	\$ 6,235	\$ 33,546	\$ 39,781	1.23
1999	\$ 103,777	\$ 31,482	\$ 72,295	\$ 6,820	\$ 62,504	\$ 69,324	1.04
2000	\$ 126,096	\$ 36,044	\$ 90,052	\$ 11,090	\$ 82,904	\$ 93,994	0.96
2001	\$ 132,218	\$ 40,574	\$ 91,644	\$ 15,635	\$ 90,391	\$ 106,026	0.86
2002	\$ 137,412	\$ 40,555	\$ 96,857	\$ 8,495	\$ 114,324	\$ 122,819	0.79
2003	\$ 190,819	\$ 42,104	\$ 148,715	\$ 13,300	\$ 156,198	\$ 169,498	0.88

- (1) Total operating revenue plus interest income.
- (2) Total operating expenses excluding depreciation.
- (3) Coverage ratios do not consider the impacts of capitalized interest.

Jefferson County, Alabama
Property Values
Last Ten Fiscal Years

<u>Year</u>	<u>Commercial</u>	<u>Residential</u>
1994	\$ 13,020,362,414	\$ 12,648,197,944
1995	\$ 13,001,349,826	\$ 12,887,494,451
1996	\$ 13,396,899,124	\$ 13,204,998,534
1997	\$ 14,113,052,231	\$ 13,531,626,233
1998	\$ 15,022,517,075	\$ 13,828,440,159
1999	\$ 18,306,061,846	\$ 17,480,609,528
2000	\$ 17,347,597,564	\$ 17,769,610,297
2001	\$ 17,651,736,107	\$ 18,140,656,552
2002	\$ 18,303,131,230	\$ 18,521,901,750
2003	\$ 21,635,645,715	\$ 22,231,249,011

Source: Jefferson County Tax Assessor

Jefferson County, Alabama
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Income	Retail Sales Volume (in thousands)	Median Age	Unemployment Rate
1994	651,525	\$ 21,915	\$ 8,169,958	34.4	3.80%
1995	656,637	\$ 23,625	\$ 8,123,043	34.4	3.98%
1996	657,827	\$ 21,915	\$ 8,382,105	34.4	4.30%
1997	661,927	\$ 23,939	\$ 8,629,972	34.4	3.20%
1998	658,664	\$ 23,939	\$ 8,880,994	34.4	2.20%
1999	660,513	\$ 21,787	\$ 8,917,407	36.9	3.10%
2000	662,047	\$ 22,575	\$ 9,271,464	36.9	3.10%
2001	663,222	\$ 22,618	\$ 9,321,125	37.1	3.40%
2002	659,743	\$ 24,218	\$ 9,008,044	36.2	4.80%
2003	655,300	\$ 27,896	\$ 9,250,713	36.4	4.80%

Source: Claritas 2002

* Metropolitan Statistical Area

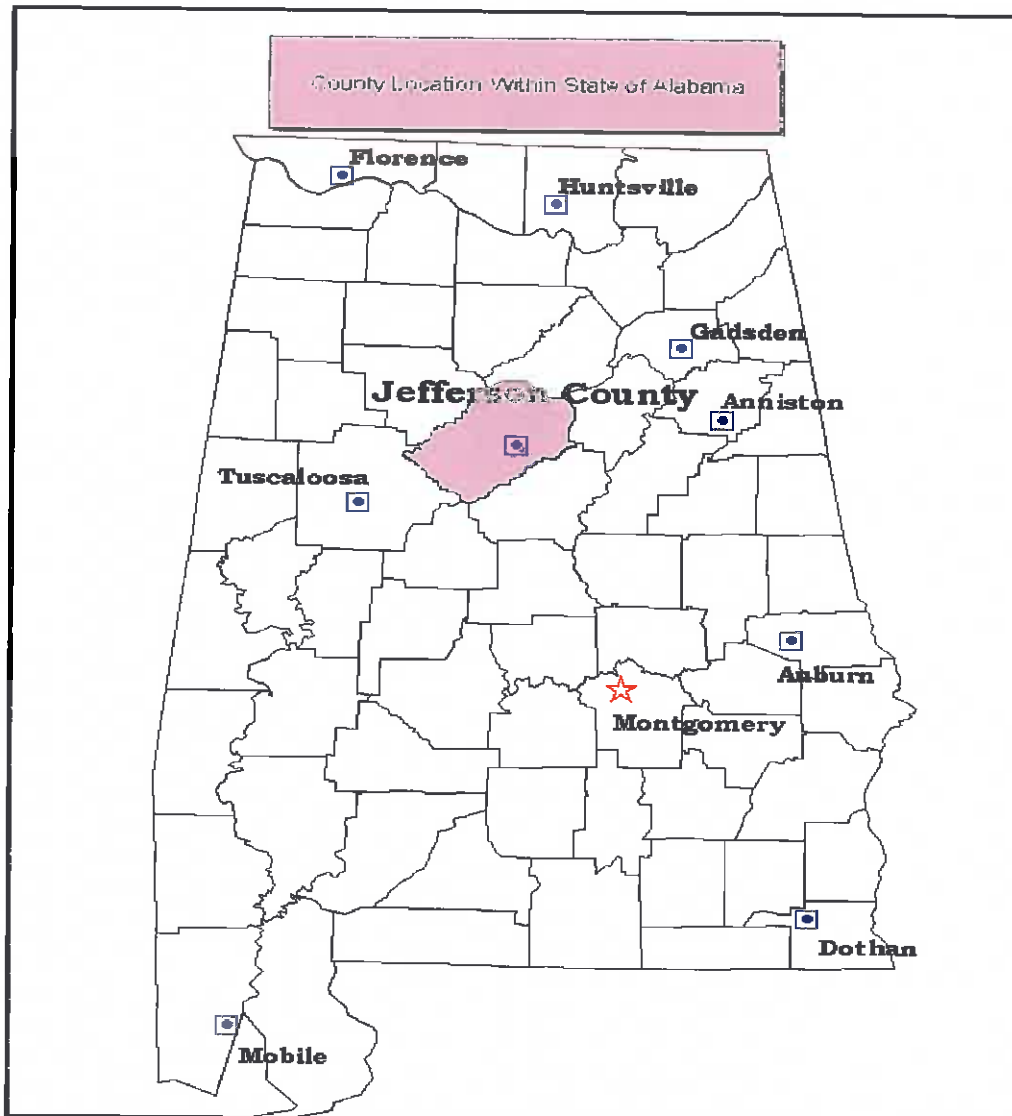
**Jefferson County, Alabama
Economic Demographic Information**

