

Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 1996 Through September 30, 1997

Filed: MAR 27 1998



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Ronald L. Jones, Chief Examiner

Report on the
Jefferson County Commission
Jefferson County, Alabama
October 1, 1996 Through September 30, 1997



STATE OF ALABAMA
DEPARTMENT OF
EXAMINERS OF PUBLIC ACCOUNTS
MONTGOMERY, ALABAMA

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, 1996 through September 30, 1997.

SCOPE AND OBJECTIVES

This report encompasses an audit of 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 generally accepted government auditing standards for financial audits. Objectives of this 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. **Financial Section** – includes basic financial statements (Exhibits 1 through 5); Notes to the Financial Statements; combining financial statements (Exhibits 6 through 16); a Schedule of Expenditures of Federal Awards (Exhibit 17), which details federal assistance received and expended during the audit period; Notes to the Schedule of Expenditures of Federal Awards; and the *Independent Auditor's Report*, which reports on whether the included financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Additional Information** – contains basic information related to the Commission (Exhibit 18) 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 19) – a report on internal control related to the financial statements and a report 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 20) – 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 21) – a report summarizing the results of the audit findings relating to the financial statements as required by *Government Auditing Standards* and findings and questioned costs for federal awards as required by OMB Circular A-133.

Auditee Response/Corrective Action Plan (Exhibit 22) – a response by the Commission on the results of the audit and corrective action plan for federal audit findings.

AUDIT COMMENTS

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

AUDIT FINDINGS

- ◆ Several new employees tested did not have I-9 Forms on file. Also, of the three contract workers tested, it appeared that, in accordance with IRS regulations, all should have been classified as Commission employees rather than independent contractors.
- ◆ The Alabama Competitive Bid Law requires that entities obtain competitive bids for purchases of goods and services costing \$7,500.00 or more. The Commission did not obtain bids on an expenditure totaling \$19,800.00 for certain roadwork. In another instance, the Commission bid gasoline and fuel for a period of three years and awarded the bid to a local vendor. However, the Commission made purchases of gasoline totaling \$99,200.00 from another vendor.
- ◆ Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- ◆ Of eighty fixed asset items tested, twenty-six items did not have a Commission identification tag attached, five were not physically located, and one was not tagged correctly.

- ◆ A complete and accurate physical inventory of materials and supplies was not performed at year-end.
- ◆ During the audit period, the Commission did not reconcile general ledger revenues and expenditures to the subsidiary records maintained by the Office of Senior Citizens' Activities, which were used to generate federal financial reports.
- ◆ Various weaknesses were noted regarding controls over data entry into the accounting system that have the potential to compromise the integrity of financial information presented by the Commission. Adequate controls were not present to ensure that revenue and expenditure subsidiary ledgers balance to applicable general ledger control accounts; ensure that all entries made into the accounting system are in balance; and ensure that all entries are made in the correct accounting period.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

Federal regulations governing "Reporting" require that the federal financial reports submitted to grantor agencies contain accurate and reliable financial information that is supported by the accounting records. The Final Quarterly Financial Report prepared by Jefferson County Commission's Office of Senior Citizens' Activities and submitted to the Alabama Commission on Aging for Title III, Part B contained incomplete financial information that was not reconciled to the accounting records.

Federal regulations governing "Cash Management" require that the Commission have a system for requesting federal funds that is adequate to limit the amount of federal funds requested to the Commission's immediate needs. During the audit period, the Jefferson County Commission's Office of Senior Citizens' Activities did not have an adequate cash management system and maintained large cash balances unrelated to immediate program needs of Title III, Parts B and C.

Federal regulations governing "Matching, Level of Effort & Earmarking" require supporting documentation for in-kind contributions. During the audit period, Jefferson County Commission's Office of Senior Citizens' Activities reported in-kind contributions as local match in Title III, Part B program that lacked supporting documentation.

