

Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2001 Through September 30, 2002

Filed: March 28, 2003



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

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Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Jefferson County Commission for the period October 1, 2001 through September 30, 2002.

SCOPE AND OBJECTIVES

This report encompasses an audit of the financial statements of the Jefferson County Commission (the "Commission") and a review of compliance by the Commission with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America for financial audits. The objectives of the audit were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission has complied with applicable laws and regulations.

CONTENTS OF REPORT

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Management's Discussion and Analysis** – a component of required supplementary information presented by the management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB).

4. **Financial Section** – includes basic financial statements (Exhibits 1 through 11) and notes to the financial statements.
5. **Required Supplementary Information** – includes Budget to Actual comparisons (Exhibits 12 through 14) which contains supplementary information required by the Governmental Accounting Standards Board (GASB).
6. **Supplementary Information** – includes combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds (Exhibits 15 through 24) and the Schedule of Expenditures of Federal Awards (Exhibit 25), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.
7. **Additional Information** – contains basic information related to the Commission (Exhibit 26) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 27) – a report on internal control related to the financial statements and on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 28) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

Schedule of Findings and Questioned Costs (Exhibit 29) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

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

Auditee Response/Corrective Action Plan (Exhibit 31) – a response by the Commission on the results of the audit and/or corrective action plan for federal audit findings.

AUDIT COMMENTS

The Jefferson County Commission provides for public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services, educational, cultural and recreational services to the citizens of Jefferson County.

The Birmingham Water Works Board (BWVB) and the City of Bessemer, Alabama-Water Service Department (Bessemer Water Service) bills and collects sewer service charges for the Jefferson County Commission (Commission). For the fiscal year ended September 30, 2002, Bessemer Water Service had not engaged an auditor to provide a report on the entity's internal controls that may be relevant to the Commission's internal controls.

AUDIT FINDINGS

◆ The *Code of Alabama 1975*, Section 39-2-2 (b), (Alabama Public Works Law) states, that "an awarding authority may let contracts for public works involving fifty thousand dollars (\$50,000) or less with or without advertising or sealed bids." For the period October 1, 1998 to September 30, 2002, the Commission awarded approximately 160 contracts for manhole adjustments and installation projects. These contracts were awarded in exactly \$50,000.00 increments. The contracts were awarded to approximately nine different vendors.

✓ The following is the approximate number of contracts awarded and payments made on the contracts by fiscal year:

Year	Contracts Awarded	Contract Amount	Actual Payments
1998-1999	4	\$ 200,000	\$ 196,000
1999-2000	21	1,050,000	973,000
2000-2001	45	2,250,000	2,223,000
2001-2002	90	4,500,000	3,545,000
Total	160	\$8,000,000	\$6,937,000

✓ It appears that manhole adjustment and installation projects were split in such a manner that each project would be less than the fifty thousand dollar (\$50,000) threshold established under the Alabama Public Works Law.

- ◆ The *Code of Alabama 1975*, Section 39-2-2(d), (Alabama Public Works Law) states, that “excluded from the operation of this title shall be contracts with persons who shall perform only architectural, engineering, construction management, program management, or project management services in support of the public works and who shall not engage in actual construction, repair, renovation, or maintenance of the public works with their own forces, by contract, subcontract, purchase order, lease, or otherwise.” For the period October 1, 2001 to September 30, 2002, two contracts were awarded to a vendor for engineering and professional services. These contracts totaled \$5,500,000.00. Payments of approximately the same amount were made on these contracts. The contracts were for purposes of 1) performing necessary surveys, evaluations and TV inspection of the designated sewer lines. 2) providing engineering analysis to rank the severity of defects and to summarize recommendations, 3) provide other services deemed necessary by the County such as cleaning sewer lines and locating and exposing buried manhole covers.
- ✓ It appears that the County is not complying with the Alabama Public Works Law by contracting with a vendor to provide professional services and then allowing the vendor to engage in the repair and maintenance of the public works.
- ◆ The *Code of Alabama 1975*, Section 39-2-2 (b), (Alabama Public Works Law) states, that “an awarding authority may let contracts for public works.” During the audit period, there was an emergency sewer repair project that exceeded the \$50,000 public works threshold and was required to be bid. The Jefferson County Department of Environmental Services, and not the Jefferson County Commission (the awarding authority), awarded the bid.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

The Commission appeared to have complied, in all material respects, with applicable federal laws and regulations governing its major programs. There were no material weaknesses noted in the internal controls related to major federal programs.

STATUS OF PRIOR AUDIT

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

- ◆ Procedures were not in place to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial statements.
- ◆ Procedures were not in place to assure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.

- ◆ At September 30, 2002, the following funds had deficit fund balances:

Road Fund	\$ 7,460,000
Senior Citizens Fund	\$ 1,040,000
Capital Improvements Fund	\$30,959,000
Road Construction Fund	\$ 2,463,000

RECOMMENDATIONS

- ◆ The County should comply with the Alabama Public Works Law when designing public works contracts.
- ◆ The County should comply with the Alabama Public Works Law by contracting with vendors to provide professional services and not allow the vendor to engage in the repair and maintenance of the public works.
- ◆ The County should comply with the Alabama Public Works Law by assuring that the awarding authority, the Commission, awards all bids.
- ◆ Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.
- ◆ Procedures should be implemented to assure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- ◆ The Commission should eliminate the deficit fund balances.

Sworn to and subscribed before me this
the 12 day of March, 2003.

Kim W. Reynolds
Notary Public

Sworn to and subscribed before me this
the 18th day of March, 2003.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this
the 18th day of March, 2003.

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Notary Public

Sworn to and subscribed before me this
the 18th day of March, 2003.

Cheryl S. McAlister
Notary Public

Respectfully submitted,




Larry S. McPherson
Examiner of Public Accounts



Cathy M. Cook
Examiner of Public Accounts



Roderick Edwards
Examiner of Public Accounts



Elizabeth L. Crowson
Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission, as of and for the year ended September 30, 2002, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 11. 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, 2002, 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, 2002, 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.

As described in Note 1 to the financial statements, the Jefferson County Commission has implemented a new reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement Number 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement Number 38, *Certain Financial Statement Note Disclosures*. This resulted in a change in the format and content of the primary government financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2003 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 Management's Discussion and Analysis and the budgetary comparison information, Exhibits 12 through 14, 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 25) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the combining financial statements (Exhibits 15 through 24) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 21, 2003

Management Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Jefferson County, Alabama's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2002. Please read it in conjunction with the County's basic financial statements, which begin on page 1. In this first year of presentation, no comparisons of government-wide data will be presented, but such comparisons will be presented in future years.

FINANCIAL HIGHLIGHTS

- Jefferson County's governmental fund type fund balances decreased approximately \$33 million, or 14.8%, while the enterprise fund type fund equity decreased approximately \$101 million, or 6.9%. The governmental funds decrease was mainly the result of over \$22 million expended for courthouse and jail renovations and \$4 million for road construction, all coming from the Capital Projects Funds, with only \$4 million in revenue provided from charges for services and amounts received from other governments. Interest expense of \$114 million on sewer revenue bonds, combined with \$43 million additional depreciation expense on municipal sewer assets taken over by the County, were the main reasons for the enterprise fund equity decrease.
- Total assets for governmental funds decreased approximately \$25 million, or 8%, while total assets for enterprise funds increased approximately \$439 million, or 12.7%. The governmental funds decrease is almost entirely the result of funds expended from Capital Projects Funds, as noted above. Enterprise funds assets increased mainly from additional cash and investments provided by new revenue bond issues.
- Total revenues for governmental funds increased approximately \$10 million, or 3%, while total operating revenues for enterprise funds increased approximately \$14 million, or 11%.
- Total expenditures for governmental funds decreased approximately \$58 million, or 15%, while total operating expenses for enterprise funds increased approximately \$41 million, or 24%. The key factor in the governmental funds decrease was an \$81 million decrease in general obligation warrants principal payments. The enterprise fund expense increase relates primarily to a \$43 million increase in depreciation expense, resulting from the \$1.4 billion in additional municipal sewer assets which were taken over by the County.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 1 through 4) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements (pages 5 through 20) 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 activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the County's Most Significant Funds

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

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

Since the prior year was not restated, the following condensed financial information for governmental and business-type activities is for the current year only. In future years, a comparative analysis will be presented.

	Net Assets September 30, 2002 (\$000 omitted)		
	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 355,379	\$ 883,969	\$ 1,239,348
Capital assets	257,260	3,006,408	3,263,668
Total assets	<u>612,639</u>	<u>3,890,377</u>	<u>4,503,016</u>
Long-term liabilities	(286,338)	(2,450,485)	(2,736,823)
Other liabilities	(141,335)	(85,326)	(226,661)
Total liabilities	<u>(427,673)</u>	<u>(2,535,811)</u>	<u>(2,963,484)</u>
Net assets:			
Invested in capital assets, net of related debt	(10,970)	591,284	580,314
Restricted	203,958		203,958
Unrestricted	(8,022)	763,282	755,260
Total net assets	<u>\$ 184,966</u>	<u>\$ 1,354,566</u>	<u>\$ 1,539,532</u>

Changes in Net Assets
For the Year Ended September 30, 2002
(\$000 omitted)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program Revenues:			
Charges for services	\$ 44,041	\$ 137,046	\$ 181,087
Operating grants and contributions	49,568		49,568
Capital grants and contributions	1,250		1,250
General Revenues:			-
Property taxes	73,117	3,128	76,245
Sales taxes	62,834		62,834
Other taxes	9,343		9,343
Occupational license	54,698		54,698
Investment earnings	14,083	43,900	57,983
Miscellaneous	10,238	606	10,844
Total revenues	<u>319,172</u>	<u>184,680</u>	<u>503,852</u>
Program Expenses			
General government	104,496		104,496
Public safety	65,936		65,936
Highways and streets	41,716		41,716
Welfare	14,766		14,766
Culture and recreation	16,187		16,187
Education	200		200
Interest and fiscal charges	15,809		15,809
Hospital		73,375	73,375
Nursing operations		15,279	15,279
Landfill		7,352	7,352
Sanitary operations		234,463	234,463
Parking		326	326
Total expenses	<u>259,110</u>	<u>330,795</u>	<u>589,905</u>
Excess (deficiency) before transfers	60,062	(146,115)	(86,053)
Transfers	(45,296)	45,296	-
Increase (decrease) in net assets	14,766	(100,819)	(86,053)
Net assets, beginning of year	170,200	1,455,385	1,625,585
Net assets, end of year	<u>\$ 184,966</u>	<u>\$ 1,354,566</u>	<u>\$ 1,539,532</u>

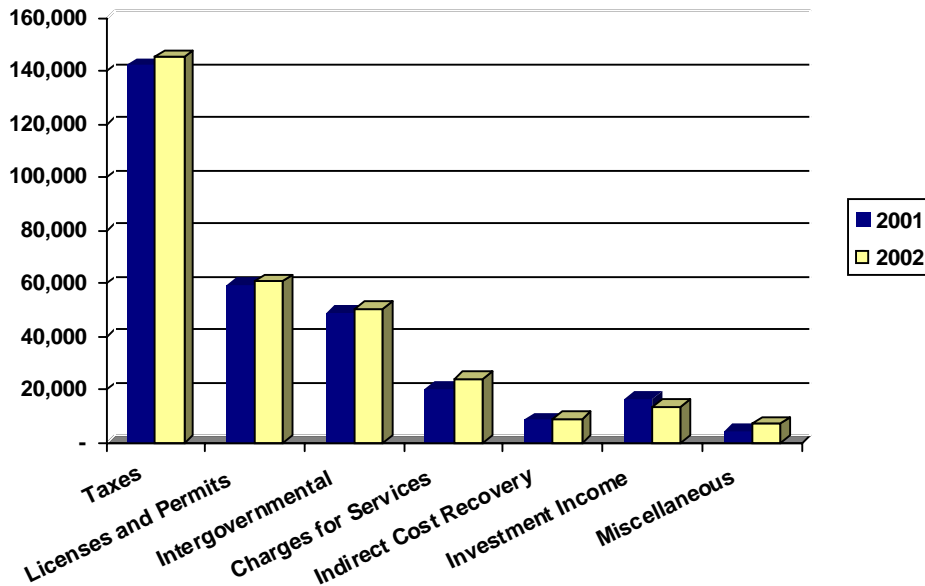
THE COUNTY'S FUNDS

Governmental Funds

Information below compares revenues and expenditures for all governmental fund types for fiscal years ended September 30, 2002 and 2001.

(\$000 omitted)

Revenues by Source:	2002	2001	\$ change	% change
Taxes	\$ 145,295	\$ 142,261	\$ 3,034	2.13%
Licenses and Permits	60,903	59,846	1,057	1.77%
Intergovernmental	50,817	48,974	1,843	3.76%
Charges for Services	24,478	20,460	4,018	19.64%
Indirect Cost Recovery	9,088	8,704	384	4.41%
Investment Income	13,888	16,893	(3,005)	-17.79%
Miscellaneous	7,394	4,838	2,556	52.83%
Total Revenues	\$ 311,863	\$ 301,976	\$ 9,887	3.27%



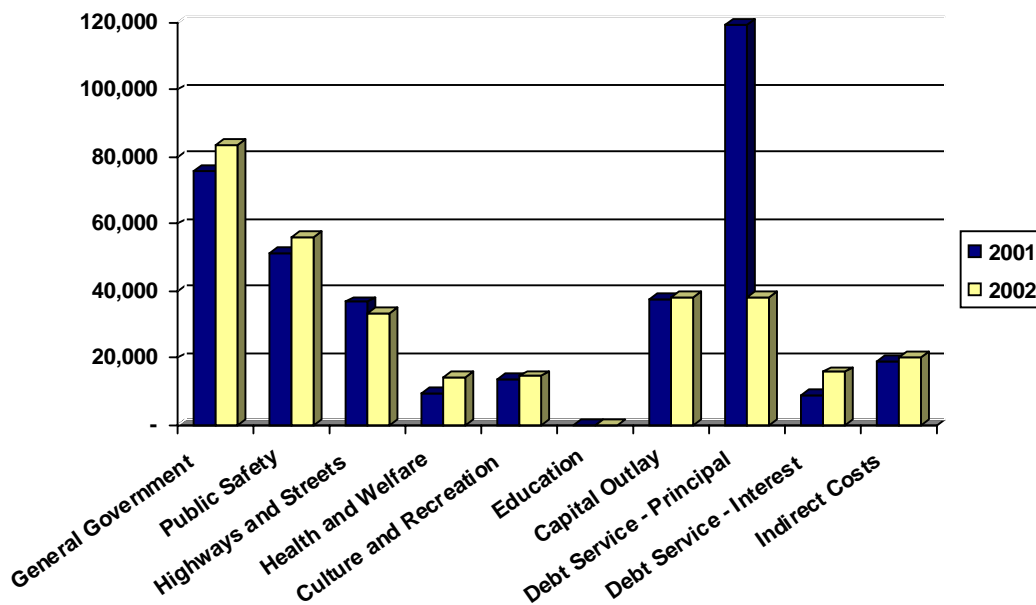
The large increase in charges for services was the result of \$2.5 million received into the Road Construction Capital Projects Fund for construction of the Barber Motorsport Parkway.

The decrease in investment income was due to less funds being available for investment, a reduction in the rates of return, and more funds available in the previous fiscal year from the issuance of the 2001-A General Obligation Warrants in the amount of \$82 million.