ECONOMIC AND DEMOGRAPHIC INFORMATION

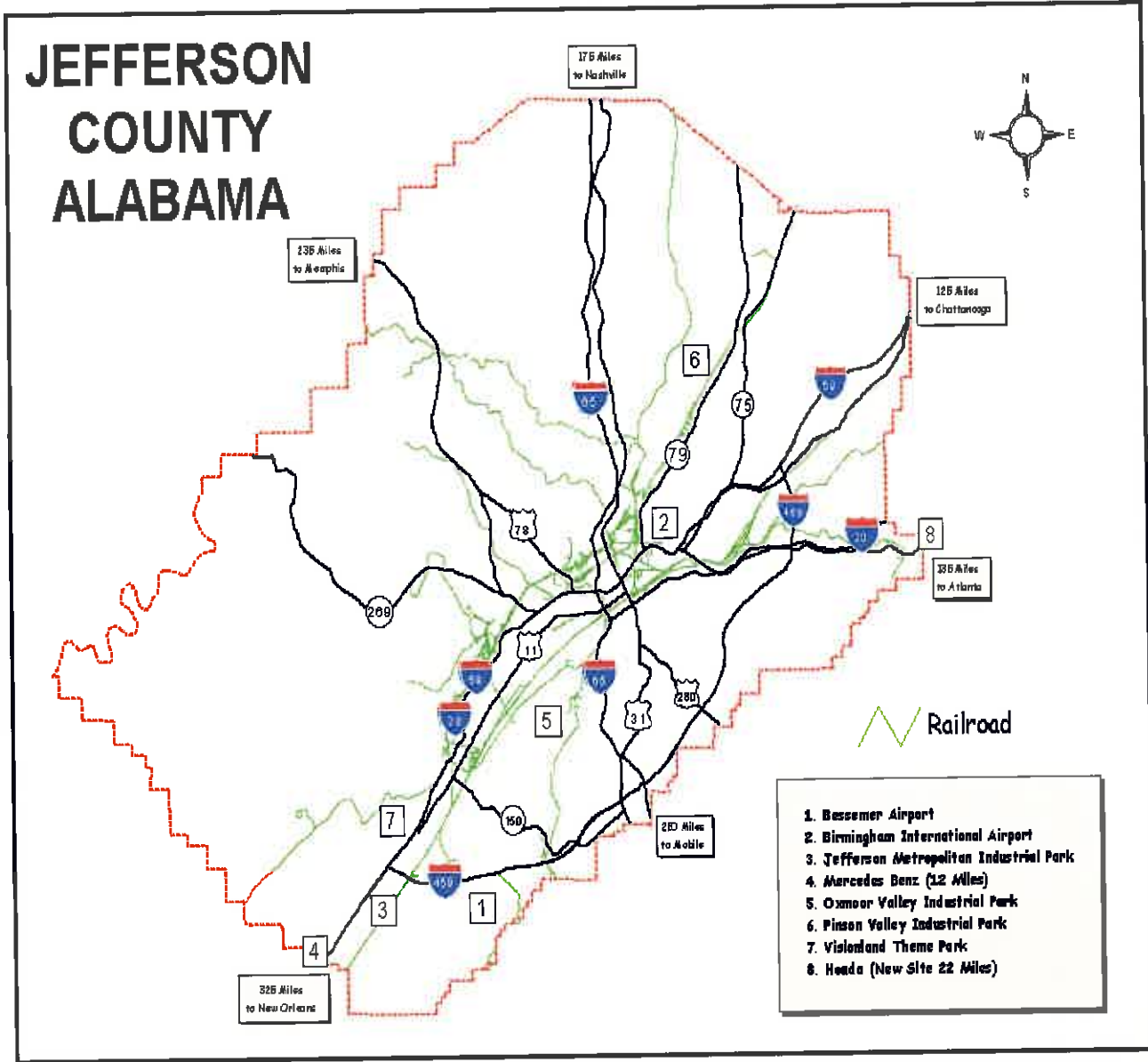
Origination

Jefferson County was created by the Alabama Territorial Legislature in 1819 and is actually older than the State of Alabama. The land was ceded in 1814 from the Creek Indian Nation in compliance with the Treaty of Fort Jackson. The area was settled by soldiers who had fought in Alabama with Andrew Jackson in the Creek War of 1813-1814.

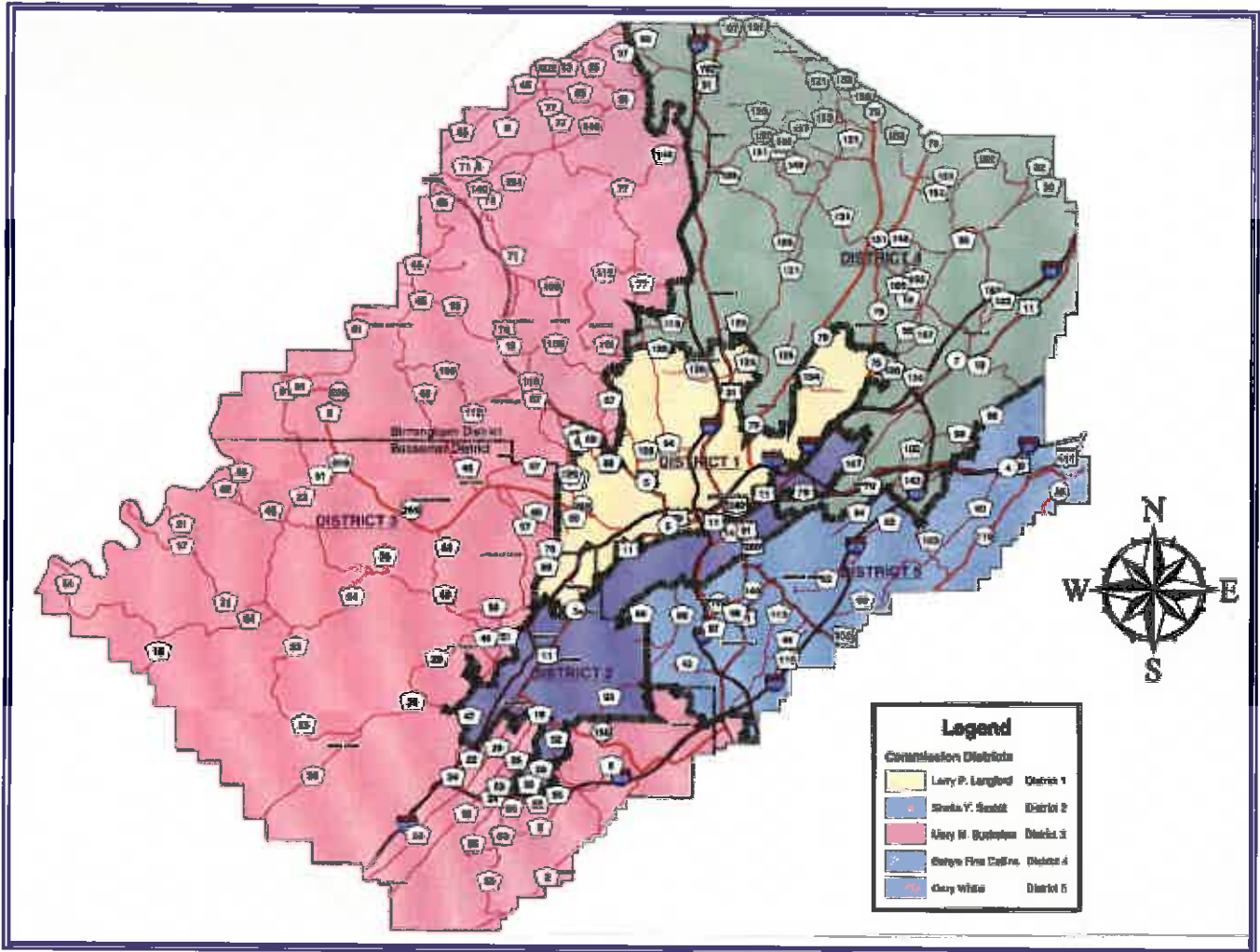
The county was named for Thomas Jefferson in honor of his many accomplishments as the author of the Declaration of Independence, the founder of the University of Virginia and the third president of the United States.