STATUS OF PRIOR AUDIT FINDINGS

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

At September 30, 1997, the following funds had deficit fund balances:

Road Fund	\$1,672,177
Senior Citizens' Activities Fund	\$ 65,240
Road Construction Fund	\$ 89,429

RECOMMENDATIONS

- ◆ The Commission should comply with IRS regulations concerning I-9 Forms and contract employees.
- ◆ The Commission should comply with the provisions of the State of Alabama Competitive Bid Law.
- ◆ Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- ◆ The Commission should take steps to ensure that Commission property is properly identified and located.
- ◆ The Commission should implement controls to ensure that a complete and accurate inventory of supplies and materials is performed at year-end.
- ◆ The Commission should reconcile general ledger revenues and expenditures to the subsidiary records maintained by the Office of Senior Citizens' Activities.
- ◆ Controls should be implemented to alleviate the weaknesses in the accounting software system.
- ◆ The Commission should ensure that the federal reports submitted to the Alabama Commission on Aging contain accurate and reliable financial information that is supported by the accounting records.
- ◆ The Commission should develop an adequate cash management system that limits the amount of federal funds requested to the Commission's immediate needs.
- ◆ The Commission should ensure that in-kind contributions reported on federal financial reports are supported by documentation.
- ◆ The Commission should eliminate deficit fund balances.

Sworn to and subscribed before me this
the 16th day of March, 1998.

A Nancy Kaye Martin
Notary Public

Sworn to and subscribed before me this
the 16 day of March, 1998.

Virginia V. Dinkoff
Notary Public

Sworn to and subscribed before me this
the 16th day of March, 1998.

[Signature]
Notary Public

Sworn to and subscribed before me this
the 16th day of March, 1998.

[Signature]
Notary Public

Respectfully submitted,

Kimberly McPherson

Kimberly McPherson
Examiner of Public Accounts

Cathy M. Cook

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Elizabeth L. Crowson

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Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying primary government financial statements of the Jefferson County Commission, as of and for the year ended September 30, 1997, as listed in the table of contents as Exhibits 1 through 5. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government, the Jefferson County Commission, as of September 30, 1997, and the results of its operations and the cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with generally accepted accounting principles.

However, the primary government financial statements, because they do not include the financial data of component units of Jefferson County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Jefferson County, as of September 30, 1997, and the results of its operations and cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 1998 on our consideration of the Jefferson County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of Jefferson County Commission, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 17) 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 6 through 16) are presented for purposes of additional analysis and are not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.



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

January 9, 1998

Combined Balance Sheet
All Fund Types and Account Groups
September 30, 1997
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and Investments	\$ 54,713	\$ 10,335	\$ 24,758	\$ 12,279
Accounts Receivable, Net	26			
Patient Accounts Receivable, Net				
Loans Receivable, Net		3,760		
Interest Receivable		12		
Contributions Receivable				
Due From Other Governmental Units	7,362	5,052		108
Inventories	182	1,558		
Prepaid Items				
Fixed Assets, Net Where Applicable				
Warrant Issuance Costs				
Deferred Loss on Early Debt Retirement				
Amounts Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
Accreted Interest in General Obligation Warrants				
Amount to be Provided for Payment of Compensated Absences				
TOTAL ASSETS	\$ 62,283	\$ 20,717	\$ 24,758	\$ 12,387

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) Current Year
\$ 323,661	\$ 8,034	\$ 512,530	\$	\$	\$ 946,310
7,197	16				7,239
6,467					6,467
		3,717			3,760
		474			3,729
1,794	2,297				474
1,331	1,276				16,613
2	55				4,347
557,069	10,638		289,977		57
17,474					857,684
4,591					17,474
				24,758	4,591
					24,758
				116,728	116,728
				12,199	12,199
				7,762	7,762
\$ 919,586	\$ 22,316	\$ 516,721	\$ 289,977	\$ 161,447	\$ 2,030,192

Combined Balance Sheet
All Fund Types and Account Groups
September 30, 1997
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Cash Deficit	\$		\$ 28	\$
Accounts Payable	3,393	4,924		3,339
Interest Payable			2,441	
Other Accounts Payable				
Deposits Payable	4			
Accrued Payroll and Taxes	4,382	127		
Supernumerary Sheriff Payable	4			
Retainage Payable				2,209
Due to Other Governmental Units	309	94		
Arbitrage Rebate Payable				
Deferred Revenues		130		
Accrued Compensated Absences	701	255		
Bonds and Warrants Payable				
Estimated Liability for Postclosure Landfill Costs				
Estimated Claims Liability				
TOTAL LIABILITIES	8,793	5,558	2,441	5,548
<u>FUND EQUITY</u>				
Retained Earnings:				
Reserved for Contingencies				
Unreserved				
Investment in General Fixed Assets				
Fund Balances:				
Reserved for:				
Encumbrances	3,044	6,729		18,667
Inventories	182	1,558		
Debt Service			22,317	
Petty Cash	58			
Loans Receivable		3,760		
Mapping and Appraisal E-911	491			
	370			
Contingent Refunds				
Retirement/Disability Benefits				
Cooper Green Hospital Foundation		468		
Unreserved	49,345	2,644		(11,828)
TOTAL FUND EQUITY	53,490	15,159	22,317	6,839
TOTAL LIABILITIES AND FUND EQUITY	\$ 62,283	\$ 20,717	\$ 24,758	\$ 12,387