The increase in miscellaneous revenue was the result of an additional \$2.7 million received related to the County's contract with Children's Hospital for care of indigent pediatric patients.

(\$000 omitted)

Expenditures by Function:	2002	2001	\$ change	% change
General Government	\$ 83,525	\$ 75,665	\$ 7,860	10.39%
Public Safety	56,337	51,314	5,023	9.79%
Highways and Streets	33,554	36,718	(3,164)	-8.62%
Health and Welfare	14,209	9,604	4,605	47.95%
Culture and Recreation	14,684	13,758	926	6.73%
Education	200	197	3	1.52%
Capital Outlay	38,242	37,872	370	0.98%
Debt Service - Principal	38,143	119,345	(81,202)	-68.04%
Debt Service - Interest and Fiscal Charges	15,948	9,201	6,747	73.33%
Indirect Cost	20,399	19,092	1,307	6.85%
Total Expenditures	\$ 315,241	\$ 372,766	\$ (57,525)	-15.43%



The increase in general government expenditures was the result of an approximately \$1 million increase paid to Children's Hospital for care of indigent pediatric patients, \$1.6 million for a digital tax system, plus a large increase in employees' health care premiums.

Public safety experienced a large increase in personnel costs due to increased security at County facilities. In addition, \$1.3 million was paid for a contract to provide health services to jail inmates.

The large increase in health and welfare expenditures was the result of approximately \$4.6 million paid to United Way for services under a youth grant.

During 2001, the 1996 and 1999 general obligation warrants were refunded, which accounted for the unusually large principal payment amount.

During 2002, approximately \$7 million of interest expense was paid on interest rate swap transactions. Interest earned on swap transactions is recorded in interest income.

(\$000 omitted)

Fund Balance

Revenues	\$ 311,863
Expenditures	(315,241)
Net Other Financing Sources (Uses)	(29,842)
Net Change in Fund Balance	<u>\$ (33,220)</u>

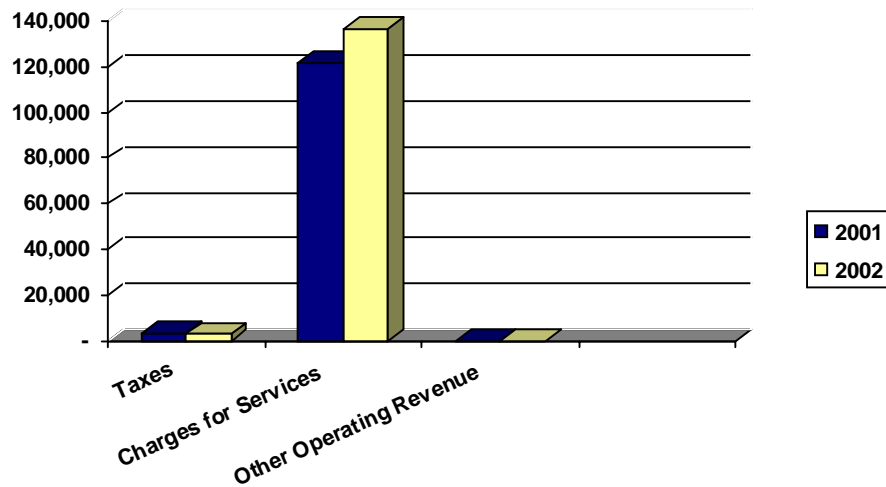
Enterprise Funds

Information below compares revenues and expenses for all enterprise funds for fiscal years ended 2002 and 2001.

(\$000 omitted)

Operating Revenues

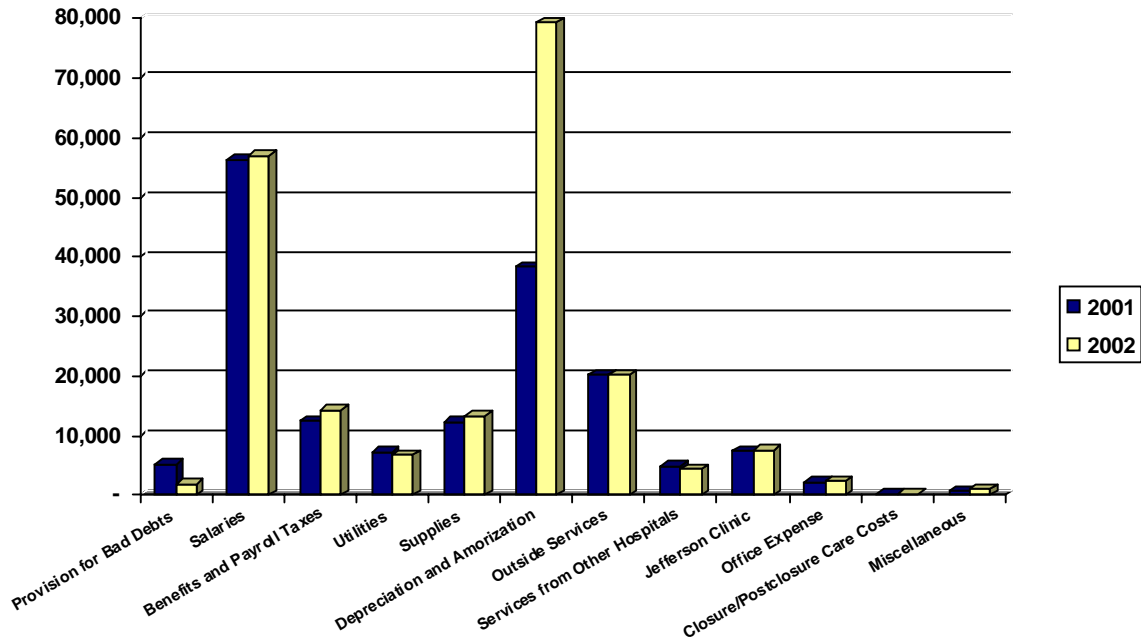
	2002	2001	\$ change	% change
Taxes	3,128	3,806	(678)	-17.81%
Charges for Services	136,391	121,653	14,738	12.11%
Other Operating Revenue	244	219	25	11.42%
Total Operating Revenues	<u>139,763</u>	<u>125,678</u>	<u>14,085</u>	<u>11.21%</u>



On January 1, 2002, the sewer rate increased from \$3.01 per hundred cubic feet of water used to \$3.53 per hundred cubic feet, or 17.3%, thereby resulting in a significant increase in charges for services for fiscal year 2002.

(\$000 omitted)

<u>Operating Expenses</u>	<u>2002</u>	<u>2001</u>	<u>\$ change</u>	<u>% change</u>
Provision for Bad Debts	\$ 1,869	\$ 5,224	\$ (3,355)	-64.22%
Salaries	56,920	56,393	527	0.93%
Benefits and Payroll Taxes	14,276	12,491	1,785	14.29%
Utilities	6,743	7,173	(430)	-5.99%
Supplies	13,209	12,417	792	6.38%
Depreciation and Amortization	79,274	38,280	40,994	107.09%
Outside Services	20,146	20,157	(11)	-0.05%
Services from Other Hospitals	4,426	4,963	(537)	-10.82%
Jefferson Clinic	7,672	7,495	177	2.36%
Office Expense	2,454	2,151	303	14.09%
Closure/Postclosure Care Costs	273	134	139	103.73%
Miscellaneous	1,013	738	275	37.26%
Total Operating Expenses	\$ 208,275	\$ 167,616	\$ 40,659	24.26%



The County is doing a better job of collecting its overdue accounts, thereby reducing the balance of the bad debt allowance.

The increase in employee health insurance premiums accounted for the increase in benefits.

Depreciation expense increased \$43 million due to the \$1.4 billion in additional municipal sewer assets that were taken over by the County.

(\$000 omitted)

Fund Equity

Operating Revenues	\$ 139,763
Operating Expenses	(208,275)
Net Nonoperating Revenues (Expenses)	(77,605)
Net Operating Transfers	45,296
Net Change in Fund Equity	\$ (100,821)

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 64 through 66 for the general fund and all major governmental funds. The original budget for state intergovernmental revenue in the general fund was reduced \$3.4 million for a digital tax system which state funds were initially budgeted to fund. The digital tax system increased the expenditure budgets of the Board of Equalization and Tax Assessor by a combined total of \$1.6 million. The nondepartmental original budget was increased by \$1.3 million for retirement credit and health insurance increases, \$400,000 for Treatment Alternatives to Street Crime grant, and \$180,000 for a Department of Justice mental health grant. The Sheriff's budget was increased \$1.4 million to fund the jail inmate health services program. A \$1 million increase was made to the Culture and Recreation budget for a biomedical grant to the University of Alabama at Birmingham.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2002, the County had \$468 million invested in a broad range of general fixed assets, including buildings, roads, bridges, and public safety equipment. This amount represents a net increase (including additions and deductions) of \$77 million, or 19.5%, over the previous year. In addition, capital assets invested in enterprise funds was \$3.5 billion, a net increase over the previous year of \$359 million, or 11.2%.

Debt

At fiscal year end, the County had \$268 million outstanding in general obligation warrants and \$2.437 billion outstanding in sewer revenue bonds. The general obligation warrants are currently-issued warrants or refundings of previously-issued warrants, proceeds of which were used to finance various general County construction projects and capital equipment purchases. The proceeds of the sewer revenue bonds are being used to upgrade and expand the sanitary sewer system.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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Statement of Net Assets
September 30, 2002
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Investments	\$ 84,188	\$ 13,304	\$ 97,492
Accounts Receivable, Net	131	14,653	14,784
Patient Accounts Receivable, Net		7,843	7,843
Loans Receivable, Net	3,359		3,359
Property Taxes Receivable, Net	62,788	3,434	66,222
Interest Receivable	10	667	677
Due from Other Governments	37,714	1,139	38,853
Inventories	3,424	1,380	4,804
Prepaid Expenses	217	1,777	1,994
Total Current Assets	191,831	44,197	236,028
Noncurrent Assets:			
Deferred Charges	109	39,965	40,074
Deferred Loss on Early Retirement of Debt		2,322	2,322
Advances Due from Other Funds	19,489	(19,489)	
Restricted Assets - Noncurrent	143,950	816,974	960,924
Capital Assets, Net of Depreciation	257,260	3,006,408	3,263,668
Total Noncurrent Assets	420,808	3,846,180	4,266,988
Total Assets	612,639	3,890,377	4,503,016
Liabilities			
Current Liabilities:			
Cash Deficit	36,757	5,680	42,437
Accounts Payable	20,573	43,619	64,192
Deposits Payable		30	30
Due to Other Governments	4,775		4,775
Deferred Revenue	68,590	3,662	72,252
Accrued Wages Payable	2,991	1,423	4,414
Accrued Interest Payable	6,242	18,407	24,649
Retainage Payable	1,407	12,505	13,912
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	17,145	13,300	30,445
Estimated Liability for Compensated Absences	1,366	609	1,975
Estimated Claims Liability	3,038		3,038
Total Current Liabilities	162,884	99,235	262,119
Noncurrent Liabilities:			
Portion Due or Payable After One Year:			
Arbitrage Rebate Payable		2,383	2,383
Warrants Payable	251,085	2,424,455	2,675,540
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,587	3,587
Estimated Liability for Compensated Absences	13,704	6,151	19,855
Total Noncurrent Liabilities	264,789	2,436,576	2,701,365
Total Liabilities	427,673	2,535,811	2,963,484
Net Assets			
Invested in Capital Assets, Net of Related Debt	(10,970)	591,284	580,314
Restricted for:			
Debt Service	194,388		194,388
Other Purposes	9,570		9,570
Unrestricted	(8,022)	763,282	755,260
Total Net Assets	\$ 184,966	\$ 1,354,566	\$ 1,539,532

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

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Statement of Activities
For the Year Ended September 30, 2002
(In Thousands)

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 104,496	\$ 37,312	\$ 24,489
Public Safety	65,936	3,153	2,022
Highways and Roads	41,716	3,486	8,441
Welfare	14,766	90	14,616
Culture and Recreation	16,187		
Education	200		
Interest and Fiscal Charges	15,809		
Total Governmental Activities	<u>259,110</u>	<u>44,041</u>	<u>49,568</u>
Business-Type Activities:			
Hospital	73,375	32,832	
Nursing Operations	15,279	9,740	
Landfill	7,352	3,784	
Sanitary Operations	234,463	90,468	
Parking	326	222	
Total Business Type Activities	<u>330,795</u>	<u>137,046</u>	
Total Primary Government	<u>\$ 589,905</u>	<u>\$ 181,087</u>	<u>\$ 49,568</u>

General Revenues:

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

Change in Net Assets

Net Assets Beginning of Year, as Restated (Note 22)

Net Assets End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Totals
\$ 1,250	\$ (42,695)	\$	\$ (42,695)
	(59,511)		(59,511)
	(29,789)		(29,789)
	(60)		(60)
	(16,187)		(16,187)
	(200)		(200)
	(15,809)		(15,809)
1,250	(164,251)		(164,251)
		(40,543)	(40,543)
		(5,539)	(5,539)
		(3,568)	(3,568)
		(143,995)	(143,995)
		(104)	(104)
		(193,749)	(193,749)
\$ 1,250	(164,251)	(193,749)	(358,000)
	73,117	3,128	76,245
	62,834		62,834
	9,343		9,343
	54,698		54,698
	14,083	43,900	57,983
	10,238	606	10,844
	(45,296)	45,296	
	179,017	92,930	271,947
	14,766	(100,819)	(86,053)
	170,200	1,455,385	1,625,585
\$	184,966	\$ 1,354,566	\$ 1,539,532

Balance Sheet
Governmental Funds
September 30, 2002
(In Thousands)

	General Fund	Indigent Care Fund
<u>Assets</u>		
Cash and Investments	\$ 39,746	\$ 219
Accounts Receivable, Net	51	
Loans Receivable, Net		
Property Taxes Receivable, Net	27,470	
Interest Receivable		
Due from Other Governments	20,946	6,038
Inventories	183	
Prepaid Expenses	77	
Advances Due from Other Funds		
Total Assets	88,473	6,257
<u>Liabilities and Fund Balances</u>		
<u>Liabilities:</u>		
Cash Deficit		
Accounts Payable	10,896	
Due to Other Governments	121	
Deferred Revenue	29,336	
Retainage Payable		
Accrued Wages and Benefits Payable	2,042	
Accrued Interest Payable		
Estimated Liability for Compensated Absences	804	
Total Liabilities	43,199	
<u>Fund Balances:</u>		
Reserved for:		
Inventories	183	
Petty Cash	76	
Mapping and Reappraisal	2,652	
Cooper Green Hospital Foundation		186
Debt Service		
Encumbrances	1,785	
Prepaid Expenses	77	
Loans Receivable		
Advances Due from Other Funds		
Unreserved, Reported In:		
General Fund	40,501	
Special Revenue		6,071
Capital Projects		
Total Fund Balances	45,274	6,257
Total Liabilities and Fund Balances	\$ 88,473	\$ 6,257

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

Road Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,419	\$ 161,095	\$ 4,967	\$ 207,446
		2	53
		3,359	3,359
10,301		25,017	62,788
		10	10
879		4,241	32,104
2,115			2,298
1		2	80
	19,489		19,489
14,715	180,584	37,598	327,627
		31,662	31,662
4,413		4,466	19,775
4,648		6	4,775
10,985		28,269	68,590
1,407			1,407
415		51	2,508
	6,241		6,241
307		1	1,112
22,175	6,241	64,455	136,070
2,115			2,298
1		1	78
			2,652
			186
	154,854		154,854
1,679		34,907	38,371
1		2	80
		3,359	3,359
	19,489		19,489
			40,501
(11,256)		(7,817)	(13,002)
		(57,309)	(57,309)
(7,460)	174,343	(26,857)	191,557
\$ 14,715	\$ 180,584	\$ 37,598	\$ 327,627