**Jefferson County, Alabama
Economic Demographic Information**



Jefferson County, Alabama Economic Demographic Information



General

Jefferson County (the "County"), Alabama's most populous county, is the principal center of finance, trade, healthcare, manufacturing, transportation and education in the State of Alabama. Birmingham, the largest city, and the county seat, had a population of 239,416 in 2002. Thirty-five other municipalities are located with the County's 1,124 square miles. The County, which had a population of 663,222 in 2000, is the center of the seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA),¹ which covers approximately 5,310 square miles. The total population of the counties now comprising the Birmingham-Hoover MSA was 1,025,238² in 2000, making it the 48th most populated area among the 316 metropolitan areas in the US.

Jefferson County, Alabama Economic Demographic Information

Please Note:

As used herein, the term "Birmingham MSA" and all related statistical data refer to the four-county Birmingham MSA as designated by the Federal Office of Management and Budget (OMB) in 1993. The term "Birmingham-Hoover MSA" refers to the seven-county Birmingham-Hoover MSA as designated by OMB in 2003. Statistical data is not currently available for the Birmingham-Hoover MSA.

- 1 The Birmingham Standard Metropolitan Statistical Area (SMSA) was established in 1967, and originally included Jefferson, Shelby and Walker Counties. St. Clair County was added to the SMSA in 1973. Blount County was added in 1993, at which time the official federal government designation became the Birmingham Metropolitan Statistical Area (MSA). Walker County was removed from the Birmingham MSA in 1993. Bibb, Chilton and Walker Counties were added in 2003, at which time the official federal government designation became the Birmingham Hoover MSA.
- 2 The population of the Birmingham-Hoover MSA in 2000 was calculated as the sum of the population of the Birmingham MSA in 2000 (from the Bureau of Census, U. S. Department of Commerce) and the population of each of the three Alabama counties in 2000 (from the Bureau of Census, U. S. Department of Commerce) which were added by OMB in the 2003 Birmingham-Hoover designation (see footnote 1).

While the County's economy once depended primarily on iron and steel and other heavy industry, it has diversified extensively over the past three decades into health care, finance, trade, government and other services. In 2001, 83 percent of the wage and salary jobs in the County were in the health care sector.

Population

The County and the Birmingham MSA have experienced steady population growth over the years. Although the City experienced an 8.7 percent loss in population between 1990 and 2000, the Birmingham MSA grew 14.6 percent from 1990 to 2000. The suburban counties of Blount, Shelby and St. Clair experienced some of the fastest growth in population in the State. It is anticipated that most of the population growth in the Birmingham-Hoover MSA will continue to occur outside the present City limits and that the City will continue to serve as an employment, service and cultural center for residents of the suburban areas. The following tables summarized historical population growth for Jefferson County, the City of Birmingham, and the Birmingham MSA.

Population Trends			
Year	Jefferson County	City of Birmingham	Birmingham MSA*
2000	663,222	242,820	921,106
1990	651,525	265,968	907,810
1980	671,324	286,799	884,040
1970	644,991	300,910	794,083
1960	634,864	340,887	772,044
1950	558,928	326,037	708,721
1940	459,930	267,583	609,919

Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.

Source: Bureau of the Census, U. S. Department of Commerce

**Jefferson County, Alabama
Economic Demographic Information**

Population and Income Statistics 2002*			
	Jefferson County	Percent of Alabama	Alabama
Population	662,047	14.8%	4,474,376
Households	261,865	14.9%	1,760,498
Average Household Income	\$644,991	120.4%	\$49,706
Per Capita Personal Income	\$54,218	120.7%	\$20,024
Median Age	36.4	100.6%	36.2

* CLARITAS 2000

Places and Cities:

In addition to the City of Birmingham, there are 45 places and cities in Jefferson County. Population changes from the 1980 to the 2000 Census are listed in the following table, on the following page, for these areas:

Place	2000	1990	1980	Increase/ Decrease	Percent Change 1980-2000
Hoover	62,742	40,000	20,881	41,861	200.5%
Trussville	12,924	8,283	3,507	9,417	268.5%
Vestavia Hills	24,476	19,550	15,722	8,754	55.7%
Homewood	25,043	23,644	21,412	3,631	17.0%
Gardendale	11,626	9,251	868	10,758	35.1%
Pleasant Grove	9,983	8,458	7,102	2,881	40.6%
Irondale	9,813	9,458	7,073	2,740	38.7%
Leeds	10,455	10,009	7,881	2,574	32.7%
Morris	1,827	1,136	623	1,204	193.3%
Sylvan Springs	1,465	1,470	450	1,015	225.6%
Mountain Brook	20,604	19,810	19,718	886	4.5%
Kimberly	1,801	1,096	1,043	758	72.7%
Mulga	973	284	405	568	140.2%
Hueytown	15,364	15,280	14,797	567	3.8%
Cahaba Heights	5,203	4,778	4,675	528	11.3%
Adamsville	4,965	5,161	4,511	454	10.1%
Fultondale	6,595	6,400	6,217	378	6.1%
County Line	257	75	99	158	159.6%
West Jefferson	344	388	357	-13	-3.6

**Jefferson County, Alabama
Economic Demographic Information**

Place	2000	1990	1980	Increase/ Decrease	Percent Change 1980-2000
Brookside	1,393	1,265	1,409	-16	-41.4%
Cardiff	82	72	140	-58	-41.4%
Warrior	3,169	3,280	3,260	-91	-2.8%
North Johns	142	177	243	-101	-41.6%
Maytown	435	651	538	-103	-19.1%
Forestdale	10,509	10,395	10,688	-179	-179.0%
Trafford	523	739	763	-240	-240.0%
Graysville	2,344	2,249	2,642	-298	-298.0%
Midfield	5,626	5,559	6,185	-559	-559.0%
Center Point*	22,784	22,658	23,486	-702	-702.0%
Fairfield	12,381	12,200	13,239	-858	-858.0%
Tarrant	7,022	8,046	8,148	-1,126	-1126.0%
Lipscomb	2,458	2,892	3,741	-1,283	-1283.0%
Brighton	3,640	4,518	5,308	-1,668	-1668.0%
Bessemer	29,672	33,518	31,729	-2,057	-2057.0%
Birmingham	242,820	265,968	286,799	-43,979	-43979.0%
Grayson Valley	5,447			NA	NC
Pinson	5,033			NA	NC
Clay*	4,947			NA	NC
Mount Olive	3,957			NA	NC
Chalkville	3,829			NA	NC
Concord	1,809			NA	NC
Rock Creek	1,495			NA	NC
Minor	1,116			NA	NC
McDonald Chapel	1,054			NA	NC
Edgewater	730			NA	NC
OakGrove	457			NA	NC
Jefferson County (Unincorporated)	61,888	92,707	127,993	-66,105	-51.6%
GRAND TOTAL	663,222	651,525	671,392	-8,170	-1.2%

Note: Municipalities without population figures for 1980 and 1990 were not designated as municipalities in those Census counts. Total 2000 population of 26,434.

* Cities of Clay and Center Point incorporated in 2000 and 2002 respectively.

Source: Birmingham Regional Chamber of Commerce, Bureau of the Census.

**Jefferson County, Alabama
Economic Demographic Information**

Employment and Labor Force

The following tables present certain information with respect to employment in the Birmingham MSA. The growth in jobs in the Birmingham area has occurred primarily in the service-producing sectors. Construction is the only goods-producing sector that has experienced growth since the 1970s.