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) Current Year
\$ 1,591	\$ 2,337	\$	\$	\$	\$ 3,956
16,457	694	344			29,151
5,598					8,039
1,719	5				1,724
41					45
354	109				4,972
5,973					4
					8,182
					403
3,175					3,305
4,278	1,837			7,762	14,833
632,335				153,685	786,020
2,890					2,890
	3,385				3,385
674,411	8,367	344		161,447	866,909
	4,132				4,132
245,175	9,817				254,992
			289,977		289,977
		52			28,492
					1,740
					22,317
					58
					3,760
					491
					370
		49,669			49,669
		466,555			466,555
					468
		101			40,262
245,175	13,949	516,377	289,977		1,163,283
\$ 919,586	\$ 22,316	\$ 516,721	\$ 289,977	\$ 161,447	\$ 2,030,192

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended September 30, 1997
(In Thousands)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>REVENUES</u>			
Taxes	\$ 50,079	\$ 63,530	\$
Licenses and Permits	49,138		
Intergovernmental	9,583	14,199	
Charges for Services	16,291	458	9
Indirect Cost Recovery	7,654		
Investment Income	4,937	1,437	1,428
Miscellaneous	223	1,182	
TOTAL REVENUES	137,905	80,806	1,437
<u>EXPENDITURES</u>			
Current:			
General Government	40,094	8,145	
Public Safety	40,760	341	
Highways and Streets		31,058	
Sanitation			
Health and Welfare	508	3,070	
Culture and Recreation	13,105		
Education	168		
Capital Outlay	4,240	4,041	
Debt Service:			
Principal Retirement			7,487
Interest and Fiscal Charges			10,019
Indirect Cost	12,283	457	
TOTAL EXPENDITURES	111,158	47,112	17,506
Excess (deficiency) of revenues over expenditures	26,747	33,694	(16,069)
<u>OTHER FINANCING SOURCES (USES)</u>			
Refund of Revenue			
Operating Transfers In	4,148	20,166	18,903
Proceeds from Sale of Fixed Assets	212		
Operating Transfers Out	(20,853)	(55,106)	
TOTAL OTHER FINANCING SOURCES (USES)	(16,493)	(34,940)	18,903
Excess (deficiency) of revenues over expenditures and other sources (uses)	10,254	(1,246)	2,834
Fund Balances at beginning of year	43,236	16,405	19,483
Fund Balances at end of year	\$ 53,490	\$ 15,159	\$ 22,317

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

Capital Projects	Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only) Current Year
\$	\$	\$
		113,609
		49,138
2,910		26,692
207		16,965
		7,654
1,391	4	9,197
10		1,415
4,518	4	224,670
207	101	48,547
		41,101
6,134		37,192
63		63
303		3,881
39		13,144
		168
23,065		31,346
		7,487
		10,019
		12,740
29,811	101	205,688
(25,293)	(97)	18,982
272	250	43,739
		212
(2,119)		(78,078)
(1,847)	250	(34,127)
(27,140)	153	(15,145)
33,979		113,103
\$ 6,839	\$ 153	\$ 97,958

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types For the Year Ended September 30, 1997 (In Thousands)