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2002
(In Thousands)***

Total Fund Balances - Governmental Funds (Exhibit 3)	\$	191,557
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:		234,994
Deferred Charges Related to Issuance of Long-Term Liabilities are Not Reported in the Funds.		109
Internal Service Funds are Used by Management to Charge the Costs of Certain Activities and Risk Management to Individual Funds. The Assets and Liabilities of Certain Internal Service Funds are Included in the Statement of Net Assets.		37,667
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	268,230	
Estimated Liability for Compensated Absences	11,131	
		<u>(279,361)</u>
Total Net Assets - Governmental Activities (Exhibit 1)	\$	<u>184,966</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2002
(In Thousands)

	General Fund	Indigent Care Fund
<u>Revenues</u>		
Taxes	\$ 65,377	\$ 38,436
Licenses and Permits	60,903	
Intergovernmental	19,460	
Charges for Services	20,557	
Indirect Cost Recovery	9,088	
Miscellaneous	389	6,632
Interest	8,450	4
Total Revenues	<u>184,224</u>	<u>45,072</u>
<u>Expenditures</u>		
Current:		
General Government	67,307	7,554
Public Safety	55,147	
Highways and Roads		
Welfare	703	
Culture and Recreation	14,684	
Education	200	
Capital Outlay	2,316	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Indirect Costs	15,893	13
Total Expenditures	<u>156,250</u>	<u>7,567</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,974</u>	<u>37,505</u>
<u>Other Financing Sources (Uses)</u>		
Debt Issued		
Premiums on Debt Issued		
Proceeds from Sale of Capital Assets	31	
Transfers In	1	745
Transfers Out	(28,948)	(38,402)
Total Other Financing Sources (Uses)	<u>(28,916)</u>	<u>(37,657)</u>
Net Change in Fund Balances	(942)	(152)
Fund Balances at Beginning of Year, as Restated (Note 22)	46,216	6,409
Fund Balances at End of Year	<u>\$ 45,274</u>	<u>\$ 6,257</u>

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

Road Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 12,674	\$	\$ 28,808	\$ 145,295
			60,903
7,739	798	22,822	50,819
204	8	3,708	24,477
			9,088
37		337	7,395
	5,091	344	13,889
<u>20,654</u>	<u>5,897</u>	<u>56,019</u>	<u>311,866</u>
		8,664	83,525
		1,189	56,336
32,224		1,330	33,554
		13,506	14,209
			14,684
			200
4,394		31,532	38,242
	40,700		40,700
	13,252		13,252
	139		139
3,776	61	658	20,401
<u>40,394</u>	<u>54,152</u>	<u>56,879</u>	<u>315,242</u>
<u>(19,740)</u>	<u>(48,255)</u>	<u>(860)</u>	<u>(3,376)</u>
	20,065		20,065
	728		728
231		26	288
15,812	31,457	3,858	51,873
(176)	(1,885)	(33,387)	(102,798)
<u>15,867</u>	<u>50,365</u>	<u>(29,503)</u>	<u>(29,844)</u>
(3,873)	2,110	(30,363)	(33,220)
(3,587)	172,233	3,506	224,777
<u>\$ (7,460)</u>	<u>\$ 174,343</u>	<u>\$ (26,857)</u>	<u>\$ 191,557</u>

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2002
(In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)	\$	(33,220)
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 (\$38,242) Exceeded Depreciation (\$14,909) in the current period.		23,333
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	(20,065)	
Premium on Refunding Debt	(728)	
Repayments:		
Principal	40,700	
Net Adjustment		19,907
Some Expenditures Reported in the Governmental Funds are Deferred on the Statement of Net Assets, this Includes Bond Issuance Costs.		139
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 (\$936) Exceeded Amortization of Deferred Charges (\$2).		(934)
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.		5,541
Change in Net Assets of Governmental Activities (Exhibit 2)	<u>\$</u>	<u>14,766</u>

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

Statement of Net Assets
Proprietary Funds
September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and Investments	\$	\$ 13,300
Accounts Receivable, Net	48	12,395
Patient Accounts Receivable, Net	6,058	
Interest Receivable		667
Due from Other Governments	576	563
Inventories	953	344
Prepaid Expenses	1,767	9
Property Taxes Receivable, Net		3,434
Total Current Assets	<u>9,402</u>	<u>30,712</u>
<u>Noncurrent Assets:</u>		
Deferred Loss on Early Debt Retirement		2,322
Deferred Charges		39,798
Restricted Assets - Noncurrent Cash		816,974
Capital Assets, Net Where Applicable	12,456	2,932,952
Total Noncurrent Assets	<u>12,456</u>	<u>3,792,046</u>
Total Assets	<u>\$ 21,858</u>	<u>\$ 3,822,758</u>

Other Enterprise Funds	Totals	Internal Service Funds
\$ 4	\$ 13,304	\$ 20,692
2,210	14,653	79
1,785	7,843	
	667	
	1,139	5,613
83	1,380	1,126
1	1,777	136
	3,434	
4,083	44,197	27,646
	2,322	
167	39,965	
	816,974	
61,000	3,006,408	22,263
61,167	3,865,669	22,263
\$ 65,250	\$ 3,909,866	\$ 49,909

Statement of Net Assets
Proprietary Funds
September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
<u>Liabilities</u>		
<u>Current Liabilities:</u>		
Cash Deficit	\$ 4,309	\$
Accounts Payable	1,169	42,305
Deposits Payable		
Deferred Revenue		3,662
Accrued Wages and Benefits Payable	665	522
Accrued Interest Payable		18,384
Retainage Payable		12,505
Estimated Liability for Compensated Absences	210	310
Warrants Payable		13,300
Estimated Claims Liability		
Total Current Liabilities	6,353	90,988
<u>Noncurrent Liabilities:</u>		
Advances Due to Other Funds		
Arbitrage Rebate Payable		2,383
Warrants Payable		2,424,455
Estimated Liability for Landfill Closure/ Postclosure Care Costs		
Estimated Liability for Compensated Absences	2,118	3,131
Total Noncurrent Liabilities	2,118	2,429,969
Total Liabilities	8,471	2,520,957
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	12,456	537,317
Unrestricted	931	764,484
Total Net Assets	\$ 13,387	\$ 1,301,801

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

Other Enterprise Funds		Totals	Internal Service Funds		
\$	1,371	\$	5,680	\$	5,095
	145		43,619		798
	30		30		
			3,662		
	236		1,423		484
	23		18,407		
			12,505		
	89		609		254
			13,300		
					3,038
	1,894		99,235		9,669
	19,489		19,489		
			2,383		
			2,424,455		
	3,587		3,587		
	902		6,151		2,573
	23,978		2,456,065		2,573
	25,872		2,555,300		12,242
	41,511		591,284		22,263
	(2,133)		763,282		15,404
\$	39,378	\$	1,354,566	\$	37,667

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
<u>Operating Revenues</u>		
Taxes	\$	\$ 3,128.00
Intergovernmental		
Charges for Services	32,816	89,963
Other Operating Revenue	16	505
Total Operating Revenues	<u>32,832</u>	<u>93,596</u>
<u>Operating Expenses</u>		
Provision for Bad Debt	2,253	
Salaries	26,756	20,677
Employee Benefits and Payroll Taxes	5,935	5,865
Materials and Supplies	9,667	1,977
Utilities	913	4,965
Outside Services	10,268	6,019
Services from Other Hospitals	4,426	
Jefferson Clinic	7,672	
Office Expense	1,188	890
Depreciation and Amortization	1,789	74,943
Landfill Closure and Postclosure Care Costs		
Miscellaneous	818	162
Total Operating Expenses	<u>71,685</u>	<u>115,498</u>
Operating Income (Loss)	<u>(38,853)</u>	<u>(21,902)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Expense	(18)	(114,324)
Interest Revenue	13	43,816
Miscellaneous		635
Amortization of Bond Issue Costs		(1,660)
Indirect Costs	(1,672)	(2,981)
Gain/(Loss) on Sale of Capital Assets		(1,479)
Indirect Cost Recovery		
Total Nonoperating Revenues (Expenses)	<u>(1,677)</u>	<u>(75,993)</u>
<u>Operating Transfers</u>		
Transfers In	38,402	
Transfers Out		
Total Operating Transfers	<u>38,402</u>	
Change in Net Assets	(2,128)	(97,895)
Total Net Assets - Beginning of Year, as Restated (Note 22)	15,515	1,399,696
Total Net Assets - End of Year	<u>\$ 13,387</u>	<u>\$ 1,301,801</u>

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

Other Enterprise Funds	Totals	Internal Service Funds
\$	\$	3,128 \$
		4,949
13,614	136,393	20,819
132	653	
<u>13,746</u>	<u>140,174</u>	<u>25,768</u>
25	2,278	
9,488	56,921	18,725
2,476	14,276	5,223
1,565	13,209	3,566
864	6,742	3,184
3,859	20,146	8,803
	4,426	
	7,672	
376	2,454	899
2,543	79,275	2,801
273	273	
33	1,013	470
<u>21,502</u>	<u>208,685</u>	<u>43,671</u>
<u>(7,756)</u>	<u>(68,511)</u>	<u>(17,903)</u>
(337)	(114,679)	
71	43,900	193
1,407	2,042	1,404
(9)	(1,669)	
(1,109)	(5,762)	(266)
43	(1,436)	(21)
		17,502
<u>66</u>	<u>(77,604)</u>	<u>18,812</u>
8,152	46,554	6,550
(1,258)	(1,258)	(921)
<u>6,894</u>	<u>45,296</u>	<u>5,629</u>
(796)	(100,819)	6,538
40,174	1,455,385	31,129
<u>\$ 39,378</u>	<u>\$ 1,354,566</u>	<u>\$ 37,667</u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
<u>Cash Flows from Operating Activities</u>		
Cash Received for Services	\$ 33,671	\$ 88,614
Other Operating Revenues	16	3,458
Cash Payments to Employees	(32,559)	(26,181)
Cash Payments for Goods and Services	(37,669)	(8,667)
Net Cash Provided (Used) by Operating Activities	<u>(36,541)</u>	<u>57,224</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers Out		
Operating Transfers In	38,402	
Increase/(Decrease) in Cash Deficit	1,849	
Received from Auxiliary Services		635
Indirect Cost	(1,672)	(2,981)
Indirect Cost Recovery		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>38,579</u>	<u>(2,346)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of Capital Assets	(2,138)	(346,144)
Proceeds from Sale of Capital Assets	105	3,132
Interest Paid	(18)	(112,213)
Proceed from Bond Issues		650,000
Principal Payments on Warrants		(8,495)
Bond Issuance Costs		(7,416)
Retainage Payments		(616)
Arbitrage Payments		(2,082)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,051)</u>	<u>176,166</u>
<u>Cash Flows from Investing Activities</u>		
Interest Received	13	43,502
Net Cash Flows Provided by Investing Activities	<u>13</u>	<u>43,502</u>
Net Increase (Decrease) in Cash		274,546
Cash and Investments, Beginning of Year		<u>555,728</u>
Cash and Investments, End of Year	<u>\$</u>	<u>\$ 830,274</u>

Other Enterprise Funds		Totals	Internal Service Funds		
\$	11,961	\$	134,246	\$	20,745
	132		3,606		2,630
	(11,911)		(70,651)		(23,631)
	(6,496)		(52,832)		(19,443)
	(6,314)		14,369		(19,699)
	(1,258)		(1,258)		(921)
	8,152		46,554		6,550
	1,338		3,187		2,503
	1,407		2,042		1,404
	(1,109)		(5,762)		(266)
					17,502
	8,530		44,763		26,772
	(2,279)		(350,561)		(6,246)
	91		3,328		1,031
	(315)		(112,546)		
			650,000		
			(8,495)		
			(7,416)		
			(616)		
			(2,082)		
	(2,503)		171,612		(5,215)
	71		43,586		193
	71		43,586		193
	(216)		274,330		2,051
	220		555,948		18,641
\$	4	\$	830,278	\$	20,692

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided (Used) by Operating Activities</u>		
Operating Income/(Loss)	\$ (38,853)	\$ (21,902)
<u>Adjustments to Reconcile Operating Income to</u>		
<u>Net Cash Provided (Used) by Operating Activities</u>		
Depreciation and Amortization	1,789	74,943
(Increase)/Decrease in Prepaid Expenses	209	(4)
(Increase)/Decrease in Accounts Receivable	(12)	(1,395)
(Increase)/Decrease in Patient Receivables	1,085	
(Increase)/Decrease in Due from Other Governments	(219)	47
(Increase)/Decrease in Inventories	(60)	152
Increase/(Decrease) in Accounts Payable	(612)	4,788
Increase/(Decrease) in Deferred Revenue		234
Increase/(Decrease) in Advances Due to Other Funds		
Increase/(Decrease) in Deposits Payable		
Increase/(Decrease) in Accrued Wages and Benefits Payable	119	96
Increase/(Decrease) in Estimated Liability for Compensated Absences	13	265
Increase/(Decrease) in Estimated Liability for Landfill Closure/Postclosure Care Costs		
Increase/(Decrease) in Estimated Claims Payable		
Total Adjustments	<u>2,312</u>	<u>79,126</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (36,541)</u>	<u>\$ 57,224</u>

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

Other Enterprise Funds	Totals	Internal Service Funds
\$ (7,756)	\$ (68,511)	\$ (17,903)
2,543	79,275	2,801
	205	(62)
(1,455)	(2,862)	(71)
(197)	888	
	(172)	(2,321)
9	101	7
(13)	4,163	(863)
	234	
289	289	
(19)	(19)	
38	253	120
15	293	195
232	232	
		(1,602)
1,442	82,880	(1,796)
\$ (6,314)	\$ 14,369	\$ (19,699)

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2002
(In Thousands)

	General Retirement System	Agency Funds
<u>Assets</u>		
Cash and Investments	\$ 637,050	\$ 3,112
Loans Receivable		465
Interest Receivable	5,010	
Total Assets	<u>642,060</u>	<u>3,577</u>
<u>Liabilities</u>		
Accounts Payable	377	
Due to External Organizations		2,228
Due to Other Governments		1,349
Total Liabilities	<u>377</u>	<u>\$ 3,577</u>
<u>Net Assets</u>		
Reserved for Contingent Refunds	69,891	
Reserved for Retirement and Disability Benefits	571,792	
Total Net Assets	<u>\$ 641,683</u>	

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

***Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended September 30, 2002
(In Thousands)***

	General Retirement System
<u>Additions</u>	
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 15,007
Interest	21,242
Dividends	3,796
Total Investment Income	<u>40,045</u>
Less: Investment Manager Fees	<u>1,496</u>
Sub-Total	38,549
<u>Contributions</u>	
Members	8,184
Employer	8,189
Total Contributions	<u>16,373</u>
<u>Other</u>	
Pistol Permits	240
Other Income	8
Sub-Total	<u>248</u>
Total Additions	<u>55,170</u>
<u>Deductions</u>	
Net Depreciation in Common Stocks	64,742
Participant Expenses	
Benefits Paid to Participants and Beneficiaries	17,611
Refunds of Member Contributions	1,245
Interest Paid on Refunds of Member Contributions	72
Sub-Total	<u>18,928</u>
<u>Administrative Expenses</u>	
Office Expenses	296
Other Expenses	67
Sub-Total	<u>363</u>
Total Deductions	<u>84,033</u>
Change in Net Assets	(28,863)
<u>Net Assets Held in Trust for Pension Benefits</u>	
Beginning of Year	670,546
End of Year	<u>\$ 641,683</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2002

Note 1 – Summary of Significant Accounting Policies

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

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

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

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

A. Reporting Entity

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

Notes to the Financial Statements

For the Year Ended September 30, 2002

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2002

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the 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 bonds.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2002

- ◆ **CDBG/EDA Revolving Loan Fund** – This fund is used to account for the Commission’s administration of various loan programs for rental housing rehabilitation and economic development.
- ◆ **Home Grant Fund** – This fund is used to account for the expenditure of funds received from the U. S. Department of Housing and Urban Development.
- ◆ **Emergency Management Fund** – This fund is used to account for the expenditure of funds received for disaster assistance programs.
- ◆ **Capital Improvements Fund** – This fund is used to account for the financial resources used in the improvement of major capital facilities.
- ◆ **Road Construction Fund** – This fund is used to account for the financial resources used in the construction of roads.