BIRMINGHAM MSA*							
WAGE AND SALARY NON-AGRICULTURAL EMPLOYMENT							
(Jobs in Thousands)							
Sector	2002	2001	2000	1999	1990	1980	1970
Goods Producing	80.0	83.0	84.5	82.7	81.2	96.5	95.3
Mining	2.7	2.7	2.6	2.4	3.4	9.9	6.3
Construction	31.1	30.4	30.3	29.2	23.2	20.4	13.5
Manufacturing	46.2	49.9	51.6	51.1	54.6	66.2	75.5
Durable Goods	30.2	32.1	33.3	32.9	35.3	48.9	56.6
Nondurable Goods	16.0	17.8	18.3	18.2	19.3	17.3	18.9
Service Producing	405.7	402.2	401.1	399.5	319.8	260.5	171.8
Transportation and Public Utilities	29.4	31.1	31.2	31.2	31.4	29.3	19.2
Trade	117.3	116.4	118.0	118.9	95.4	83.7	59.7
Finance, Insurance, and Real Estate	39.5	39.0	38.1	37.9	29.6	23.0	16.8
Services	148.3	146.5	145.0	143.5	100.7	67.1	38.1
Government	71.2	69.2	68.8	68.0	62.7	57.4	38.0
Total	485.7	485.2	485.6	482.2	401.0	357.0	267.1

* Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.

Source: State of Alabama, Department of Industrial Relations



**Jefferson County, Alabama
Economic Demographic Information**

BIRMINGHAM MSA*		
PERCENTAGE DISTRIBUTION OF NON-AGRICULTURAL EMPLOYMENT (2001 Annual Averages)		
Category	Birmingham MSA	United States
Good Producing	17.1%	19.0%
Mining	0.6%	0.4%
Construction	6.3%	5.2%
Manufacturing	10.3%	13.4%
Service-Producing	82.9%	81.0%
Transportation and Public Utilities	6.4%	5.3%
Trade	24.0%	23.1%
Finance, Insurance and Real Estate	8.0%	5.8%
Services	30.2%	31.0%
Government	14.3%	15.8%
Total	100.0%	100.0%

* Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.

Source: State of Alabama, Department of Industrial Relations

COMPARATIVE EMPLOYMENT TRENDS						
Annual Averages						
(000's)						
	2002*	2001	2000	1999	1998	1997
Birmingham						
Employed	N/A	123.3	123.4	122.3	124.6	124.1
Unemployed	N/A	7.2	6.4	6.4	5.8	7
Unemployment Rate	N/A	5.5%	5.0%	5.0%	4.4%	5.3%
Jefferson County						
Employed	327.9	323.7	324	321.1	327.4	326.1
Unemployed	15.5	12.9	11.6	11.5	10.5	12.6
Unemployment Rate	4.5%	3.8%	3.5%	3.5%	3.1%	3.7%

**Jefferson County, Alabama
Economic Demographic Information**

COMPARATIVE EMPLOYMENT TRENDS						
Annual Averages						
(000's)						
	2002*	2001	2000	1999	1998	1997
Birmingham MSA**						
Employed	465.8	459.8	460.4	456.1	459.8	453.9
Unemployed	20.1	16.4	14.5	14.6	13.3	15.7
Unemployment Rate	4.2%	3.5%	3.1%	3.1%	2.8%	3.4%
State of Alabama						
Employed	2,033.5	2,033.2	2,055.2	2,043.1	2,065.6	2,057.3
Unemployed	120.9	114.4	99.1	102.2	90.9	109.8
Unemployment Rate	5.6%	5.3%	4.6%	4.8%	4.2%	5.1%
United States						
Employed	134,275	135,073	135,208	133,488	131,463	129,588
Unemployed	8,208	6,742	5,655	5,880	6,210	6,739
Unemployment Rate	5.8%	4.8%	4.0%	4.2%	4.5%	4.9%

- * The 2002 Comparative Employment Trends for Jefferson County and Birmingham MSA are preliminary.
- ** Information not currently available for the new Birmingham-Hoover MSA. The statistics herein are for the Birmingham MSA.

Source: State of Alabama, Department of Industrial Relations. Based on place of residence.

RECENT EMPLOYMENT DATA			
April 2002			
(In thousands)			
	Number Employed	Number Unemployed	Unemployment Rate
Birmingham	123.7	7.6	5.8%
Jefferson County	325.0	13.7	4.1%
Birmingham MSA*	461.5	18.4	2.8%
Alabama**	2,032.5	120.9	5.6%
United States**	133,976.0	8,594.0	6.0%

- * Information not currently available for the new Birmingham-Hoover MSA. The statistics herein are for the Birmingham MSA.
- ** Seasonally adjusted.

Source: State of Alabama, Department of Industrial Relations

**Jefferson County, Alabama
Economic Demographic Information**

Income

Per capita Personal Income is listed in the table below for Jefferson County, the Birmingham MSA, the State of Alabama, and the United States. Per Capita Personal Income is defined as the current income from all sources received by one resident in an area. It is measured before deduction of income and other personal taxes, but after deduction of personal contributions for social security, government retirement, and other social insurance programs. Per capita personal incomes in the County and MSA are above average for the State of Alabama. Per capita personal incomes in the Birmingham MSA are slightly below the national average, while per capita personal incomes in the County just exceed the national average.

Per Capita Personal Income								
	Jefferson County		Birmingham MSA		State of Alabama		United States	
	Income	% of National Average	Income	% of National Average	Income	% of National Average	Income	% of National Average
2000	29,895	101%	29,057	99%	23,521	80%	29,469	100%
1999	28,816	103%	27,966	100%	22,694	82%	27,843	100%
1998	27,673	103%	26,791	100%	21,904	81%	26,893	100%
1997	26,339	103%	25,454	100%	21,899	82%	25,874	100%
1996	25,221	104%	24,501	101%	20,138	83%	24,270	100%
1989	17,946	97%	17,488	94%	14,899	80%	18,566	100%
1979	8,827	96%	8,541	93%	7,199	78%	9,230	100%
1969	3,394	88%	3,298	86%	2,748	71%	3,846	100%

- Information not currently available for the new Birmingham-Hoover MSA. The statistics herein are for the Birmingham MSA.
- ** Seasonally adjusted.

Source: Bureau of Economic Analysis, U. S. Department of Commerce

The median family income is a measure defined by the U. S. Census Bureau as the amount of income per family that divides the income distribution of families into two groups. In recent years, median family income in Alabama and the Birmingham MSA increased slightly faster than rates in the U. S. overall.

Median Family Income							
	1997	1998	1999	2000*	2001*	2002*	% Change, 97-02
United States	\$ 43,500	\$ 45,300	\$ 47,800	\$ 50,200	\$ 52,500	\$ 54,400	25.1%
Alabama	37,100	38,700	41,500	44,300	46,100	47,000	26.7%
Birmingham MSA**	41,900	44,000	47,900	51,100	5,100	52,700	25.8%

- Estimates
- ** Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.

Source: Center for Business and Economic Research, The University of Alabama; HUD Office of Economic Affairs

**Jefferson County, Alabama
Economic Demographic Information**

Housing and Construction

The following tables present information about existing housing units and construction activity in the County and Birmingham metro area:

BIRMINGHAM AREA HOUSING UNITS					
	Housing Units			Percent Change	
	2000	1990	1980	1990-2000	1980-1990
City of Birmingham	111,927	117,691	114,503	-4.9%	2.8%
Jefferson County	288,162	273,097	259,805	5.5%	5.1%
Birmingham MSA*	395,295	348,470	313,908	13.6%	20.0%

- Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.

Source: Bureau of the Census, U. S. Department of Commerce, Birmingham Regional Chamber of Commerce

BIRMINGHAM MSA*				
RESIDENTIAL CONSTRUCTION ACTIVITY				
	Single-Family		Multi-Family	
	Permits Issued	Value	Units	Value
1996	4,774	553,539,000	1,925	60,771,000
1997	4,333	528,651,000	725	27,579,000
1998	5,076	611,924,000	1,285	51,434,000
1999	4,973	677,045,000	985	49,927,000
2000	4,352	569,298,000	781	42,454,000
2001	4,072	555,612,000	305	12,373,000

- Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.