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$ 49,377	\$ 50,079	\$ 702
Licenses and Permits	48,013	49,138	1,125
Intergovernmental	10,382	9,583	(799)
Charges for Services	15,796	16,291	495
Indirect Cost Recovery	7,639	7,654	15
Investment Income	995	4,937	3,942
Miscellaneous	238	223	(15)
TOTAL REVENUES	132,440	137,905	5,465
EXPENDITURES			
Current:			
General Government	43,967	40,094	3,873
Public Safety	39,321	40,760	(1,439)
Highways and Streets			
Sanitation			
Health and Welfare	518	508	10
Culture and Recreation	13,146	13,105	41
Education	170	168	2
Capital Outlay	5,486	4,240	1,246
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Indirect Cost	12,433	12,283	150
TOTAL EXPENDITURES	115,041	111,158	3,883
Excess (deficiency) of revenues over expenditures	17,399	26,747	9,348
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	4,362	4,148	(214)
Proceeds from Sale of Fixed Assets		212	212
Operating Transfers Out	(26,293)	(20,853)	5,440
TOTAL OTHER FINANCING SOURCES (USES)	(21,931)	(16,493)	5,438
Excess (deficiency) of revenues over expenditures and other sources (uses)	(4,532)	10,254	14,786
Fund Balances at beginning of year	43,236	43,236	
Fund Balances at end of year	\$ 38,704	\$ 53,490	\$ 14,786

Special Revenue Funds

Budget	Actual	Variance Favorable (Unfavorable)
\$ 61,884	\$ 63,530	\$ 1,646
21,900	14,199	(7,701)
437	458	21
2,925	1,437	(1,488)
1,305	1,182	(123)
<u>88,451</u>	<u>80,806</u>	<u>(7,645)</u>
8,181	8,145	36
517	341	176
32,278	31,058	1,220
11,997	3,070	8,927
4,870	4,041	829
458	457	1
<u>58,301</u>	<u>47,112</u>	<u>11,189</u>
<u>30,150</u>	<u>33,694</u>	<u>3,544</u>
22,202	20,166	(2,036)
(57,292)	(55,106)	2,186
<u>(35,090)</u>	<u>(34,940)</u>	<u>150</u>
(4,940)	(1,246)	3,694
16,405	16,405	
<u>\$ 11,465</u>	<u>\$ 15,159</u>	<u>\$ 3,694</u>

***Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types
For the Year Ended September 30, 1997
(In Thousands)***

	Debt Service Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>REVENUES</u>			
Taxes	\$	\$	\$
Licenses and Permits			
Intergovernmental			
Charges for Services	12	9	(3)
Indirect Cost Recovery			
Investment Income	988	1,428	440
Miscellaneous			
TOTAL REVENUES	1,000	1,437	437
<u>EXPENDITURES</u>			
Current:			
General Government			
Public Safety			
Highways and Streets			
Sanitation			
Health and Welfare			
Culture and Recreation			
Education			
Capital Outlay			
Debt Service:			
Principal Retirement	7,487	7,487	
Interest and Fiscal Charges	10,168	10,019	149
Indirect Cost			
TOTAL EXPENDITURES	17,655	17,506	149
Excess (deficiency) of revenues over expenditures	(16,655)	(16,069)	586
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	18,903	18,903	
Proceeds from Sale of Fixed Assets			
Operating Transfers Out			
TOTAL OTHER FINANCING SOURCES (USES)	18,903	18,903	
Excess (deficiency) of revenues over expenditures and other sources (uses)	2,248	2,834	586
Fund Balances at beginning of year	19,483	19,483	
Fund Balances at end of year	\$ 21,731	\$ 22,317	\$ 586

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

Capital Projects Funds

Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$
2,662	2,910	248
1,000	207	(793)
1,353	1,391	38
634	10	(624)
<u>5,649</u>	<u>4,518</u>	<u>(1,131)</u>
4,483	207	4,276
2		2
6,358	6,134	224
63	63	
587	303	284
150	39	111
20,136	23,065	(2,929)
<u>31,779</u>	<u>29,811</u>	<u>1,968</u>
<u>(26,130)</u>	<u>(25,293)</u>	<u>837</u>
360	272	(88)
(1,839)	(2,119)	(280)
<u>(1,479)</u>	<u>(1,847)</u>	<u>(368)</u>
(27,609)	(27,140)	469
33,979	33,979	
\$ 6,370	\$ 6,839	\$ 469

***Combined Statement of Revenues, Expenses and Changes In Fund Equity
All Proprietary Fund Types and Similar Trust Fund
For the Year Ended September 30, 1997
(In Thousands)***