The Commission reports the following major enterprise funds:

- ◆ **Cooper Green Hospital Fund** – The fund is used to account for the operations of the Cooper Green Hospital. Operating revenues are derived from net patient charges and reimbursements from third parties including Medicare and Medicaid.
- ◆ **Sanitary Operations Fund** – This fund is used to account for the operations of the 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:

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

Notes to the Financial Statements

For the Year Ended September 30, 2002

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

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

The Commission also reports the following fiduciary fund types:

Pension Trust Fund

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

Notes to the Financial Statements

For the Year Ended September 30, 2002

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 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 Fund Types

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

Fiduciary Fund Types

- ◆ **Pension Trust Fund** – This fund is used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.
- ◆ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2002

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

D. Assets, Liabilities and Net Assets/Fund Balances

1. Deposits and Investments

Cash 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.

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

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

2. Receivables

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

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

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

	(In Thousands)
	Enterprise Funds
Patient Receivables	\$17,462
Allowance Accounts	(9,619)
Net Patient Receivables	<u>\$ 7,843</u>

Notes to the Financial Statements
For the Year Ended September 30, 2002

Jefferson County issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans (net an allowance account) totaled \$3,359,000 at September 30, 2002.

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, 2002, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled \$465,000.

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

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

3. Inventories

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

4. Prepaid Items

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

6. 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. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Bond discount/issue cost of the Series 2002-B Sewer Revenue Warrants contain deferred costs of \$5,900,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 2002-A issue was \$5,888,000.

Bond discount/issue cost of the Series 2002-A Sewer Revenue Warrants contain deferred costs of \$1,607,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 2002-A issue was \$1,583,000.

Bond discount/issue cost of the Series 2001-A Sewer Revenue Warrants contain deferred costs of \$11,605,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 2001-A issue was \$11,145,000.

Bond discount/issue cost of the Series 1999-A Sewer Revenue Refunding Warrants contain deferred costs of \$8,003,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 1999-A issue was \$7,286,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contain deferred costs of \$9,956,000 that are being amortized over 30 years. At September 30, 2002, the unamortized deferred cost of the 1997-A issue was \$8,076,000.

Bond discount/issue cost of the Series 1997-B Sewer Revenue Refunding Warrants contain deferred costs of \$509,000 that are being amortized over 6 years. At September 30, 2002, the unamortized deferred cost of the 1997-B issue was \$28,000.

Notes to the Financial Statements
For the Year Ended September 30, 2002

Bond discount/issue cost of the Series 1997-C Sewer Revenue Refunding Warrants contain deferred costs of \$946,000 that are being amortized over 18 years. At September 30, 2002, the unamortized deferred cost of the 1997-C issue was \$648,000.

Bond discount/issue cost of the Series 1997-D Sewer Revenue Warrants contain deferred costs of \$6,320,000 that are being amortized over 30 years. At September 30, 2002, the unamortized deferred cost of the issue was \$5,144,000.

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, 2002, the unamortized deferred cost of the 2002-A issue was (\$522,000).

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, 2002, the unamortized deferred cost of the 2001-A issue was (\$580,000).

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of \$379,000 attributable to general governmental operations and \$178,000 attributable to Landfill Operations that are being amortized over 20 years. At September 30, 2002, the unamortized deferred cost of the 2001-B issue was \$356,000 for the governmental funds and \$167,000 for enterprise funds.

Bond discount/issue cost of the Series 1993 General Obligation Warrants contain deferred costs of \$1,898,000 that are being amortized over 17 years. At September 30, 2002, the unamortized deferred cost of the 1993 issue was \$854,000.

7. Compensated Absences

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

Vacation Leave

Length of Service	Vacation Leave Earned (Per Month)
0-12 years	1 day
12-25 years	1 1/2 days
Over 25 years	2 days

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

Sick Leave

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

Compensatory Leave

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

Maximum limitations of accumulated compensatory time are as follows:

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2002

As of September 30, 2002, the liability for accrued vacation and compensatory leave is approximately \$13,691,000. Of this amount \$9,406,000 is reported in the government activities, \$4,205,000 is reported in the business-type activities and \$80,000 is reported in fiduciary funds.

As of September 30, 2002, the liability for accrued sick leave is approximately \$8,265,000. Of this amount, \$5,664,000 is reported in the government activities, \$2,555,000 is reported in the business-type activities and \$46,000 is reported in fiduciary funds.

8. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2002

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

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

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

(In Thousands)	
<u>Revenues:</u>	
Charges for Services	\$ 4,270
Interest	194
Transfers In	6,548
Total Revenues	11,012
<u>Expenses:</u>	
General Government	5,266
Public Safety	(325)
Highways and Roads	(217)
Health and Welfare	(87)
Culture and Recreation	(87)
Transfers Out	921
Total Expenses	5,471
Total Revenues Over Expenses	\$ 5,541

Note 3 – Stewardship, Compliance and Accountability

A. Budgets

Annual budgets are adopted for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

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, 2002, the following governmental funds had a deficit fund balance:

(In Thousands)	
Road Fund	\$ 7,460
Senior Citizens Fund	\$ 1,040
Capital Improvement Fund	\$30,959
Road Construction Fund	\$ 2,463

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

Note 4 – Deposits and Investments

The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Notes to the Financial Statements

For the Year Ended September 30, 2002

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 (**)	\$ 468,159,000	\$ 468,159,000	\$ 468,159,000
Repurchase Agreements	503,737,000	503,737,000	503,737,000
Corporate Obligations (*)	166,103,000	166,103,000	166,103,000
Common Stocks (*)	276,900,000	276,900,000	276,900,000
Total Investments	<u>\$1,414,899,000</u>	<u>\$1,414,899,000</u>	<u>\$1,414,899,000</u>

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

(**) Includes \$157,318,000 investments of General Retirement System for Employees of Jefferson County

The County has entered into contracts for construction of various facilities within Jefferson County. Amounts were provided by some contractors that were used to purchase certificates of deposits and U. S. Government securities to be held by designated financial institutions in the name of the contractors and the Jefferson County Commission in lieu of retainage. These securities totaling \$14,196,000 are included as part of Cash and Investments on Exhibit 1, but are not included in deposits and investments discussed above. They are not covered by collateral agreements between financial institutions and the Jefferson County Commission and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2002, was as follows:

	(In Thousands)				Balance 9/30/2002
	Balance 10/01/2001	Additions	Retirements	Reclassifications	
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 10,385	\$ 396	\$	\$	\$ 10,781
Construction in Progress	111,197	29,013		(876)	139,334
General Infrastructure - C.I.P.	10,299	6,233			16,532
Total Capital Assets, Not Being Depreciated	131,881	35,642		(876)	166,647
Capital Assets Being Depreciated:					
Buildings	197,033	(552)	(2)		196,479
Improvements Other than Land/Building	8,434		(26)		8,408
Maintenance Equipment	4,576	127	(7)		4,696
Motor Vehicle (Non Fleet)	17,221	1,938	(275)		18,884
Office Furniture and Fixtures	3,731	242	(348)		3,625
Motor Vehicle Fleet	36,771	4,542	(3,087)		38,226
Miscellaneous Equipment	31,603	2,551	(1,890)	876	33,140
Total Capital Assets Being Depreciated	299,369	8,848	(5,635)	876	303,458
Less Accumulated Depreciation for:					
Buildings	(132,199)	(6,548)	2		(138,745)
Improvements Other than Land/Building	(3,532)	(567)	17		(4,082)
Maintenance Equipment	(3,571)	(530)	7		(4,094)
Motor Vehicle (Non Fleet)	(8,684)	(1,731)	175		(10,240)
Office Furniture and Fixtures	(2,384)	(198)	238		(2,344)
Motor Vehicle Fleet	(26,917)	(4,027)	2,925		(28,019)
Miscellaneous Equipment	(22,431)	(4,109)	1,219		(25,321)
Total Accumulated Depreciation	(199,718)	(17,710)	4,583		(212,845)
Total Capital Assets, Being Depreciated, Net	99,651	(8,862)	(1,052)	876	90,613
Governmental Activities Capital Assets, Net	\$ 231,532	\$ 26,780	\$(1,052)	\$	\$ 257,260

Notes to the Financial Statements
For the Year Ended September 30, 2002

	(In Thousands)				Balance 9/30/2002
	Balance 10/01/2001	Additions	Retirements	Reclassifications	
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 31,118	\$ 3,186	\$ (133)	\$ 2,717	\$ 36,888
Construction In Progress	813,661	359,471		(253,504)	919,628
Total Capital Assets, Not Being Depreciated	844,779	362,657	(133)	(250,787)	956,516
Capital Assets Being Depreciated:					
Buildings	273,328	525	(692)	81,075	354,236
Improvements Other Than Land/Building	624,501	1,957	(5,945)	169,712	790,225
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,947	30	(34)		5,943
Motor Vehicle (Non Fleet)	7,237	141	(885)		6,493
Office Furniture And Equipment	10,193	7	(204)		9,996
Motor Vehicle Fleet	11,342	1,094	(1,141)		11,295
Miscellaneous Equipment	11,135	2,723	(852)		13,006
Total Capital Assets Being Depreciated	2,359,493	6,477	(9,753)	250,787	2,607,004
Less Accumulated Depreciation for:					
Buildings	(123,220)	(9,626)	464		(132,382)
Improvements Other Than Land/Building	(202,626)	(30,325)	1,858		(231,093)
Infrastructure North	(43,951)	(13,333)			(57,284)
Infrastructure South	(78,806)	(22,062)			(100,868)
Maintenance Equipment	(5,118)	(320)	30		(5,408)
Motor Vehicle (Non Fleet)	(3,987)	(654)	795		(3,846)
Office Furniture And Fixtures	(9,663)	(85)	201		(9,547)
Motor Vehicle Fleet	(7,511)	(1,460)	1,006		(7,965)
Miscellaneous Equipment	(8,001)	(1,410)	692		(8,719)
Total Accumulated Depreciation	(482,883)	(79,275)	5,046		(557,112)
Total Capital Assets, Being Depreciated, Net	1,876,610	(72,798)	(4,707)	250,787	2,049,892
Business-Type Activities Capital Assets, Net	\$2,721,389	\$289,859	\$(4,840)	\$	\$3,006,408

Notes to the Financial Statements
For the Year Ended September 30, 2002

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

(In Thousands)	
<u>Governmental Activities:</u>	
General Government	\$ 7,188
Public Safety	3,249
Highway and Roads	4,343
Health and Welfare	129
Total Depreciation Expense - Governmental Activities	\$14,909

(In Thousands)	
<u>Business-Type Activities</u>	
Hospital	\$ 1,789
Nursing Operations	349
Landfill	2,181
Sanitary Operations	74,943
Parking Services	13
Total Depreciation Expense – Business-Type Activities	\$79,275

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 497, Acts of Alabama 1965, page 717, and provides guidelines for benefits to retired and disabled employees of the County.

The Plan's financial statements are publicly available in the annual report of the General Retirement System for Employees of Jefferson County for the year ended September 30, 2002. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35263-0003.

Notes to the Financial Statements
For the Year Ended September 30, 2002

B. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

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

Estimates

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

Investment Valuation and Income Recognition

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

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

Reserves for Contingent Refunds and Retirement and Disability Benefits

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

C. Actuarial Information

For the year ended September 30, 2002, The Commission's annual pension contribution of \$8,189,000 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, 2002, the latest actuarial valuation date, were: (a) 7.0 percent investment rate of return on present and future assets, and (b) projected salary increases of 5.5 percent. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2002 was 13 years.

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

(In Thousands)			
Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2002	\$8,189	100%	\$0
9/30/2001	\$7,543	100%	\$0
9/30/2000	\$7,752	100%	\$0

Schedule of Funding Progress

(In Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as of Percentage of Covered Payroll [(b-a)/c]
9/30/2000	\$595,364	\$517,622	(\$77,742)	115.0%	\$126,520	(61.4%)
9/30/2001	\$642,487	\$550,172	(\$92,315)	116.8%	\$133,919	(68.9%)
9/30/2002	\$676,094	\$610,321	(\$65,773)	110.8%	\$144,465	(45.5%)

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 7 – Other Postemployment Benefits (OPEB)

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

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

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

Currently 297 retirees meet eligibility requirements. The Commission subsidizes a portion of the retirees health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from \$197 to \$545 per month and total insurance premiums range from \$223 to \$639. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$384,000 were recognized for post-retirement health benefits.

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 8 – Construction and Other Significant Commitments

The following is a listing of the outstanding contracts entered into and commitments made for the fiscal year ended September 30, 2002:

Nature of Commitment	(In Thousands)	
	Nature of Commitment	
Cahaba River Sewer Improvements	\$	69,253
East Village Creek Sewer Improvement		5,821
United Way Grant for Youth Services		2,000
Integrated Tax System		3,239
Lower Valley Creek Sewer Projects		16,172
Professional Healthcare Services		8,161
Safety Buildings Birmingham and Bessemer		6,519
Shades Valley Sewer Improvements		7,409
Turkey Creek Sewer Improvements		4,958
Upper Valley Creek Sewer Improvements		16,032
Valley Creek Sewer Improvements		103,843
Village Creek Sewer Improvements		97,748
Miscellaneous Sewer Contracts		3,506
Totals		\$344,661

Note 9 – 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, 2002, 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	\$70,661	\$70,661
Grant Drawdowns Prior to Meeting All Eligibility Requirements		1,591
Total Deferred/Unearned Revenue for Governmental Funds	\$70,661	\$72,252

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 10 – 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, 2002, total costs paid by the Commission were \$747,000 for governmental activities and \$179,000 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2002, were as follows:

Fiscal Year Ending	(In Thousands)	
	Governmental Activities	Business-Type Activities
September 30, 2003	\$ 252	\$24
2004	218	14
2005	205	
2006	203	
2007	198	
2008-2012	992	
2013-2015	512	
Totals	\$2,580	\$38

Note 11 – 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 Occupation Tax, the first \$10,000,000 collected in 1989 and in each year thereafter until and including 2008.

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 12 – Long-Term Debt

The General Obligation Warrants Series 1993 dated August 1, 1993 were issued to refund various General Obligation Warrants.

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

The 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 Sewer Revenue Warrants Series 1997-D dated March 1, 1997 were issued for the purpose of funding various sewer improvements.

The Sewer Revenues Warrants Series 1997-C dated February 1, 1997 for the purpose of refunding the 1992 and 1995 A Sewer Revenue Warrants.