Source: U. S. Census Bureau

**Jefferson County, Alabama
Economic Demographic Information**

Education



The County is home to nine major institutions of higher education, with a combined enrollment of over 33,000.

The largest institution is the University of Alabama at Birmingham (UAB), which includes the University College, the graduate school, and UAB Health Services. The UAB complex, featuring a wide range of undergraduate and professional programs, is the third-largest educational institution in Alabama, with an enrollment of 16,016. UAB Health Services includes the Schools of Medicine, Dentistry, Nursing, Optometry, Public Health and Health-related professions. UAB has a full-time payroll exceeding \$559 million and is the largest employer in the Birmingham MSA.

Institutions of Higher Education Jefferson County		
Name	Type	Enrollment June 2003
Four-Year		
Birmingham School of Law	Private	475
Birmingham-Southern College	Private	1,550
Miles College	Private	1,838
Samford University	Private	4,485
Southeastern Bible College	Private	250
University of Alabama at Birmingham*	State Supported	16,016
Two Year		
Bessemer State Technical College	State Supported	1,800
Herzing College of Business and Technology	Private	500
ITT Technical Institute	Private	400
Jefferson State Junior College	State Supported	6,723
Lawson State Community College	State Supported	2,100
Virginia College	Private	2,500

* Includes advanced professional degree students, such as residents and interns.
Source: Birmingham Regional Chamber of Commerce

**Jefferson County, Alabama
Economic Demographic Information**

Primary and Secondary Education

The Jefferson County School system consists of 62 schools with an enrollment of approximately 42,000 students. The City of Birmingham has 75 schools in its system and approximately 38,000 students. The nine other public school systems in the County encompass 46 schools and more than 36,000 students. In addition, the Birmingham MSA has 79 private and denominational schools with grades ranging from kindergarten through high school.

National Rankings

The following table shows the ranking of the Birmingham MSA for a number of socioeconomic categories in comparison with other metropolitan areas in the nation.

Birmingham MSA* National Ranking for Selected Categories	
Category	2002 Among All 332 United States Metro Markets**
Population	66
Effective Buying Income (EBI)	63
Households with EBI of \$150,000 and over	54
Retail Sales	49
Households with EBI of \$150,000 and over	65
Buying Power Index?	45

- * Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.
- ** Metro markets as defined by Sales & Marketing Management.
- ? Buying Power Index is defined as a market's "ability to buy." It is a weighted index of population, income and retail sales.

Source: "2002 Survey of Buying Power," Sales and Marketing Management

**Jefferson County, Alabama
Economic Demographic Information**

Jefferson County, Alabama Statistical Comparison to City of Birmingham, Birmingham MSA* and State of Alabama 2002					
Area		Population	Percent of Alabama	Households (000)	Percent of Alabama
Birmingham		237,600	5.3%	97.0	5.5%
Jefferson County		655,300	14.6%	261.9	14.8%
Birmingham MSA*		925,600	20.8%	364.9	20.7%
Alabama		4,474,600	100.0%	1,760.5	100.0%
	Total Retail Sales	Percent of Alabama	Household Median EBI	Percent of Alabama	Percent of National Average
Birmingham	3,625,088	7.9%	26,965	86.6%	70.3%
Jefferson County	9,250,713	20.1%	35,516	114.0%	92.6%
Birmingham MSA*	11,113,904	24.2%	36,669	117.7%	95.6%
Alabama	46,008,635	100.0%	31,162	100.0%	81.2%

Note Effective Buying Income ("EBI") is generally known as "disposable personal income" and is equal to personal income less personal taxes (federal, state and local), nontax payments (fines, fees and penalties) and personal contribution to Social Security.

- Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.

Source: "2002 Survey of Buying Power," *Sales and Marketing Management*

Transportation



As Alabama's largest airport, the facilities at Birmingham International Airport continue to grow and expand. In order to strengthen the marketability of the airport and the Birmingham Region the Airport Authority will continue to maintain a first-class facility that will enhance the Birmingham Area as a great place to live, work and do business.

The Birmingham Airport Authority has invested more than \$300 million in modernization and expansion of the Airport since 1990. Included are improvements to the runways, terminal facilities, support services, parking facilities, and security. The Airport Authority is currently implementing a \$43 million plan to add

**Jefferson County, Alabama
Economic Demographic Information**

2,000 feet to the east-west runway. Once completed, the 12,000-foot runway will accommodate a fully loaded and fully fueled 747 cargo aircraft taking off on non-stop overseas flight. The expanded runway will place Birmingham in a better position to expand air service to overseas destinations and provide air cargo services to the region's growing automotive manufacturing sector.

Commercial airline service is available through Birmingham's airport, which is served by six major carriers—American, Continental, Delta, Northwest, Southwest, and USAirways, and the commuter airlines of Atlantic Southeast, Comair, Continental Express, Delta Connection, Skywest, Southwest, United Express and U. S. Airways Express. Air cargo service is provided by Airborne Express, BAX Global, Continental Cargo, Federal Express and United Parcel Service. Total passenger traffic at the Airport is 2.8 million for the year ended December 31, 2002. WEB: www.bhamintlairport.com

AIRLINE OPERATIONS	
PASSENGERS ON AND OFF	
Year	Number of Passengers
1991	1,934,305
1992	1,970,201
1993	2,076,326
1994	2,244,181
1995	2,508,205
1996	2,749,403
1997	2,747,225
1998	2,854,917
1999	3,046,220
2000	3,067,777
2001	3,012,729

Source: Birmingham Regional Chamber of Commerce, Executive Director, Birmingham Airport Authority

Jefferson County, Alabama Economic Demographic Information



The State of Alabama Highway Department officials have made a final decision on the route of a \$1.1 billion beltline highway across north Jefferson County just north of Birmingham. Land acquisition began in early 2003 and construction is scheduled to begin in 2004. Completion is scheduled for 2020.

Almost 60 truck lines have terminals in the area. Additionally is serviced by three major railroads—Norfolk Southern, CSX Corporation and Burlington Northern Sante Fe Railway. Amtrak passenger service is also available.



Barge transportation is available at Port Birmingham in western Jefferson County. These facilities are part of the Warrior-Tombigbee waterway system which provides access to the Port of Mobile in south Alabama. The area is linked with the Tennessee-Tombigbee waterway system, which connects the County with inland ports in Midwest America.

Health Care

The County is a major center for health care and biomedical research. The Medical Center of the University of Alabama at Birmingham (UAB), the area's largest employer is home to a world-class patient care and research medical center and is internationally known for its programs in cardiovascular disease and open-heart surgery, as well as cancer, organ transplants, dentistry and diabetes. The University has broken ground on a 12-story biomedical research building that is expected to open 2005. Other major medical centers in the County such as Baptist Medical Center, Carraway Methodist Medical Center, Medical Center East, St. Vincent's Hospital, HealthSouth Hospital and Brookwood Medical Center have all undergone recent multi-million dollar expansions.