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING REVENUES		
Taxes	\$ 2,862	\$
Licenses and Permits	11	
Intergovernmental		2,656
Charges for Services	56,691	16,038
Net Patient Revenue	30,426	
Medicaid Disproportionate Share	2,535	
Other Operating Revenue	3,195	
Childrens' Disproportionate Share	1,031	
Contributions-Employer		
Contributions-Employees		
Interest on Investments		
Dividends on Investments		
Net Appreciation in Fair Value of Investments		
Other		
Total Operating Revenues	96,751	18,694
OPERATING EXPENSES		
Salaries and Wages	42,561	12,961
Fringe Benefits	9,982	3,440
Provision for Bad Debts	1,804	
Utilities	5,422	2,368
Depreciation	24,622	869
Outside Services	9,416	1,175
Services from Other Hospitals	3,111	
Jefferson Clinic	12,955	
Other Operating Expenses	4,533	1,662
Investment Manager Fees		
Pension Benefits		
Refunds of Employers Contribution		
Interest Paid on Refunds		
Office Expense	1,578	1,113
Supplies	9,393	4,144
Incurred Claims		929
Total Operating Expenses	125,377	28,661
Operating Income/(Loss) Forwarded	\$ (28,626)	\$ (9,967)

Fiduciary Fund Type	Totals (Memorandum Only)
Pension	Current Year
Trust Fund	
\$	\$ 2,862
	11
	2,656
	72,729
	30,426
	2,535
	3,195
	1,031
6,438	6,438
6,435	6,435
14,113	14,113
4,109	4,109
68,763	68,763
255	255
100,113	215,558
244	55,766
	13,422
	1,804
	7,790
	25,491
	10,591
	3,111
	12,955
48	6,243
1,207	1,207
10,097	10,097
1,501	1,501
122	122
	2,691
	13,537
	929
13,219	167,257
\$ 86,894	\$ 48,301

***Combined Statement of Revenues, Expenses and Changes In Fund Equity
All Proprietary Fund Types and Similar Trust Fund
For the Year Ended September 30, 1997
(In Thousands)***

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Income/(Loss) Brought Forward	\$ (28,626)	\$ (9,967)
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Indirect Cost Recovery		13,016
Miscellaneous Revenues	114	481
Interest Income	16,076	715
Indirect Cost	(3,357)	(334)
Interest Expense	(26,650)	
Loss from Disposal of Fixed Assets	(79)	(46)
Total Nonoperating Revenues/(Expenses)	<u>(13,896)</u>	<u>13,832</u>
Income (Loss) Before Operating Transfers	(42,522)	3,865
<u>OPERATING TRANSFERS</u>		
Operating Transfers In	38,334	1,698
Operating Transfers Out	(1,544)	(4,229)
Total Operating Transfers	<u>36,790</u>	<u>(2,531)</u>
Net Income/(Loss)	(5,732)	1,334
Fund Equity, Beginning of Year, As Restated (Note 21)	<u>250,907</u>	<u>12,615</u>
Fund Equity, End of Year	<u>\$ 245,175</u>	<u>\$ 13,949</u>

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

Fiduciary Fund Type	Totals (Memorandum Only)
Pension Trust Fund	Current Year
\$ 86,894	\$ 48,301
	13,016
	595
	16,791
\$	(3,691)
	(26,650)
	(125)
	(64)
86,894	48,237
	40,032
	(5,773)
	34,259
86,894	82,496
429,330	692,852
\$ 516,224	\$ 775,348

Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Fund
(In Thousands)
For the Year Ended September 30, 1997

	Proprietary Fund Types	
	Enterprise Funds	Internal Service Funds
<u>Cash Flows From Operating Activities:</u>		
Operating Income (Loss)	\$ (28,626)	\$ (9,967)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>		
Depreciation	23,776	869
Provision for Doubtful Accounts	1,804	
(Increase)/Decrease in Interest Receivable		
(Increase)/Decrease in Accounts Receivable	(2,038)	9
(Increase) in Patients Receivable	(1,706)	
(Increase)/Decrease in Prepaid Items	47	7
(Increase)/Decrease in Due From Governmental Units	101	240
(Increase)/Decrease in Inventory	(51)	131
Increase/(Decrease) in Accounts Payable	81	(416)
Increase/(Decrease) in Other Accounts Payable	117	5
Increase/(Decrease) in Accrued Payroll and Taxes	22	58
Increase/(Decrease) in Deposits Payable	9	
Increase in Retainage Payable	1,772	
Increase/(Decrease) in Interest Payable	4,468	
Increase in Compensated Absences Payable	274	176
Increase in Estimated Liability for Landfill Postclosure Costs	122	
Increase/(Decrease) in Estimated Claims Liability		(420)
Net Appreciation in Fair Value of Investments		
Interest paid on Refunds		
Interest and Dividend Revenue		
Total Adjustments	28,798	659
Net Cash Provided/(Used) by Operating Activities Forwarded	\$ 172	\$ (9,308)