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

The Sewer Revenue Warrants Series 1999-A dated March 1, 1999 were issued to for the purpose of funding various sewer improvements.

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2002:

	(In Thousands)				Debt Outstanding September 30, 2002	Amounts Due Within One Year
	Debt Outstanding October 1, 2001	Issued/ Increased	Repaid/ Decreased			
Governmental Activities:						
General Obligation Warrants	\$ 288,865	\$ 20,065	\$40,700		\$ 268,230	\$17,145
Estimated Claims Liability	4,640	1,314	2,916		3,038	
Estimated Liability for Compensated Absences	11,511	3,559			15,070	1,366
Government Activity Long-Term Liabilities	<u>305,016</u>	<u>24,938</u>	<u>43,616</u>		<u>286,338</u>	<u>18,511</u>
Business-Type Activities:						
Revenue Warrants	1,796,250	650,000	8,495		2,437,755	13,300
Estimated Liability for Postclosure Landfill Costs	3,355	273	41		3,587	
Estimated Liability for Compensated Absences	9,101		2,950		6,151	
Business-Type Activity Long-Term Liabilities	<u>\$1,808,706</u>	<u>\$650,273</u>	<u>\$11,486</u>		<u>\$2,447,493</u>	<u>\$13,300</u>

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.

Notes to the Financial Statements
For the Year Ended September 30, 2002

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

Fiscal Year Ending	(In Thousands)	
	Governmental Activities	
	General Obligation Warrants	
	Principal	Interest
September 30, 2003	\$ 17,145	\$ 12,569
2004	18,025	11,847
2005	21,175	11,078
2006	15,980	10,056
2007	23,725	9,252
2008-2012	61,875	33,191
2013-2017	55,685	19,409
2018-2021	54,620	4,786
Totals	<u>\$268,230</u>	<u>\$112,188</u>

Fiscal Year Ending	(In Thousands)	
	Business-Type Activities	
	Revenue Warrants	
	Principal	Interest
September 30, 2003	\$ 13,300	\$ 125,475
2004	2,595	127,272
2005	8,575	127,018
2006	6,490	126,661
2007	3,730	126,427
2008-2012	21,140	629,631
2013-2017	44,245	624,272
2018-2022	187,925	591,348
2023-2027	300,325	524,264
2028-2032	339,080	437,686
2033-2037	438,670	338,094
2038-2042	1,071,680	139,947
Totals	<u>\$2,437,755</u>	<u>\$3,918,095</u>

Notes to the Financial Statements
For the Year Ended September 30, 2002

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)
	Deferred Charges
Total Issuance Costs and Premium	\$1,006
Balance Issuance Costs and Premium	\$ 109

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

	(In Thousands)
	Deferred Charges
Total Issuance Costs and Premium	\$45,024
Balance Issuance Costs and Premium	\$39,965

Defeased Debt

On March 28, 2002, Jefferson County Commission issued \$20,065,000.00 in General Obligation Warrants, Series 2002-A, for the purpose 1) of refunding outstanding Series 1992 General Obligation Warrants with a variable interest rate and 2) paying the costs of issuing the Series 2002-A warrants. The Series 1992 General Obligation Warrants were called on April 1, 2002; and, therefore, are legally defeased.

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, 2002, the total of \$108,315,000 of warrants outstanding are considered defeased.

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 13 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of \$2,437,755,000 at September 30, 2002. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 1997-B Taxable Sewer Revenue Refunding Warrants, 3) the 1997-C AWPCA Refunding Warrant, 4) the 1997-D Sewer Revenue Warrants, 5) the 1999-A Sewer Revenue Capital Improvement Warrants, 6) the 2001-A Sewer Revenue Capital Improvement Warrants, 7) the 2002-A Sewer Revenue Capital Improvement Warrants, and 8) 2002-B Sewer Revenue Capital Improvement Warrants.

In accordance with the bond indentures, the County uses 1) a debt service fund to which it deposits principal and interest amounts due, 2) a reserve fund which is required to be maintained at the lesser of (a) 125% of the average annual debt service on all outstanding parity securities, (b) the maximum annual debt service on all outstanding parity securities, or (c) 10% of the original principal amount of outstanding parity securities, 3) a rate stabilization fund which is maintained at a balance of 75% of the maximum annual debt service on the outstanding parity securities, 4) a depreciation fund which will grow to an amount equal to or greater than the accumulated depreciation of the Sanitary Operations Fund, 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, 2002, exceeded the bond indenture requirements and were as follows:

(In Thousands)	
Sewer Reserve Fund	\$54,106
1999 Sewer Reserve Fund	\$70,612
Sewer Rate Stabilization Fund	\$75,545
Sewer Depreciation Fund	\$47,551
2002-B Sewer Reserve Fund	\$54,226

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 14 – Continuing Disclosure

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

Fiscal Year Ending September 30,	2002	2001	2000
Active Accounts	143,038	142,305	142,277
Average Daily Treatment Volume (millions of gallons treated)	116	97	114
Sewer Charges	\$84,470,770	\$72,129,478	\$66,834,206
% Revenues – Largest Customer	2.74%	2.66%	2.57%
% Revenues – Top 10 Customers	11.13%	12.53%	11.99%

2001 Top Ten Customers	Consumption	Amount
University of Alabama – Birmingham	865,776	\$2,317,840
Birmingham Housing Authority	579,064	\$1,932,577
U S Steel	494,880	\$1,290,160
Barber Dairies	130,833	\$ 997,964*
Golden Flake	153,314	\$ 606,370*
Birmingham Board of Education	178,528	\$ 592,021
Buffalo Rock	226,898	\$ 518,781*
Brookwood Medical Center	124,574	\$ 412,754
SMI Steel	123,197	\$ 377,128
Baptist Medical Centers	150,439	\$ 358,284
* Includes surcharge on same consumption		

Effective March 1, 1999, January 1, 2000, January 1, 2001 and January 1, 2002, the County implemented sewer rate increases. The rate increases were implemented in accordance with the Commission's resolutions and the Indenture with the trustee for the Sewer Revenue Warrants.

Note 15 – Landfill Closure and Postclosure Care Costs

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

Notes to the Financial Statements
For the Year Ended September 30, 2002

1999	1998	1997	1996	1995
142,042	141,606	140,324	140,146	140,361
119	132	127	130	123
\$57,020,426	\$49,531,824	\$46,950,835	\$44,387,013	\$39,587,914
2.93%	2.91%	2.92%	3.08%	2.87%
11.62%	12.35%	10.37%	13.10%	10.37%

The estimated liability for landfill closure and postclosure care costs had a balance of \$3,587,000, as of September 30, 2002. This estimate was based on 98% usage (filled) of the Jefferson County Landfill Number 1, and 71% usage (filled) of the Jefferson County Landfill Number 2, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed October 1997.

This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2002. 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 16 – 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, 2002, the principal amount outstanding was \$42,625,000.

Notes to the Financial Statements

For the Year Ended September 30, 2002

Note 17 – Risk Management

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

- ◆ **General and Auto Liability** – Self-insured with an established internal service fund to finance losses.
- ◆ **Workers’ Compensation** – Self-insured with a retention of \$350,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.
- ◆ **Property Insurance** – Commercial insurance coverage purchased in the amount of \$100 million per occurrence, except a separate annual aggregate of \$50 million flood and earthquake, to include the following sub-limits: 1) \$20 million per occurrence as respects 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.

Notes to the Financial Statements
For the Year Ended September 30, 2002

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:

	(In Thousands)							
	General Liability		Auto Liability		Workers' Compensation		Totals	
	2002	2001	2002	2001	2002	2001	2002	2001
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$1,234	\$ 685	\$383	\$ (25)	\$3,023	\$1,999	\$4,640	\$2,659
Incurring claims and claim adjustment expenses:								
Provision for insured events of current fiscal Year	168	778	363	412	783	1,072	1,314	2,262
Increases in provision for insured events of prior fiscal years		94		155		1,436		1,685
Total incurred claims and claim adjustment expenses	168	872	363	567	783	2,508	1,314	3,947
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,142	323	42	159	1,732	1,484	2,916	1,966
Claims and claim adjustment expenses attributable to insured events of prior fiscal year								
Totals payments	1,142	323	42	159	1,732	1,484	2,916	1,966
Total unpaid claim and claim adjustment expenses at end of fiscal year	<u>\$ 260</u>	<u>\$1,234</u>	<u>\$704</u>	<u>\$383</u>	<u>\$2,074</u>	<u>\$3,023</u>	<u>\$3,038</u>	<u>\$4,640</u>

Note 18 – Advances to Other Funds

The amounts due to/from other funds at September 30, 2002, were as follows:

	(In Thousands)
	Advances From Other Funds
	Sanitary Landfill Operations Fund
Advances To Other Funds	
Debt Service Fund	<u>\$19,489</u>

Notes to the Financial Statements
For the Year Ended September 30, 2002

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2002, were as follows:

	(In Thousands)			
	Transfers In			
	General Fund	Indigent Care Fund	Road Fund	Debt Service Fund
Transfers Out				
General Fund	\$	\$745	\$15,812	\$
Indigent Care Fund				
Road Fund				
Debt Service				
Nonmajor Governmental Funds				30,199
Internal Service	1			
Nonmajor Proprietary Funds				1,258
Totals	\$1	\$745	\$15,812	\$31,457

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 19 – Subsequent Events

In October 2002, the Commission issued \$839,500,000 in Sewer Revenue Refunding Warrants, Series 2002-C. The proceeds of the Series 2002-C Warrants will be used to advance refund all or a portion of selected maturities of the County's outstanding 1997-D Warrants, Series 1999-D Warrants and Series 2001-A Warrants. In connection with the issuance of the Series 2002-C Warrants, the County has entered into separate swap transactions with JP Morgan Chase Bank, Bank of America, N.A. and Lehman Brothers with an aggregate notional amount equal to the par amount of the Series 2002-C Warrants, an effective date of October 23, 2002, and a termination date of February 1, 2040. Under such transactions, the County is obligated to make semiannual payments calculated by reference to said notional amount and a fixed rate of 3.92% and is entitled to receive monthly payments calculated by reference to the same notional amount and an interest rate equal to 67% of one-month LIBOR (London InterBank Offered Rate).

Notes to the Financial Statements
For the Year Ended September 30, 2002

(In Thousands)				
Transfers In				
Cooper Green Hospital	Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds	Totals
\$ 38,402	\$3,042	\$3,192	\$6,157	\$ 28,948
	176			38,402
			1,885	176
		3,143	45	1,885
	640	215	65	33,387
				921
				1,258
\$38,402	\$3,858	\$6,550	\$8,152	\$104,977

In November 2002, the Commission issued \$475,000,000 in Sewer Revenue Capital Improvement Warrants, Series 2002-D. In January 2003, the Commission issued \$41,820,000 Sewer Revenue Refunding Warrants, Series 2003-A. The proceeds will be used to purchase the Taxable Sewer Revenue Warrants, Series 1997-C for cancellation.

Note 20 – Deficit Cash Balance

As of September 30, 2002, the following funds had deficit cash balances:

(In Thousands)	
Senior Citizens Fund	\$ 1,327
Capital Improvements Fund	28,099
Road Construction Fund	2,236
Personnel Board Fund	5,095
Total Governmental Activities	36,757
Cooper Green Hospital	4,309
County Home Fund	1,371
Total Business-Type Activities	\$ 5,680

Notes to the Financial Statements
For the Year Ended September 30, 2002

Note 21 – Franchise Taxes

Several counties of the State of Alabama receive a portion of the revenues received by the State for the franchise taxes levied by the State of Alabama on in-state and out-of-state companies under the provisions of the *Code of Alabama 1975*, Section 40-14-41. The State is currently involved in litigation that challenges the constitutionality of the State's franchise tax based on the premise that it violates the Commerce Clause of the U. S. Constitution. The potential liability to the State of Alabama exceeds \$300,000,000. The State has received an unfavorable ruling; however, a settlement order has not been issued by the courts. Several counties of this State may have to refund all the franchise taxes they have received over a period of years or forego the receipt of revenues from this tax until the liability is satisfied.

Note 22 – Accounting Changes and Restatements

Changes in Accounting Principles

During the fiscal year 2002, the Commission implemented GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement Number 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement Number 38, *Certain Financial Statement Note Disclosures*. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statement split the Commission's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business type activities equals fund equity for the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at September 30, 2001 caused by the conversion to the accrual basis of accounting.

Notes to the Financial Statements
For the Year Ended September 30, 2002

Restatement of Fund Balances

GASB Statement Number 34 eliminated the use of expendable trust funds to account for assets held by the County in a trustee capacity for other governmental units.

The impact of the restatements on the fund balances as previously reported is as follows:

	(In Thousands)					Total
	General Fund	Indigent Care Fund	Road Fund	Debt Service Fund	Non Major Governmental Funds	
Fund Balance, September 30, 2001, as Previously Reported	\$48,013	\$6,409	(\$2,927)	\$172,233	\$5,108	\$228,836
Restatement for Deferred Revenue	(1,797)		(660)		(1,602)	(4,059)
Fund Balance, September 30, 2001, as Restated	\$46,216	\$6,409	(\$3,587)	\$172,233	\$3,506	\$224,777
Capital Assets Beginning Balance						\$211,660
Long-Term - Liabilities Beginning Balance						(288,865)
Compensated Absences						(10,193)
Balance Internal Service Funds						37,667
Effect of Internal Service Fund Eliminations						(5,541)
Beginning Balance Deferred Charges						695
Governmental Activities Net Assets September 30, 2001						\$170,200

The impact of restatements on the fund equity of enterprise funds is as follows:

	(In Thousands)			Total
	Cooper Green Hospital	Sanitary Operations	Non-Major Enterprise	
Fund Equity, September 30, 2001, as Previously Reported	\$15,515	\$1,522,674	\$40,174	\$1,578,363
Restatement for Deferred Revenue		(221)		(221)
Accumulated Depreciation Infrastructure		(122,757)		(122,757)
Fund Equity, September 30, 2001, as Restated	\$15,515	\$1,399,696	\$40,174	\$1,455,385

Notes to the Financial Statements
For the Year Ended September 30, 2002

Expendable trust funds were reclassified as agency funds as follows:

	(In Thousands)		
	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Total
Fund Equity, September 30, 2001, as Previously Reported	\$1,335	\$1,379	\$2,714
Reclassification	(1,335)	(1,379)	(2,714)
Fund Equity, September 30, 2001, as Restated	\$	\$	\$

Note 23 – Interest Rate Swap Agreements

Under 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 JP Morgan Chase, as successor to Morgan Guaranty Trust Company of New York are parties to a rate swap that is referable to General Obligation Warrants, Series 2001-B. The notional amount is \$120,000,000 effective April 19, 2001 and a termination date of April 1, 2011. The County receives monthly payments calculated using the BMA Municipal Swap Index and makes semiannual payments at the fixed rate of 4.295% per annum. Morgan has the option to cancel the swap on April 1, 2008, or any April 1 or October 1, thereafter.

The following rate swaps are referable to selected Sewer Revenue Warrants.