Jefferson County, Alabama Economic Demographic Information

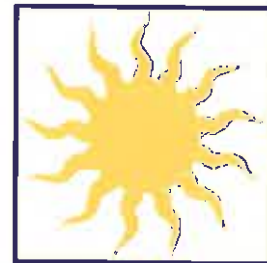


Southern Research Institute (SRI), located in Birmingham's Oxmoor Valley Mixed-Use Development, is the largest non-profit independent research laboratory located in the Southeast. In addition to its cancer and virus research, SRI is nationally noted for its industrial research programs. In addition to its pharmaceutical and biotechnical research, SRI also conducts research in the areas of utilities and manufacturing. Public sector clients include the National Institutes of Health, Department of Energy, Department of Defense, national Aeronautics and Space Administration, United States Army, United States Navy and United States Air Force. Over nine percent of the area workforce is employed in health care, exceeding other southeast centers like Orlando, Jacksonville, Miami and Atlanta.

Climate

Average Temperatures:

53 Days of exceeding 90°F
47 Days of less than 32° F
Average Annual Temperature of 61.8°F



Average Rainfall: 54.8 inches (Average 126 days a year)

Average Snowfall: 1.4 inches



Jefferson County, Alabama Economic Demographic Information

POINT OF INTEREST

Alabama International Motor Speedway (Talledega Superspeedway)

The Talledega Superspeedway was built to be the biggest, fastest and most competitive speedway in the world. It was molded out of a soybean field located next to a couple of abandoned World War II airport runways. The Talledega Superspeedway is noted for being the most competitive track on the NASCAR Winston Cup Series circuit. The track holds the fastest qualifying mark in NASCAR history and the fastest 500 mile race in Winston Cup history. Since the track was opened in September 1969 it has played host to two NASCAR Winston Cup Series events each year.

Web Site: www.talladegasuperspeedway.com



Alabama Jazz Hall of Fame

The Alabama Jazz Hall of Fame makes its home in the historic Carver Theatre for the Performing Arts. Upon entering the Carver Theatre, the Museum can be seen through the etched window with the famous music and lyrics of Birmingham native Erskine Hawkins "Tuxedo Junction". The museum honors great jazz artists with ties to the state of Alabama and provides exhibits that convey the accomplishments of entertainers such as Nat King Cole, Duke Ellington, Lionel Hampton and the music that made them famous. Web Site: www.jazzhall.com/jazz



Alabama Museum of Health Services

The Alabama Museum of Health Sciences located at the University of Alabama in Birmingham traces the history of medicine and the role Alabama's health professionals have played in it, from the staggering challenges of antiquity to the stunning breakthroughs of modern day. On display is an ivory anatomical model used by medical students in the 16th century, a surgical set from the 1850s and early Emerson Respirator ("Iron Lung") used at UAB Hospital in the 1950s.



**Jefferson County, Alabama
Economic Demographic Information**



Alabama Sports Hall of Fame

Established in 1967, the Alabama Sports Hall of Fame is dedicated to preserving and honoring the states sports heritage. It has captured the athletic achievements of our states greatest achievements. Renowned throughout the county as one of the most attractive state showcases of its type, this three story, 30,000 square foot structure features the 75 seat Bryant-Jordan theatre, over 40,000 pieces of memorabilia, six life size diramas, and interactive audio-visual touch screens. The museum showcases over 170 sports legends.

Web Site:

www.alasports.org



Alabama Theatre

Big-screen movies, stunning architecture, and a mighty Wurlitzer organ thrill audiences at the beautiful Alabama Theatre, just as they did in the 1920s. Today the theatre, one of the last working movie palaces, features first-run and revival films along with concerts and other special events. The “Showplace of the South” is still among the most elegant and elaborate theatres in the southeast.

Web Site: www.alabamatheatre.com



Alabama Veterans Memorial Park

The Alabama Veterans Memorial is a message from all Alabamians, recognizing the price of freedom and peace. Amid peaceful Alabama woodlands, you can peruse a temple engraved with the names of 11,000 Alabamians who were lost to war in the 20th century. A time line in the Memorial walkway outlines historic events of the 20th century and also has description of Alabama’s 23 Medal of Honor recipients of the 20th century. The Regiment of Columns displays stories,

letters and art work cast in metal

Jefferson County, Alabama Economic Demographic Information

Aldridge Gardens

Aldridge Gardens is a 30-acre botanical garden located in the heart of Hoover, Alabama. Complete with a 7 acre lake and walking train, Aldridge Gardens is laden with many varieties of hydrangeas and other native Alabama flowers. The signature flower of Aldridge Gardens is the Snowflake Hydrangea which was developed and propagated by noted nurseryman Eddie Aldridge. The gardens offer public lectures by horticulturalists, local gardeners and plant experts throughout the year.



Web Site: www.aldridgegardens.com

American Village

Located near Jefferson County, the American Village is a 113 acre development with replicas of various colonial buildings including George Washington's Mt. Vernon, the presidential oval office, a colonial courthouse modeled after the one located in Williamsburg, Virginia and a replica of the Liberty Bell. The Pettus Randall House will house the Miniature Museum of American History which was created as a way to bring United States history to life for American children and citizens. This collection of dioramas depicts important event in American history and features a re-creation of the White House East Room, where figurines of U.S. presidents and first ladies in authentic period dress.



Arlington Antebellum Home & Gardens

Dating from the 1840's, Arlington is a preserved antebellum home constructed in the Greek Revival architecture style by Judge William S. Mudd, one of the founders of Birmingham. Tours, civic activities and other special events are hosted at this site where Union troops planned the burning of the University of Alabama and the Brierfield and Tannehill Iron Works.

Web Site: www.ci.bham.al.us/arlington/



Jefferson County, Alabama Economic Demographic Information



Barber Vintage Motorsports Museum

The largest motorcycle museum in North America, the Barber Museum showcases over 850 vintage and modern motorcycles and 45 cars from 17 nations with 125 manufacturers represented. The Barber Motorsports Park is also the home of a world-class 2.3 mile road course which is host to motorcycle and car races throughout the year.

Web Site: www.barbermuseum.org



Bessemer Hall of History

The Bessemer Hall of History is a museum dedicated to preserving the area's past as well as educating the youth and others on what the city was like years ago. Located in the renovated Southern Railway Depot, the Hall of History displays historic photographs and articles, Civil War Memorabilia, Indian artifacts, furnishings from the 1800s and other items from the area. The museum has monthly exhibitions and is listed in the National Registry of Historical Places.



Birmingham's Botanical Gardens

The Gardens boast the Southeast's largest clear span conservatory; and its education complex, plant diagnostic lab, gift shop, and horticultural displays are among the best. The All American Rose Selections Display Garden showcases 150 types of hybrid roses; and the bonsai, fern, and orchid collections are recognized for their excellence. Expansion of the library tripled its size making it the largest free-lending horticulture library in the State of Alabama. Popular for weddings and photography, the authentic Japanese Garden and Teahouse, colorful Southern Living Garden, and the spacious Dunn Formal Rose Garden are key focal points in the 67 acre facility.

Web Site: www.bbgardens.org

Jefferson County, Alabama Economic Demographic Information

Birmingham Children's Theatre

The Birmingham Children's Theatre is one of the nation's oldest and most respected Children's Theatres. The theatre offers more than 600 performances and reaches an average of 75 Alabama cities each year. Approximately 400,000 children and family audiences experience educational arts opportunities through family performances, tours, school performances, summer workshops and guest artist presentations. The *Theatre in Motion*, the touring division of Birmingham Children's Theatre, brings the magic of theatre to students across the Southeast—performing in more than 75 Alabama cities and approximately 28 other cities in the Southeast annually.