Fiduciary Fund Type	Totals (Memorandum Only)
Pension Trust Fund	Current Year
\$ 86,894	\$ 48,301
	24,645
	1,804
(322)	(322)
(26)	(2,055)
	(1,706)
	54
	341
	80
	(335)
180	302
	80
	9
	1,772
	4,468
	450
	122
	(420)
(68,763)	(68,763)
122	122
(18,221)	(18,221)
(87,030)	(57,573)
\$ (136)	\$ (9,272)

Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Fund
(In Thousands)
For the Year Ended September 30, 1997

	Proprietary Fund Types	
	Enterprise Funds	Internal Service Funds
Net Cash Provided/(Used) by Operating Activities Brought Forward	\$ 172	\$ (9,308)
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Operating Transfers In	38,335	1,698
Operating Transfers Out	(1,543)	(4,229)
Increase in Cash Deficit	1,591	2,337
Received from Auxiliary Services	114	481
Indirect Cost Recovery		13,016
Indirect Cost	(3,358)	(334)
Net Cash Provided by Non-Capital Financing Activities	<u>35,139</u>	<u>12,969</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Interest Paid	(26,650)	
Acquisition of Fixed Assets	(111,963)	(1,270)
Principal Payments	(1,955)	
Warrants Refunded	(275,460)	
Warrant Issuance Costs	(17,731)	
Amortization of Warrant Issuance Costs	846	
Removal of Unamortized Warrant Issuance Costs	4,297	
Deferred Loss on Early Debt Retirement	(4,894)	
Proceeds from Issuance of Debt	608,335	
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>174,825</u>	<u>(1,270)</u>
<u>Cash Flows From Investing Activities:</u>		
Interest and Dividend Income	16,075	716
Net Appreciation in Fair Value of Investments		
Interest paid on Refunds		
Net Cash Provided/(Used) by Investing Activities	<u>16,075</u>	<u>716</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	226,211	3,107
Cash and Investments, Beginning of Year	<u>97,450</u>	<u>4,927</u>
Cash and Investments, End of Year	<u>\$ 323,661</u>	<u>\$ 8,034</u>

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

Fiduciary Fund Type	Totals (Memorandum Only) Current Year
Pension Trust Fund	
\$ (136)	\$ (9,272)
	40,033
	(5,772)
	3,928
	595
	13,016
	(3,692)
	48,108
	(26,650)
	(113,233)
	(1,955)
	(275,460)
	(17,731)
	846
	4,297
	(4,894)
	608,335
	173,555
18,222	35,013
68,763	68,763
(122)	(122)
86,863	103,654
86,727	316,045
425,645	528,022
\$ 512,372	\$ 844,067

Notes to the Financial Statements

For the Year Ended September 30, 1997

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 Commission's accounting policies are described below.

A. Reporting Entity

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 1997

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

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

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

General Fund

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

Special Revenue Funds

The Commission used the following Special Revenue Funds:

- ◆ Indigent Care Fund - This fund is used to account for the expenditure of beverage and sales taxes designated for indigent county residents.
- ◆ Road Fund - This fund is used to account for the County's share of the following taxes: 7-cent and 4-cent per gallon gasoline tax, the 5-cent per gallon supplemental excise tax, the 2-cent per gallon inspection fee, motor vehicle and truck license taxes and fees, and driver's license revenue. Revenues are earmarked for building and maintaining county roads and bridges.
- ◆ Senior Citizens' Activities Fund - This fund is used to account for the expenditure of federal and county funds to provide social, nutritional, transportation, and other services to elderly residents of Jefferson County.
- ◆ Bridge and Public Building Fund - This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ Community Development Fund - This fund is used to account for the expenditure of federal block grant funds.