The County and JP Morgan Chase, as successor to Morgan Guaranty Trust Company of New York are parties to two outstanding variable payments swaps: One has a notional amount of \$200,000,000 effective February 1, 2001, a termination date of January 1, 2016. The County makes monthly payments calculated using the BMA Municipal Swap Index and receives semiannual payments at the fixed rate of 5.069% per annum. Because of the related Interim Reversal transaction, until February 1, 2004, the only scheduled payments are payments from Morgan to the County determined by applying a net fixed rate of 1.524% to said notional amount. The other swap has a notional amount of \$175,000,000 effective February 1, 2002, a termination date of January 1, 2016 and a fixed rate (for determining payments to be made by Morgan) of 5.2251%. Because of the related Interim Reversal transaction, until February 1, 2004, the only scheduled payments are payments from Morgan to the County determined by applying a net fixed rate of 1.4551% to said notional amount. For each transaction, Morgan has the option to cancel on the first calendar day of any month occurring after January 31, 2004. In addition, if Morgan exercises such cancellation option with respect to a transaction, Morgan will then have the option to reinstate such transaction on the first calendar day of any month occurring after January 31, 2009.

Notes to the Financial Statements
For the Year Ended September 30, 2002

A third variable payment swap is between the County and JP Morgan Chase Bank, as successor to The Chase Manhattan Bank. The transaction has a notional amount of \$70,000,000, an effective date of February 1, 2002, and a termination date of February 1, 2031, and a fixed rate (for determining payments to be made by Chase) of 5.17%. Chase has the option to cancel on the first calendar day of any month occurring after January 31, 2007. Because of the related Interim Reversal transaction, until February 1, 2007, the only scheduled payments are payments from Chase to the County determined by applying a net fixed rate of 1.225% to said notional amount (provided that Chase has an option to cancel the Interim Reversal transaction on February 1, 2005, and semiannually thereafter until February 1, 2007.)

In addition, the County has entered into a swap transaction that can be characterized as a fixed payment swap. In connection with the issuance of the Series 2002-A Warrants, the County and Chase entered into a swap transaction with a notional amount of \$110,000,000, an effective date of February 15, 2002, and a termination date of February 1, 2042. Under such transactions, the County is obligated to make semiannual payments at a fixed rate of 5.06% and will receive monthly payments calculated using the BMA Municipal Swap Index.

Note 24 – 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 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.

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Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2002
(In Thousands)

	Budgeted Amounts		Actual Amounts
	Original	Final	
<u>Revenues</u>			
Taxes	\$ 64,978	\$ 65,230	\$ 65,377
Licenses and Permits	61,684	61,134	60,903
Intergovernmental	22,492	18,738	19,460
Charges for Services	18,472	19,975	20,557
Indirect Cost Recovery	9,191	9,191	9,088
Miscellaneous	133	133	389
Interest	6,384	6,384	8,450
Total Revenues	183,334	180,785	184,224
<u>Expenditures</u>			
Current:			
General Government	69,912	74,641	67,307
Public Safety	51,073	52,859	55,147
Welfare	592	703	703
Culture and Recreation	13,553	14,643	14,684
Education	216	203	200
Capital Outlay	35	2,560	2,316
Indirect Costs	14,194	15,910	15,893
Total Expenditures	149,575	161,519	156,250
Excess (Deficiency) of Revenues Over Expenditures	33,759	19,266	27,974
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets	45	69	31
Transfers In		6,215	1
Transfers Out	(97)	(30,508)	(28,948)
Total Other Financing Sources (Uses)	(52)	(24,224)	(28,916)
Change in Net Assets	33,707	(4,958)	(942)
Net Assets Beginning of Year, as Restated (Note 22)	46,217		46,216
Net Assets End of Year	\$ 79,924	\$ (4,958)	\$ 45,274

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Indigent Care Fund
For the Year Ended September 30, 2002
(In Thousands)***

	Budgeted Amounts		Actual Amounts
	Original	Final	
<u>Revenues</u>			
Taxes	\$ 38,310	\$ 38,490	\$ 38,436
Miscellaneous	7,874	6,874	6,632
Interest	6	6	4
Total Revenues	<u>46,190</u>	<u>45,370</u>	<u>45,072</u>
<u>Expenditures</u>			
Current:			
General Government	7,954	7,954	7,554
Indirect Costs	13	13	13
Total Expenditures	<u>7,967</u>	<u>7,967</u>	<u>7,567</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,223</u>	<u>37,403</u>	<u>37,505</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In		745	745
Transfers Out		(40,623)	(38,402)
Total Other Financing Sources (Uses)		<u>(39,878)</u>	<u>(37,657)</u>
Net Change in Fund Balances	38,223	(2,475)	(152)
Fund Balances at Beginning of Year	<u>6,409</u>	<u>6,409</u>	<u>6,409</u>
Fund Balances at End of Year	<u>\$ 44,632</u>	<u>\$ 3,934</u>	<u>\$ 6,257</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Fund
For the Year Ended September 30, 2002
(In Thousands)***

	Budgeted Amounts		Actual Amounts
	Original	Final	
<u>Revenues</u>			
Taxes	\$ 11,829	\$ 12,576	\$ 12,674
Intergovernmental	7,548	7,678	7,739
Charges for Services	130	160	204
Miscellaneous	18	18	37
Total Revenues	<u>19,525</u>	<u>20,432</u>	<u>20,654</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	34,516	35,119	32,224
Capital Outlay		4,512	4,394
Indirect Costs	3,776	3,776	3,776
Total Expenditures	<u>38,292</u>	<u>43,407</u>	<u>40,394</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,767)</u>	<u>(22,975)</u>	<u>(19,740)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets		235	231
Transfers In		15,812	15,812
Transfers Out		(176)	(176)
Total Other Financing Sources (Uses)		<u>15,871</u>	<u>15,867</u>
Net Change in Fund Balances	(18,767)	(7,104)	(3,873)
Fund Balances at Beginning of Year, as Restated (Note 22)			<u>(3,587)</u>
Fund Balances at End of Year	<u>\$ (18,767)</u>	<u>\$ (7,104)</u>	<u>\$ (7,460)</u>

Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2002
(In Thousands)

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund
<u>Assets</u>			
Cash and Investments	\$	\$ 2,184	\$ 272
Accounts Receivable, Net			
Loans Receivable, Net			153
Property Taxes Receivable, Net		25,017	
Interest Receivable			10
Due from Other Governments	489	435	1,988
Prepaid Expenses			
Total Assets	489	27,636	2,423
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Cash Deficit	1,327		
Accounts Payable	187		859
Due to Other Governments			
Deferred Revenue		26,678	1,100
Accrued Wages and Benefits Payable	15		27
Estimated Liability for Compensated Absences			
Total Liabilities	1,529	26,678	1,986
<u>Fund Balances:</u>			
Reserved for:			
Petty Cash			
Encumbrances	77		10,865
Prepaid Expenses			
Loans Receivable			153
Unreserved Reported In:			
Special Revenue Funds	(1,117)	958	(10,581)
Capital Projects Funds			
Total Fund Balances	(1,040)	958	437
Total Liabilities and Fund Balances	\$ 489	\$ 27,636	\$ 2,423

CDBG/EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
\$ 1,496	\$ 200	\$ 815	\$	\$ 2	\$ 4,967
2,432	774				2
					3,359
					25,017
					10
	943	163		223	4,241
		2			2
3,928	1,917	980		225	37,598
			28,099	2,236	31,662
	77	31	2,860	452	4,466
6					6
	491				28,269
	1	8			51
		1			1
6	569	40	30,959	2,688	64,455
		1			1
		78	21,708	2,179	34,907
		2			2
2,432	774				3,359
1,490	574	859			(7,817)
			(52,667)	(4,642)	(57,309)
3,922	1,348	940	(30,959)	(2,463)	(26,857)
\$ 3,928	\$ 1,917	\$ 980	\$	\$ 225	\$ 37,598

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2002
(In Thousands)***

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund
<u>Revenues</u>			
Taxes	\$	\$ 28,808	\$
Intergovernmental	4,873	702	13,506
Charges for Services			90
Miscellaneous	189		
Interest	5	200	
Total Revenues	<u>5,067</u>	<u>29,710</u>	<u>13,596</u>
<u>Expenditures</u>			
Current:			
General Government	7,306		1,273
Public Safety			
Highways and Roads			
Welfare			11,991
Capital Outlay	159		403
Indirect Costs	265	34	236
Total Expenditures	<u>7,730</u>	<u>34</u>	<u>13,903</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,663)</u>	<u>29,676</u>	<u>(307)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets			
Transfers In	1,658		623
Transfers Out		(30,199)	
Total Other Financing Sources (Uses)	<u>1,658</u>	<u>(30,199)</u>	<u>623</u>
Net Change in Fund Balances	(1,005)	(523)	316
Fund Balances at Beginning of Year, as Restated (Note 22)	<u>(35)</u>	<u>1,481</u>	<u>121</u>
Fund Balances at End of Year	<u>\$ (1,040)</u>	<u>\$ 958</u>	<u>\$ 437</u>

CDBG/EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
\$	\$	\$	\$	\$	\$
	1,110	1,381	1,250		28,808
		336		3,282	22,822
3	97	48			3,708
106	18	9		6	337
109	1,225	1,774	1,250	3,288	344
	85				56,019
		1,189			8,664
			661	669	1,189
19	1,496				1,330
	3	27	24,707	6,233	13,506
32	34	57			31,532
51	1,618	1,273	25,368	6,902	658
					56,879
58	(393)	501	(24,118)	(3,614)	(860)
		2	24		26
32	507	145	837	56	3,858
			(3,188)		(33,387)
32	507	147	(2,327)	56	(29,503)
90	114	648	(26,445)	(3,558)	(30,363)
3,832	1,234	292	(4,514)	1,095	3,506
\$ 3,922	\$ 1,348	\$ 940	\$ (30,959)	\$ (2,463)	\$ (26,857)

***Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2002
(In Thousands)***

	County Home Fund	Landfill Operations Fund
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and Investments	\$	\$ 3
Accounts Receivable, Net	1,469	741
Patient Accounts Receivable, Net	1,785	
Inventories	83	
Prepaid Expenses	1	
Total Current Assets	3,338	744
<u>Noncurrent Assets:</u>		
Deferred Charges		167
Capital Assets, Net Where Applicable	9,285	51,708
Total Noncurrent Assets	9,285	51,875
Total Assets	12,623	52,619
<u>Liabilities</u>		
<u>Current Liabilities:</u>		
Cash Deficit	1,371	
Accounts Payable	140	5
Deposits Payable	30	
Accrued Wages and Benefits Payable	184	51
Accrued Interest Payable		23
Estimated Liability for Compensated Absences	47	42
Total Current Liabilities	1,772	121
<u>Noncurrent Liabilities:</u>		
Advances Due to Other Funds		19,489
Estimated Liability for Landfill Closure/Postclosure Care Costs		3,587
Compensated Absences	477	420
Total Noncurrent Liabilities	477	23,496
Total Liabilities	2,249	23,617
<u>Net Assets</u>		
Invested in Capital Assets Net of Related Debt	9,285	32,219
Unrestricted	1,089	(3,217)
Total Net Assets	\$ 10,374	\$ 29,002

Parking Deck Fund	Totals
\$ 1	\$ 4
	2,210
	1,785
	83
	1
1	4,083
	167
7	61,000
7	61,167
8	65,250
	1,371
	145
	30
1	236
	23
	89
1	1,894
	19,489
	3,587
5	902
5	23,978
6	25,872
7	41,511
(5)	(2,133)
\$ 2	\$ 39,378

***Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended September 30, 2002
(In Thousands)***

	County Home Fund	Landfill Operations Fund
<u>Operating Revenues</u>		
Charges for Services	\$ 9,677	\$ 3,715
Other Operating Revenue	63	69
Total Revenues	<u>9,740</u>	<u>3,784</u>
<u>Operating Expenses</u>		
Provision for Bad Debt		25
Salaries	7,203	2,256
Employee Benefits and Payroll Taxes	1,870	600
Materials and Supplies	1,226	337
Utilities	592	221
Outside Services	3,199	494
Office Expense	347	29
Depreciation and Amortization	349	2,181
Closure and Postclosure Care Costs		273
Miscellaneous	20	13
Total Operating Expenses	<u>14,806</u>	<u>6,429</u>
Operating Income (Loss)	<u>(5,066)</u>	<u>(2,645)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Expense		(337)
Interest Revenue	62	9
Miscellaneous	1,407	
Amortization of Bond Issue Costs		(9)
Indirect Costs	(473)	(577)
Gain/(Loss) on Sale of Capital Assets		43
Total Nonoperating Revenues (Expenses)	<u>996</u>	<u>(871)</u>
<u>Operating Transfers</u>		
Transfers In	3,902	4,185
Transfers Out		(1,258)
Total Operating Transfers	<u>3,902</u>	<u>2,927</u>
Changes in Net Assets	(168)	(589)
Total Net Assets - Beginning of Year	<u>10,542</u>	<u>29,591</u>
Total Net Assets - End of Year	<u>\$ 10,374</u>	<u>\$ 29,002</u>

Parking Deck Fund		Totals	
\$	222	\$	13,614
			132
	222		13,746
			25
	29		9,488
	6		2,476
	2		1,565
	51		864
	166		3,859
			376
	13		2,543
			273
			33
	267		21,502
	(45)		(7,756)
			(337)
			71
			1,407
			(9)
	(59)		(1,109)
			43
	(59)		66
			65
			8,152
			(1,258)
	65		6,894
	(39)		(796)
	41		40,174
\$	2	\$	39,378

***Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2002
(In Thousands)***

	County Hone Fund	Landfill Operations Fund
<u>Cash Flows from Operating Activities</u>		
Cash Received for Services	\$ 8,010	\$ 3,728
Other Operating Revenues	63	69
Cash Payments to Employees	(9,036)	(2,840)
Cash Payments for Goods and Services	(5,380)	(897)
Net Cash Provided (Used) by Operating Activities	<u>(6,343)</u>	<u>60</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers Out		(1,258)
Operating Transfers In	3,902	4,185
Increase/(Decrease) in Cash Deficit	1,371	(33)
Received from Auxiliary Services	1,407	
Indirect Cost	(473)	(577)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>6,207</u>	<u>2,317</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of Capital Assets	(152)	(2,127)
Proceeds from Sale of Capital Assets	32	59
Interest Paid		(315)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(120)</u>	<u>(2,383)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Received	62	9
Net Cash Flows Provided by Investing Activities	<u>62</u>	<u>9</u>
Net Increase/(Decrease) in Cash	(194)	3
Cash and Investments, Beginning of Year	<u>194</u>	
Cash and Investments, End of Year	<u>\$</u>	<u>\$ 3</u>

Parking Deck Fund		Totals	
\$	223	\$	11,961
			132
	(35)		(11,911)
	(219)		(6,496)
	(31)		(6,314)
			(1,258)
	65		8,152
			1,338
			1,407
	(59)		(1,109)
	6		8,530
			(2,279)
			91
			(315)
			(2,503)
			71
			71
	(25)		(216)
	26		220
\$	1	\$	4

***Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2002
(In Thousands)***

	County Hone Fund	Landfill Operations Fund
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>		
Operating Income/(Loss)	\$ (5,066)	\$ (2,645)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>		
Depreciation and Amortization	349	2,181
(Increase)/Decrease in Prepaid Expenses		
(Increase)/Decrease in Accounts Receivable	(1,469)	14
(Increase)/Decrease in Patient Receivables	(197)	
(Increase)/Decrease in Inventories	9	
Increase/(Decrease) in Accounts Payable	13	(26)
Increase/(Decrease) in Advances Due to Other Funds		289
Increase/(Decrease) in Deposits Payable	(19)	
Increase/(Decrease) in Accrued Wages and Benefits Payable	36	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	1	13
Increase/(Decrease) in Landfill Closure/Postclosure Care Costs		232
Total Adjustments	<u>(1,277)</u>	<u>2,705</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,343)</u>	<u>\$ 60</u>