Web Site: www.bct123.org



Birmingham Civil Rights Institute

The Birmingham Civil Rights Institute is a living institution that views the lessons of the past as a positive way to chart new directions for the future. The Institute's permanent exhibitions are a self-directed journey through the Birmingham Civil Rights Movement and human rights struggles. The Human Rights Gallery takes the visitor beyond Birmingham to look at human rights issues around the world. The Institute is located in the historical Civil Rights District surrounded by the 16th Street Baptist Church, Kelly Ingram Park, and the Alabama Jazz Hall of Fame. Web Site: www.bcri.bham.al.us



Birmingham-Jefferson Convention Complex

Located less than four miles from the Birmingham International Airport, the Birmingham-Jefferson Convention Complex is Alabama's foremost entertainment and meeting facility. The Concert Hall is one of the finest in the nation, and its adjoining coliseum is one of the largest in the region with a capacity of 19,900. A 1,200 seat, fully equipped theater is the setting for many major productions. The 220,000 square foot exhibition halls host hundreds of significant shows and attract 1,500,000 visitors annually. Improvements include a lighting retrofit/upgrade and addition of an on-line exhibitor services ordering system. In the coming months, capital improvements will be made to the existing facility, and further expansion is planned. Web Site: www.bjcc.org



Jefferson County, Alabama Economic Demographic Information

The Birmingham Museum of Art



The Birmingham Museum of Art is the largest municipal museum in the Southeast and one of the premier regional art museums in the country. The museum's diverse and extensive collections feature more than 21,000 works spanning the history of art dating from ancient to modern times, from cultures across the globe. Included are a comprehensive collection is the Charles W. Ireland Sculpture Garden, American Art Collection, Asian Art Collection, Beeson Collection of Wedgwood, Contemporary Art Collection, Hitt Collection of 18th Century French Painting and Decorative Arts, Kress Collection of Renaissance Art, Native American Art Collection and the museum's nationally recognized Visually-Impaired Program. The museum is currently host the Old Master and Impressionists - Two Exhibitions of Glorious French Painting.

Web Site: www.artsbma.org



Birmingham Race Track

The track is one of America's most beautiful race tracks. Located on 350 acres in eastern Jefferson County, it offers year-round greyhound racing and racing from other tracks via satellite. The facility is accessible by three nearby interstates.

Web Site: www.bhamdogs.com

Birmingham Zoo



Accredited by the American Zoo and Aquarium Association, the Birmingham Zoo has over 700 wild animals in the heart of Birmingham. Visit the Alligator Swamp, feed the lorikeets in an interactive aviary where colorful parrots will land gently on your arm and sip nectar from your cup, a naturalistic exhibit featuring giraffes, greater kudu, gazelles and ostriches and the High Kaul Children's Zoo which focuses on native Alabama wildlife. On display and participates in numerous Species Survival Programs that help conservation efforts around the world. Its Education Department offers classes for all age groups, including ZooSnooze, an overnight camping program, Spring Break Camp and Summer Zoofari Camp. Web Site:

www.birminghamzoo.com

Jefferson County, Alabama Economic Demographic Information

Brierfield Ironworks Historical State Park

Crumbling brick ruins are all that remains of the Brierfield Ironworks, which were destroyed in a raid by Union army cavalry in March 1865. This historic park is listed in the National Register of Historical Places. The park hosts many special events which include a reenactment of the Civil War raid, music festivals, country crafts fairs and holiday events.

E-mail Address: www.brierfieldironworks.com



Five Points South

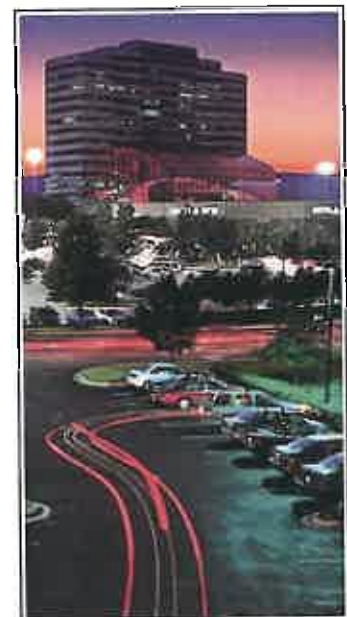
Located in the heart of Jefferson County, this historic site has become a nucleus for dining and entertainment. Shopping for antiques in nearby Cobb Lane, people watching, dancing to live music, and great food fill this restored district. In the background of the photo is the Highlands United Methodist Church, which was founded in 1903 as a Sunday school for neighborhood children. Ground was broken in 1906 for the Spanish Renaissance Revival building shown in the photo. Many prominent Birmingham families were charter members of the congregation.



Galleria

The area enjoys the shopping advantages of major malls, such as the Riverchase Galleria, where 200 specialty shops and six anchor stores (Rich's, Parisian, JC Penney, McRae's, and Sears) are surrounded by restaurants, offices and hotels. Covered by acres of glass, the walkways and food court come alive with lights, fountains and a huge carousel. An additional interstate exit for this area was completed in late 2002, and a new complex is planned for construction adjoining the new exit.

E-mail address: www.thegalleria.com



Jefferson County, Alabama Economic Demographic Information



Golf Opportunities

Some of the finest golf course designers in the world – Fazio, Pate, Nichlaus, and Robert Trent Jones – have worked their magic on area links. The area has twice hosted the PGA Championship, and the Bruno’s Memorial Classic is an annual stop on the Senior PGA Tour.



Heart of Dixie Railroad Museum

Located near Jefferson County, the Heart of Dixie Railroad Museum is the official railroad museum of the State of Alabama. The museum features operating standard gauge and narrow gauge trains, two restored depots, an indoor collection of railroad artifacts and memorabilia, and an outdoor collection of railroad cars, locomotives, and cabooses. The museum is dedicated to the preservation, restoration, and operation of historically significant railway equipment. The

exhibits, operating railroads, and educational programs function as both a unique means of tourism and recreation, and as a way to preserve the rich history of Alabama and our nation.

Web Site: www.heartofdixiemuseum.org



International Motorsports Hall of Fame & Museum

Located near the Alabama International Motor Speedway, the International Motorsports Hall of Fame & Museum was founded to preserve the history of motor sports and honor the legends of the global motorsports community for their accomplishments. It has experienced tremendous

growth, with its collection of racing vehicles and memorabilia valued at more than \$15 million, and increasing every year. Since the facility opened on 35 acres of land, more than half a dozen different Halls of Fame have become a part of the display.

Web Site: www.motorsportshalloffame.com

Jefferson County, Alabama Economic Demographic Information

Legion Field



With 80,300 seats, and the site of many professional and collegiate football games, the 75 year old Legion Field is one of the largest stadiums in the country. Each year teams from the University of Alabama and the University of Alabama in Birmingham play several major games on this historic field where Coach Paul “Bear” Bryant won his 315th game. The Stadium is also home to the annual Magic City Classic between Alabama A & M and Alabama State University, and the Southwest Athletic Conference Annual Championship Game has been held at Legion Field since 1999.

McWane Center

Adventures in learning surround you at the McWane Center. The \$36 million museum that opened in 1998 in a renovated department store housing 150,000 square feet of educational science equipment, and a 42,000 square feet off IMAX theater offers a hands-on creative examination of the world around us. Dedicated to hands-on learning, exhibits such as *Titanic: The Artifact Exhibit* and *The Brain* are currently on display.



Web Site: www.mcwane.org

Mercedes-Benz US International, Inc.

The Mercedes-Benz Visitor Center serves as the public gateway to the Mercedes Benz M-Class All Activity vehicle assembly plant in nearby Vance. The history of the company is housed in a 24,000 square foot showcase and is the only Mercedes visitor's center outside Germany. Plant tours have been temporarily halted for the completion of the \$600 million expansion to the manufacturing facilities which is expected to be completed in 2006.



Jefferson County, Alabama Economic Demographic Information



Meyer Planetarium

The 90-seat planetarium features a simulated look at celestial bodies and aspects of outer space. Reserved tours and workshops are available for groups of ten or more. Educational classes include environmental issues and astronomical activities such as learning to read a star map and building a bubble-powered rocket. Located on the campus of Birmingham-Southern College, the Planetarium is easily accessible by a nearby interstate. Web Site: www.bsc.edu



Oak Mountain State Park

Located near Jefferson County, Oak Mountain's 9,940 acres span pine-studded ridges and lush green valleys. The park offers vacation cottages, golf, improved camping, picnicking, tennis, swimming, boating, fishing, hiking, mountain biking, backpacking, a demonstration farm and horse boarding and riding facilities.

Web Site: www.bham.net/oakmntn



Rickwood Field

Completed in 1910, the oldest baseball stadium in America was the former home of the Birmingham Barons, the AA farm club of the Chicago White Sox which relocated to Hoover Metropolitan Stadium in the southern part of Jefferson County. Now it is the scene of many area high school games. The stadium was also the primary backdrop for a nostalgic baseball movie featuring the life of Ty Cobb. A project is underway to create a treasure of baseball memorabilia.

Web Site: www.onlinecityguide.com/al/rickwood

Jefferson County, Alabama Economic Demographic Information

Ruffner Mountain Nature Center

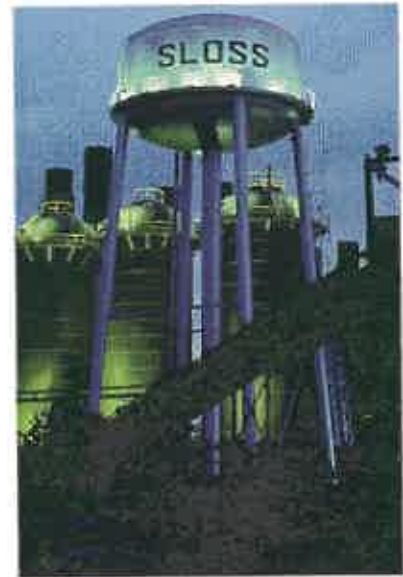
Ruffner Mountain is a 1,011 acre nature preserve in eastern Jefferson County. Its protected forest, ridges and valleys provide a refuge for a wide variety of native plants and wildlife. Located in the center of Alabama's largest urban area, it also offers a place for people to retreat to the serenity of outdoors. Their mission is to maintain and expand the nature preserve and to use the mountain to teach children and adults about nature and the environment.

Web Site: www.ruffnermountain.org



Sloss Furnace National Historical Landmark

Once a 32-acre blast furnace plant where iron was made for nearly 100 years, Sloss Furnace National Historical Landmark is now a museum of history and industry that preserves an extraordinary collection of buildings, industrial structures, and machinery. These industrial artifacts typify the first 100 years of Birmingham's history and the technology that drove America's rise to world industrial dominance. Sloss is also an unusual community gather place and hosts a wide variety of concerts, festivals and conferences. Sloss Furnaces is undertaking a renovation to improve educational resources, stabilize on-site historic structures and construct both a Visitor Center and Exhibit Gallery. There are plans for a new amphitheater and other improvements that will attract new audiences. Web Site: www.slossfurnaces.com



Southern Environmental Center

Located on the campus of Birmingham-Southern College, the Southern Environmental Center is the largest educational facility of its kind in Alabama. In addition to its award-winning Interactive Museum, the facility is also active in the community by initiating a number of model partnerships targeting water quality, smog, and urban sprawl. In addition, the SEC includes a four acre outdoor classroom where footpaths wind through a miniature Mobil basin wetland and past beneficial bug sculptures and fragrance gardens. Web Site: www.bsc.edu/sec



Jefferson County, Alabama Economic Demographic Information



Southern Museum of Flight

Located near the Birmingham International Airport, the Southern Museum of Flight is the home to eight decades of aviation history. Among the displays are full-scale memorabilia from World War II, an aviation library, and one of Delta Airlines first airplanes. Included among hundreds of historic photos are Birmingham's first flying fields, the Alabama Air National Guard, women in aviation, and the famed Tuskegee

Airmen. In addition, the Museum is the home of the Aviation Hall of Fame, which honors those who have made outstanding contributions to aviation in Alabama. Educational programs include the Kids Hangar, which offers an opportunity for even the youngest pilot to try his wings.

Web Site: www.southernmuseumofflight.org



Tannehill Ironworks Historical State Park

The grounds of the park hold fully restored furnaces, which at the height of production turned out as many as 20 tons of iron per day during the Civil War. In 1865 three companies of the Union's Eighth Iowa Cavalry swept through the area and destroyed the furnaces as part of General James Wilson's raid on Alabama. Iron is still extracted by the old processes on special occasions. Also within

the park is a large collection of 19th century cabins and bridges that give visitors a glimpse into life in early Alabama. Web Site: www.tannehill.org



University of Alabama at Birmingham

In addition to its internationally acclaimed medical center and teaching hospital, the University of Alabama at Birmingham is the home of one of the nation's top business schools. Founded in 1971, the UAB School of Business achieved accreditation by the Association to Advance Collegiate Schools of Business in 1973, only two years after it was established. Reaffirmed in 2002, this accreditation is the highest standard of achievement for business schools worldwide. In addition, the School ranks fourth nationally out of the Top 21 state urban business schools according to *U. S. News and World Report*. Some 2,000 students from throughout the United States and the world are currently enrolled in the School of

Business and the Graduate School of Management. Well supported by the local business community, the school maintains an excellent relationship with the metropolitan area.

Web Site: www.business.uab.edu

Jefferson County, Alabama Economic Demographic Information

Veterans' Day Parade

Supported by a grant from the Jefferson County Commission, National Veterans Day honors the dedication and sacrifice of our men and women in the armed forces. Home of the nation's oldest celebrations, Birmingham each year salutes America's veterans with one of the country's largest parades, a memorial service, the World Peace Luncheon, and the National Veterans Award Dinner. The award, which was authorized by Congress in 1954, honors an outstanding veteran who has made an outstanding contribution to further patriotic interest of veterans and veteran organizations throughout the United States. The 2002 recipient is Lt. General Robert F. Foley, US Army (Retired).

Web Site: www.nationalveteransday.org



Visionland Theme Park

Open since 1998, Visionland is nestled on 300 acres of rolling terrain near Bessemer, not many miles from the Mercedes-Benz factory. The Park offers Magic Adventure Theme Park featuring thrill rides and attractions and Splash Beach Water Park. WaterMark Place offers outlet shopping at over 30 stores. Web Site: www.visionlandpark.com



Vulcan Park

A popular tourist attraction located atop Red Mountain, Vulcan is the largest cast iron statue in the world, second in the United States only to the Statue of Liberty in height. Designed by the famous Italian sculptor Giuseppe Moretti as an exhibit for Alabama in the 1904 World's Fair in St. Louis, Vulcan is one of only a few monuments ever erected to commemorate an industry. Named for the Roman mythical god of the forge, it has stood on Red Mountain since the 1930's. Holding a torch that changes colors to indicate traffic fatalities, the statue also serves as the world's largest traffic safety reminder. The statue just recently has been dismantled and restored and has now been reinstalled upon its pedestal. The park has a new visitor education center which will house interpretive exhibits outlining the history of Vulcan and the City of Birmingham. The outdoor interpretive exhibits examine site history and geology. Web Site: www.bham.net/bham/vulcan