Parking Deck Fund	Totals
\$ (45)	\$ (7,756)
13	2,543
	(1,455)
	(197)
	9
	(13)
	289
	(19)
	38
1	15
	232
14	1,442
\$ (31)	\$ (6,314)

Combining Statement of Net Assets
Internal Service Funds
September 30, 2002
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Assets</u>			
<u>Current Assets:</u>			
Cash and Investments	\$ 8,311	\$	\$
Accounts Receivable, Net			
Due from Other Governments		5,561	18
Inventories			
Prepaid Expenses	125		
Total Current Assets	<u>8,436</u>	<u>5,561</u>	<u>18</u>
<u>Noncurrent Assets:</u>			
Capital Assets, Net Where Applicable	126	133	819
Total Noncurrent Assets	<u>126</u>	<u>133</u>	<u>819</u>
Total Assets	<u>8,562</u>	<u>5,694</u>	<u>837</u>
<u>Liabilities</u>			
<u>Current Liabilities:</u>			
Cash Deficit		5,095	
Accounts Payable	42	203	99
Accrued Wages and Benefits Payable	14	60	5
Estimated Liability for Compensated Absences	5	30	3
Estimated Claims Liability	3,038		
Total Current Liabilities	<u>3,099</u>	<u>5,388</u>	<u>107</u>
<u>Noncurrent Liabilities:</u>			
Estimated Liability for Compensated Absences	53	306	28
Total Noncurrent Liabilities	<u>53</u>	<u>306</u>	<u>28</u>
Total Liabilities	<u>3,152</u>	<u>5,694</u>	<u>135</u>
<u>Net Assets</u>			
Invested in Capital Assets Net of Related Debt	126	133	819
Unrestricted	5,284	(133)	(117)
Total Net Assets	<u>\$ 5,410</u>	<u>\$</u>	<u>\$ 702</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 1	\$ 320	\$ 196	\$ 99	\$ 11,765	\$ 20,692
2				77	79
		2		32	5,613
	292	6	149	679	1,126
9				2	136
12	612	204	248	12,555	27,646
4,835	2,102	6,748	41	7,459	22,263
4,835	2,102	6,748	41	7,459	22,263
4,847	2,714	6,952	289	20,014	49,909
					5,095
62	147		43	202	798
90	68	12	7	228	484
40	39	6	3	128	254
					3,038
192	254	18	53	558	9,669
406	396	57	33	1,294	2,573
406	396	57	33	1,294	2,573
598	650	75	86	1,852	12,242
4,835	2,102	6,748	41	7,459	22,263
(586)	(38)	129	162	10,703	15,404
\$ 4,249	\$ 2,064	\$ 6,877	\$ 203	\$ 18,162	\$ 37,667

***Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended September 30, 2002
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Operating Revenues</u>			
Intergovernmental	\$	\$ 4,400	\$ 549
Charges for Services	1,415		
Total Revenues	<u>1,415</u>	<u>4,400</u>	<u>549</u>
<u>Operating Expenses</u>			
Salaries	534	2,485	628
Employee Benefits and Payroll Taxes	576	584	50
Materials and Supplies	20	72	58
Utilities	1		9
Outside Services	268	2,323	31
Office Expense	101	237	25
Depreciation and Amortization	54	28	41
Miscellaneous	10	41	
Total Operating Expenses	<u>1,564</u>	<u>5,770</u>	<u>842</u>
Operating Income (Loss)	<u>(149)</u>	<u>(1,370)</u>	<u>(293)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Revenue	89		1
Miscellaneous	439		
Indirect Costs		(112)	(107)
Gain/(Loss) on Sale of Capital Assets			
Indirect Cost Recovery		1,119	
Total Nonoperating Revenues (Expenses)	<u>528</u>	<u>1,007</u>	<u>(106)</u>
<u>Operating Transfers</u>			
Transfers In		416	503
Transfers Out	(135)		
Total Operating Transfers	<u>(135)</u>	<u>416</u>	<u>503</u>
Changes in Net Assets	244	53	104
Total Net Assets Beginning of Year	<u>5,166</u>	<u>(53)</u>	<u>598</u>
Total Net Assets End of Year	<u>\$ 5,410</u>	<u>\$</u>	<u>\$ 702</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$	\$	\$	\$	\$	\$
545	1,465	841	720	15,833	4,949
545	1,465	841	720	15,833	20,819
2,928	2,690	482	262	8,716	18,725
660	799	156	68	2,330	5,223
255	1,448	37	315	1,361	3,566
1	116	73		2,984	3,184
3,845	114	109	22	2,091	8,803
165	23	2	9	337	899
1,980	236	19	29	414	2,801
109	15		51	244	470
9,943	5,441	878	756	18,477	43,671
(9,398)	(3,976)	(37)	(36)	(2,644)	(17,903)
	5	2		96	193
	1			964	1,404
(43)		(4)			(266)
	18	(40)		1	(21)
5,188	3,869		75	7,251	17,502
5,145	3,893	(42)	75	8,312	18,812
3,631		1,253		747	6,550
(1)				(785)	(921)
3,630		1,253		(38)	5,629
(623)	(83)	1,174	39	5,630	6,538
4,872	2,147	5,703	164	12,532	31,129
\$ 4,249	\$ 2,064	\$ 6,877	\$ 203	\$ 18,162	\$ 37,667

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2002
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Cash Flows from Operating Activities</u>			
Cash Received for Services	\$ 1,416	\$	\$
Other Operating Revenues		2,057	573
Cash Payments to Employees	(1,100)	(3,053)	(694)
Cash Payments for Goods and Services	(2,394)	(2,852)	(37)
Net Cash Provided (Used) by Operating Activities	<u>(2,078)</u>	<u>(3,848)</u>	<u>(158)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers Out	(135)		
Operating Transfers In		416	503
Received from Auxiliary Services	439		
Increase/(Decrease) in Cash Deficit		2,503	
Indirect Cost		(112)	(107)
Indirect Cost Recovery		1,119	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>304</u>	<u>3,926</u>	<u>396</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Capital Assets	(13)	(78)	(581)
Proceeds from Sale of Capital Assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(13)</u>	<u>(78)</u>	<u>(581)</u>
<u>Cash Flows from Investing Activities</u>			
Interest Received	89		1
Net Cash Flows Provided by Investing Activities	<u>89</u>		<u>1</u>
Net Increase/(Decrease) in Cash	(1,698)		(342)
Cash and Investments, Beginning of Year	10,009		342
Cash and Investments, End of Year	<u>\$ 8,311</u>	<u>\$</u>	<u>\$</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 544	\$ 1,465	\$ 840	\$ 720	\$ 15,760	\$ 20,745
(3,526)	(3,454)	(634)	(324)	(10,846)	(23,631)
(4,638)	(1,721)	(235)	(382)	(7,184)	(19,443)
(7,620)	(3,710)	(29)	14	(2,270)	(19,699)
(1)				(785)	(921)
3,631		1,253		747	6,550
	1			964	1,404
(43)		(4)			2,503
5,188	3,869		75	7,251	17,502
8,775	3,870	1,249	75	8,177	26,772
(2,142)	(308)	(1,252)	(6)	(1,866)	(6,246)
973	54			4	1,031
(1,169)	(254)	(1,252)	(6)	(1,862)	(5,215)
	5	2		96	193
	5	2		96	193
(14)	(89)	(30)	83	4,141	2,051
15	409	226	16	7,624	18,641
\$ 1	\$ 320	\$ 196	\$ 99	\$ 11,765	\$ 20,692

***Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2002
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income/(Loss)	\$ (149)	\$ (1,370)	\$ (293)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Depreciation and Amortization	54	28	41
(Increase)/Decrease in Prepaid Expenses	(70)		
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due from Other Governments		(2,343)	24
(Increase)/Decrease in Inventories			
Increase/(Decrease) in Accounts Payable	(321)	(179)	87
Increase/(Decrease) in Accrued Wages and Benefits Payable	4	10	
Increase/(Decrease) in Estimated Liability for Compensated Absences	6	6	(17)
(Decrease) in Estimated Claims Liability	(1,602)		
Total Adjustments	<u>(1,929)</u>	<u>(2,478)</u>	<u>135</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,078)</u>	<u>\$ (3,848)</u>	<u>\$ (158)</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ (9,398)	\$ (3,976)	\$ (37)	\$ (36)	\$ (2,644)	(17,903)
1,980	236	19	29	414	2,801
10				(2)	(62)
(1)				(70)	(71)
		1		(3)	(2,321)
	2	5	15	(15)	7
(272)	(8)	(20)		(150)	(863)
33	13	3	2	55	120
28	23		4	145	195
					(1,602)
1,778	266	8	50	374	(1,796)
\$ (7,620)	\$ (3,710)	\$ (29)	\$ 14	\$ (2,270)	(19,699)

Combining Statement of Fiduciary Net Assets
All Agency Funds
September 30, 2002
(In Thousands)

	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals
<u>Assets</u>			
Cash and Investments	\$ 2,228	\$ 884	\$ 3,112
Loans Receivable, Net		465	465
Total Assets	<u>2,228</u>	<u>1,349</u>	<u>3,577</u>
<u>Liabilities</u>			
Due to External Organizations	2,228		2,228
Due to Other Governments		1,349	1,349
Total Liabilities	<u>\$ 2,228</u>	<u>\$ 1,349</u>	<u>\$ 3,577</u>

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended September 30, 2002
(In Thousands)

	Balance October 1, 2001	Additions	Deductions	Balance September 30, 2002
<u>Storm Water Management Authority Fund</u>				
<u>Assets</u>				
Cash and Investments	\$ 1,301	\$ 2,773	\$ 1,846	\$ 2,228
Total Assets	<u>1,301</u>	<u>2,773</u>	<u>1,846</u>	<u>2,228</u>
<u>Liabilities</u>				
Due to External Organizations	1,301	2,773	1,846	2,228
Total Liabilities	<u>1,301</u>	<u>2,773</u>	<u>1,846</u>	<u>2,228</u>
<u>City of Birmingham Revolving Loan Fund</u>				
<u>Assets</u>				
Cash and Investments	743	197	56	884
Loans Receivable, Net	636		171	465
Total Assets	<u>1,379</u>	<u>197</u>	<u>227</u>	<u>1,349</u>
<u>Liabilities</u>				
Due to Other Governments	1,379	26	56	1,349
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and Investments	2,044	2,970	1,902	3,112
Loans Receivable, Net	636		171	465
Total Assets	<u>2,680</u>	<u>2,970</u>	<u>2,073</u>	<u>3,577</u>
<u>Liabilities</u>				
Due to External Organizations	1,301	2,773	1,846	2,228
Due to Other Governments	1,379	26	56	1,349
Total Liabilities	<u>\$ 2,680</u>	<u>\$ 2,799</u>	<u>\$ 1,902</u>	<u>\$ 3,577</u>

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Community Development Block Grants/Entitlement Grants	14.218	B95-UC-01-0001
	14.218	B96-UC-01-0001
	14.218	B98-UC-01-0001
	14.218	B99-UC-01-0001
	14.218	B00-UC-01-0001
	14.218	B01-UC-01-0001
Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants (M)		
HOME Investment Partnerships Program	14.239	M96-UC-01-0202
	14.239	M97-UC-01-0202
	14.239	M98-UC-01-0202
	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
	14.239	M01-UC-01-0202
Sub-Total HOME Program (M)		
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	ALLAGOO65-97
Emergency Shelter Grants Program	14.231	S-00-UC-01-0006
	14.231	S-01-UC-01-0006
Sub-Total Emergency Shelter Grants Program (Direct Programs)		
<u>U. S. Department of Housing and Urban Development</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Emergency Shelter Grants Program	14.231	ESG-00-036
	14.231	ESG-01-036
Sub-Total Emergency Shelter Grants Program (Passed Through)		
Total Emergency Shelter Grants Program		
Community Development Block Grants/State's Program	14.228	DRI-98-001
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10-01-95 to 09-30-02	\$ 3,219,000	\$ 3,219,000	\$	\$ 7,891
10-01-96 to 09-30-02	3,118,000	3,118,000		9,113
10-01-98 to 09-30-02	2,729,000	2,729,000	4,919	217,552
10-01-99 to 09-30-02	2,745,000	2,745,000	764,491	414,247
10-01-00 to 09-30-02	2,724,000	2,724,000	1,350,297	524,181
10-01-01 to 09-30-02	2,809,000	2,809,000	533,831	1,480,555
10-01-01 to 09-30-02				2,597,337
	17,344,000	17,344,000	2,653,538	5,250,876
10-01-96 to 09-30-02	1,145,000	916,000	45,963	45,963
10-01-97 to 09-30-02	1,118,750	895,000	85,409	85,409
10-01-98 to 09-30-02	1,176,250	941,000	156,298	156,298
10-01-99 to 09-30-02	1,272,500	1,018,000	585,764	585,764
10-01-00 to 09-30-02	1,240,675	1,023,000	175,975	175,975
10-01-00 to 09-30-02	1,274,331	1,051,000	59,682	59,682
	7,227,506	5,844,000	1,109,091	1,109,091
06-18-97 to 09-30-02	1,116,255	1,014,778	2,400	2,400
10-01-00 to 09-30-02	97,000	97,000	446	446
10-01-01 to 09-30-02	97,000	97,000	86,035	86,035
	194,000	194,000	86,481	86,481
06-02-00 to 06-02-02	250,000	125,000	4,130	4,130
06-04-01 to 06-04-03	216,500	111,500	89,835	89,835
	466,500	236,500	93,965	93,965
	660,500	430,500	180,446	180,446
10-04-99 to 12-31-02	2,611,653	1,500,000	330,666	330,666
	28,959,914	26,133,278	4,276,142	6,873,479
	\$ 28,959,914	\$ 26,133,278	\$ 4,276,142	\$ 6,873,479

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Agriculture</u>		
<u>Passed Through State Department of Education</u>		
<u>Nutrition Cluster:</u>		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Nutrition Cluster		
Food Donation (N)	10.550	
Sub-Total Passed Through Alabama Department of Education		
<u>Passed Through Alabama Commission on Aging</u>		
Nutrition Services Incentive	10.570	
Total U. S. Department of Agriculture		
<u>U. S. Department of Health and Human Services</u>		
<u>Direct Programs:</u>		
Health Care and Other Facilities (M)	93.887	1C76HF00096-01
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	6H76HA00098-09-01
<u>Passed Through Alabama Department of Senior Services</u>		
<u>Aging Cluster:</u>		
<u>Special Programs for the Aging</u>		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administrative	93.044	03-01-01-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-01-03a
Sub-Total Title III, Part B		
Title III, Part C - Congregate Nutrition Services	93.045	03-01-01-03a
Title III, Part C - In Home Nutrition Services	93.045	03-01-01-03a
Sub-Total Title III, Part C		
Total Aging Cluster		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 28,959,914	\$ 26,133,278	\$ 4,276,142	\$ 6,873,479
10-01-01 to 09-30-02	39,343	39,343	39,343	39,343
10-01-01 to 09-30-02	72,585	72,585	72,585	72,585
	111,928	111,928	111,928	111,928
10-01-01 to 09-30-02	4,017	4,017	4,017	4,017
	115,945	115,945	115,945	115,945
10-01-01 to 09-30-02	251,334	251,334	251,334	251,334
	367,279	367,279	367,279	367,279
10-01-01 to 09-30-02	2,111,440	2,111,440	2,111,440	2,111,440
01-01-02 to 12-31-02	940,955	940,955	940,955	940,955
10-01-01 to 09-30-02	114,084	114,084	114,084	114,084
10-01-01 to 09-30-02	497,644	497,644	467,304	467,304
	611,728	611,728	581,388	581,388
10-01-01 to 09-30-02	582,311	582,311	628,931	628,931
10-01-01 to 09-30-02	495,780	495,780	375,942	375,942
	1,078,091	1,078,091	1,004,873	1,004,873
	1,689,819	1,689,819	1,586,261	1,586,261
	\$ 34,069,407	\$ 31,242,771	\$ 9,282,076	\$ 11,879,414

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
National Family Caregiver Support Center for Medicare and Medicaid Services (CMS)	93.052	03-01-01-03a
Research, Demonstrations and Evaluations	93.779	03-01-01-03a
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-01-03a
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	03-01-01-03a
Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042	03-01-01-03a
Sub-Total Passed Through Alabama Department of Senior Services		
Total U. S. Department of Health and Human Services		
<u>U. S. Department of Labor</u>		
<u>Direct Programs:</u>		
Homeless Veterans Reintegration Project	17.805	E-9-5-0-0039
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60
Senior Community Service Employment Program	17.235	AD-11706-01-55
<u>Passed Through Alabama Department of Senior Services</u>		
Senior Community Service Employment Program	17.235	03-01-02-03a
Sub-Total Senior Community Service Employment Program		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Welfare-to-Work Grants to States and Localities (M)	17.253	84WtW
<u>Workforce Investment Act</u>		
Employment Service	17.207	6N308303
Employment and Training Assistance - Dislocated Worker (M)	17.246	92
Job Training Partnership Act (M)	17.250	92
Workforce Investment Act (M)	17.255	02
<u>WIA Cluster:</u>		
WIA Adult Program	17.258	12
WIA Youth Activities	17.259	12
WIA Dislocated Workers	17.260	12
Total WIA Cluster (M)		
Total U. S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 34,069,407	\$ 31,242,771	\$ 9,282,076	\$ 11,879,414
10-01-01 to 09-30-02	272,996	272,996	278,461	278,461
10-01-01 to 09-30-02	18,532	18,532	9,728	9,728
10-01-01 to 09-30-02	40,790	40,790	47,418	47,418
10-01-01 to 09-30-02	10,635	10,635	10,728	10,728
10-01-01 to 09-30-02	25,305	25,305	25,527	25,527
	2,058,077	2,058,077	1,958,122	1,958,122
	5,110,472	5,110,472	5,010,517	5,010,517
04-01-00 to 09-30-02	718,750	715,750	276,103	276,103
03-20-00 to 06-30-03	10,000,000	10,000,000	4,648,325	4,648,325
07-01-01 to 06-30-02	350,706	350,706	356,367	356,367
07-01-01 to 06-30-02	171,284	171,284	167,261	167,261
	521,990	521,990	523,628	523,628
07-01-00 to 06-30-03	2,291,268	2,291,268	1,546,426	1,546,426
05-01-02 to 06-30-02	250,475	250,475	250,475	250,475
07-01-00 to 06-30-02	236,404	236,404	201,486	201,486
07-01-00 to 06-30-02	164,363	164,363	135,096	135,096
07-01-00 to 06-30-02	2,093,112	2,093,112	676,430	676,430
07-01-01 to 06-30-03	921,195	921,195	416,813	416,813
07-01-01 to 06-30-03	981,391	981,391	281,578	281,578
07-01-01 to 06-30-03	660,622	660,622	191,415	191,415
	2,563,208	2,563,208	889,806	889,806
	18,839,570	18,836,570	9,147,774	9,147,775
	\$ 53,277,235	\$ 50,447,599	\$ 18,801,712	\$ 21,399,051

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Federal Emergency Management Agency Passed Through State Emergency Management Agency</u>		
Hazard Mitigation Grant Program	83.548	HMGP1250-0020
Hazard Mitigation Grant Program	83.548	HMGP1214-0023
Hazard Mitigation Grant Program	83.548	HMGP1208-0025
Hazard Mitigation Grant Program	83.548	FMA-PJ-04AL-2000001
Sub-Total Hazard Mitigation Grant Program (M)		
Total Emergency Management Agency		
<u>U. S. Department of Justice</u>		
<u>Direct Programs</u>		
Public Safety Partnership and Community Policing Grants	16.710	1999SHWX0529
Public Safety Partnership and Community Policing Grants	16.710	1999 CLWX0262
Sub-Total Public Safety Partnership and Community Policing Grants		
Bulletproof Vest Partnership Program	16.607	2009175
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2001-DD-BX-00016
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Part E - State Challenge Activities	16.549	00-JE-JH-002
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 53,277,235	\$ 50,447,599	\$ 18,801,712	\$ 21,399,051
12-18-00 to 03-30-03	1,942,191	1,463,791	553,548	553,548
12-18-00 to 03-30-03	344,091	259,755	259,755	259,755
12-18-00 to 03-30-03	349,189	263,353	41,555	41,555
01-14-02 to 09-30-03	33,866	25,400	2,500	2,500
	<u>2,669,337</u>	<u>2,012,299</u>	<u>857,358</u>	<u>857,358</u>
	2,669,337	2,012,299	857,358	857,358
09-01-99 to 08-31-02	1,035,670	1,035,670	293,130	293,130
04-01-99 to 06-30-02	2,001,925	1,801,732	1,250,403	1,250,403
	3,037,595	2,837,402	1,543,533	1,543,533
03-01-99 to 02-28-03	995	995	995	995
01-01-01 to 06-30-02	150,000	150,000	150,000	150,000
06-01-01 to 05-31-02	70,628	70,628	70,628	70,628
	<u>3,259,218</u>	<u>3,059,025</u>	<u>1,765,156</u>	<u>1,765,156</u>
	\$ 59,205,790	\$ 55,518,923	\$ 21,424,227	\$ 24,021,565

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
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Sub-Total Brought Forward

**U. S. Department of Education
Passed Through Alabama Department of
Economic and Community Affairs**

Safe and Drug-Free Schools and Communities - State Grants	84.186	01-GV-DR-027 01-GV-DR-039 01-GV-DR-040 01-GV-DR-041 01-GV-DR-042 01-GV-DR-043 01-GV-DR-044 01-GV-DR-045 01-GV-DR-046 01-GV-DR-047 01-GV-DR-048 01-GV-DR-049 01-GV-DR-050
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Total U. S. Department of Education

U. S. Department of Treasury

Direct Program:

Gang Resistance Education and Training	21.053	ATC010100
Gang Resistance Education and Training	21.053	ATC020090
Total U. S. Department of Treasury		

U. S. Department of Commerce

Direct Program:

Economic Development-Technical Assistance	11.303	04-39-03391.02
Total U. S. Department of Commerce		

Sub-Total Forward

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 59,205,790	\$ 55,518,923	\$ 21,424,227	\$ 24,021,565
10-01-01 to 09-30-02	2,500	2,500	1,932	1,932
10-01-01 to 09-30-02	2,500	2,500	2,468	2,468
10-01-01 to 09-30-02	2,500	2,500	2,365	2,365
10-01-01 to 09-30-02	2,500	2,500	2,406	2,406
10-01-01 to 09-30-02	1,170	1,170	1,170	1,170
10-01-01 to 09-30-02	2,500	2,500	2,461	2,461
10-01-01 to 09-30-02	1,760	1,760	1,760	1,760
10-01-01 to 09-30-02	1,380	1,380	1,380	1,380
10-01-01 to 09-30-02	2,213	2,213	2,213	2,213
10-01-01 to 09-30-02	2,500	2,500	2,388	2,388
10-01-01 to 09-30-02	2,335	2,335	2,335	2,335
10-01-01 to 09-30-02	2,500	2,500	2,443	2,443
10-01-01 to 09-30-02	1,813	1,813	1,813	1,813
	<u>28,171</u>	<u>28,171</u>	<u>27,134</u>	<u>27,134</u>
01-16-01 to 01-15-02	33,370	33,370	24,494	24,494
01-16-02 to 01-15-03	49,525	49,525	27,700	27,700
	<u>82,895</u>	<u>82,895</u>	<u>52,194</u>	<u>52,194</u>
07-25-86 to 09-30-02				541,310
				<u>541,310</u>
	\$ 59,316,856	\$ 55,629,989	\$ 21,503,555	\$ 24,642,203

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Appalachian Regional Commission</u>		
<u>Direct Program:</u>		
Appalachian Area Development	23.002	
Total Appalachian Regional Commission		
<u>Corporation for National and Community Service</u>		
<u>Direct Programs:</u>		
Volunteers in Service to America	94.013	1636001579 A5
AmeriCorps	94.006	00ASFAL0011401
Total Corporation for National and Community Service		
Total Expenditures of Federal Awards		

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

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 59,316,856	\$ 55,629,989	\$ 21,503,555	\$ 24,642,203
10-20-99 to 09-30-02	400,000	200,000	180,000	180,000
	<u>400,000</u>	<u>200,000</u>	<u>180,000</u>	<u>180,000</u>
07-01-01 to 06-30-02	5,000	5,000	1,657	1,657
10-01-01 to 09-30-02	340,180	340,180	178,328	178,328
	<u>345,180</u>	<u>345,180</u>	<u>179,985</u>	<u>179,985</u>
	<u>\$ 60,062,036</u>	<u>\$ 56,175,169</u>	<u>\$ 21,863,540</u>	<u>\$ 25,002,188</u>

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***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2002***

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:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Welfare-to-Work Grants to States and Localities	17.253	\$1,714,628
Employment Service	17.207	\$ 250,475
Workforce Investment Act:		
Employment and Training Assistance - Dislocated Worker	17.246	
Job Training Partnership Act	17.250	
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		\$1,457,263
Youth Opportunity Grant	17.263	\$4,600,968
Community Development Block Grant – Entitlement Grants	14.218	\$1,976,266
Emergency Shelter Grants Program	14.231	\$ 170,597
Homeless Veterans Reintegration Project	17.805	\$ 273,179

Note 3 – Workforce Investment Act

Pursuant to instructions from the pass-through entity, CFDA Number 17.246, 17.250 and 17.255 are being separately displayed in the schedule. These programs have been consolidated into the WIA Cluster (CFDA Number 17.258, 17.259 and 17.260). The WIA Cluster, including the funds expended under CFDA Number 17.246, 17.250 and 17.255, are being considered a major program for compliance testing. The compliance requirements of the WIA Cluster (CFDA Number 17.258, 17.259 and 17.260) were used for compliance testing.

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2002***

Note 4 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2002:

	CFDA Number	Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Community Development Block Grants/Entitlement Grants	14.218	\$2,734,071	\$(121,587)	\$2,612,484
Economic Development Technical Assistance	11.303	\$ 329,857	\$ (29,710)	\$ 300,147
HOME Investment Partnership Program	14.239	\$ 774,345		\$ 774,345

Additional Information

Commission Members and Administrative Personnel
October 1, 2001 through September 30, 2002

Commission Members		Term Expires
Hon. Gary White, President	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Bettye Fine Collins, Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Jeff Germany, Member	927 Brandy Lane Birmingham, AL 35214	2002
Hon. Mary M. Buckelew, Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Steve Small, Jr., Member	401 19 th Street South, Unit 404 Birmingham, AL 35233	2002

Administrative Personnel

Mr. Steve Sayler, Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263
Mr. Travis Hulseay, Assistant Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263
Mr. Danny Panos, Chief Accountant	Room 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, 2002, and have issued our report thereon dated February 21, 2003. 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 ***Government Auditing Standards***. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Jefferson County Commission in the Report to the Chief Examiner.

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 2001-1.

***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 is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 21, 2003

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, 2002. The Jefferson County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on the Jefferson County Commission's compliance based on our audit.

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

In our opinion, the Jefferson County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 21, 2003

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

Section I - Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Reportable condition(s) identified that are not considered to be material weakness(es)? X Yes _____ None reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported
 Type of opinion issued on compliance for major programs: Unqualified
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
93.887	Health Care and Other Facilities
17.263	Youth Opportunity Grants
17.253	Welfare-to-Work Grants to States and Localities
17.246	Employment and Training Assistance – Dislocated Worker
17.250	Job Training Partnership Act
17.255	Workforce Investment Act
17.258, 17.259 and 17.260	WIA Cluster
83.548	Hazard Mitigation Grant Program

Dollar threshold used to distinguish Between Type A and Type B programs: \$672,146
 Auditee qualified as low-risk auditee? X Yes _____ No

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

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	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>	
2001-1	Internal Control	<p><u>Finding:</u> Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial statements.</p> <p><u>Recommendation:</u> Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.</p>	

Section III – Federal Awards Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings



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

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

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2002

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section ____ .315(b), the Jefferson County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2002.

**Finding
Ref.
No.**

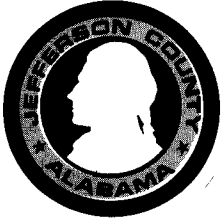
Status of Prior Audit Finding

2001-2 Corrective action was taken.

Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION

LARRY P. LANGFORD—COMMISSIONER
Finance and General Services



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Corrective Action Plan For the Year Ended September 30, 2002

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, 2002.

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 #2001-1 Procedures were not present to assure that all certificates of deposit for retain age on construction contracts were recorded in financial records.

Response: The Finance Department and Sewer Department are working to institute proper procedures. Sewer Department records are vastly improved for 2002. Roads and Transportation will be complete during 2003.

Other Matters in Report to the Chief Examiner For the Year

Finding: At September 30, 2002, the following funds had deficit fund balances:

Road Fund	\$ 7,460,000
Senior Citizen's Activities Fund	\$ 1,040,000
Capital Improvements Fund	\$30,959,000
Road Construction Fund	\$ 2,463,000

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

appropriate times during the fiscal year and we will not overfund the cash account in order to eliminate the fund balance deficit. We will maintain cash accounts with a zero balance for funds that are not self sustaining. We will not overfund the fund's accounts in order to eliminate the fund balance deficits.

Finding: It appears that manhole adjustment and installation projects were split in such a manner that cash project would be less than the fifty thousand dollar (\$50,000) threshold established under the Alabama Public Works Law.

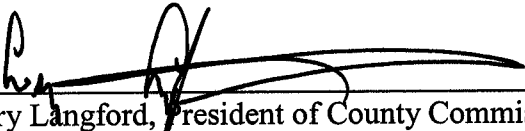
Response: All \$50,000 manhole projects have been stopped and the Commission plans to never enter into any other such projects. Investigations are ongoing for all old previous \$50,000 manhole projects. We will reveal all investigation results to you at the appropriate time.

Finding: It appears that the County is not complying with the Alabama Public Works Law by contracting with a vendor to provide professional services and then allowing the vendor to engage in the repair and maintenance of the public works.

Response: The Commission is now bidding all contracts that have joint professional and maintenance provisions. The Commission's independent consultant is also reviewing all old contracts to determine the old contracts' efficacy.

Finding: The *Code of Alabama 1975*, Section 39-2-2 (b) (Alabama Public Works Law) states that "an awarding authority may let contracts for public works." During the audit period, there was an emergency sewer repair project that exceeded the \$50,000 public works threshold and was required to be bid. The Jefferson County Department of Environmental Services, and not the Jefferson County Commission (the awarding authority), awarded the bid.

Response: The one emergency award that was improperly awarded is an isolated situation, but the Commission has implemented procedures to insure that another occurrence never happens.


Larry Langford, President of County Commission