Notes to the Financial Statements
For the Year Ended September 30, 1997

- ◆ **CDBG/EDA Revolving Loan Fund** - This fund is used to account for the Commission's administration of various loan programs for rental housing rehabilitation and economic development.
- ◆ **Home Grant Fund** - This fund is used to account for the expenditure of funds received from the U. S. Department of Housing and Urban Development.
- ◆ **Emergency Management Fund** - This fund is used to account for the expenditure of funds received for disaster assistance programs.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, the Commission's general long-term debt principal and interest. During the fiscal year ended September 30, 1997, the Commission had one Debt Service Fund.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). During the fiscal year ended September 30, 1997, the Commission had the following Capital Projects Funds:

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

Proprietary Funds

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

Enterprise Funds

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

Notes to the Financial Statements
For the Year Ended September 30, 1997

The Commission operates the following enterprises:

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

Internal Service Funds

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. During the fiscal year ended September 30, 1997, the Commission had the following Internal Service Funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 1997

- ◆ **Central Laundry Fund** - This fund is used to account for resources for providing laundry services to County departments.
- ◆ **Printing Fund** - This fund is used to account for resources for providing printing, postage and related services to County departments.
- ◆ **Building Services Fund** - This fund is used to account for resources for providing building maintenance and other related services for the County.

Fiduciary Fund Types

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

Expendable Trust Fund

- ◆ **Jefferson County Economic and Industrial Development Authority** - This Fund is used to account for the expenditure of county appropriations and miscellaneous revenue to promote and develop economic activity in Jefferson County as directed by officers or staff of the Authority.

Pension Trust Fund

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

ACCOUNT GROUPS

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

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

Notes to the Financial Statements
For the Year Ended September 30, 1997

C. Basis of Accounting

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 1997

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

D. Budgets

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

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

E. Cash, Cash Equivalents and Investments

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

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

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

F. Inventories

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

Notes to the Financial Statements
For the Year Ended September 30, 1997

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 1997, are recorded as prepaid items.

H. Fixed Assets

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

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

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

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

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

I. Other Debts

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

J. 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, 1997

Vacation Leave

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

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

Sick Leave

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

Compensatory Leave

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

Maximum limitations of accumulated compensatory time are as follows:

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 1997

As of September 30, 1997, the liability for accrued vacation and compensatory leave is approximately \$8,824,000. The amounts applicable to the proprietary funds of \$3,393,000 have been recorded in those funds. Only the current portion of \$861,000 has been reported as a liability in the governmental funds. The remainder of \$4,570,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

As of September 30, 1997, the liability for accrued sick leave is approximately \$6,009,000. The amounts applicable to the proprietary funds of \$2,722,000 have been recorded in those funds. Only the current portion of \$95,000 has been reported as a liability in the governmental funds. The remainder of \$3,192,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

K. Long-Term Obligations

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

L. Fund Equity

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

M. Bond Discounts/Issuance Costs

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

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contain deferred costs of \$9,956,000 that are being amortized over 30 years. At September 30, 1997, the unamortized deferred cost of the 1997-A issue was \$9,735,000.

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, 1997, the unamortized deferred cost of the 1997-B issue was \$453,000.

Bond discount/issue cost of the Series 1997-C Sewer Revenue Refunding Warrants contain deferred costs of \$946,000 that are being amortized over 18 years. At September 30, 1997, the unamortized deferred cost of the 1997-C issue was \$911,000.

Notes to the Financial Statements
For the Year Ended September 30, 1997

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, 1997, the unamortized deferred cost of the 1997-D issue was \$6,197,000.

Bond issue/discount cost of the Series 1996 Landfill Warrants contain deferred costs of \$211,692 that are being amortized over 10 years. At September 30, 1997, the unamortized, deferred cost of this issue was \$178,000.

N. Interfund Transactions

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

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

O. Memorandum Only - Total Columns

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

P. Property Taxes

Millage rates are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable October 1 and are delinquent after December 31.

Q. Policy re: FASB Pronouncements for Proprietary Activities

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

Notes to the Financial Statements

For the Year Ended September 30, 1997

Note 2 – Budgets and Appropriations

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

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

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

Note 3 – Deposits and Investments

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

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

Notes to the Financial Statements
For the Year Ended September 30, 1997

	(in Thousands)			Reported Amount	Market Value
	Category				
	1	2	3		
U.S. Government Securities	\$ 334,352	\$	\$	\$ 334,352	\$ 334,352
Repurchase Agreements	266,444			266,444	265,847
Corporate Obligations*	81,280			81,280	81,280
Common Stocks*	233,536			233,536	233,536
Other*	6,457			6,457	6,457
Total Investments	\$ 922,069	\$	\$	\$ 922,069	\$ 921,472

* 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 \$8,182,000 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 County has entered into contracts for the sale of hospital beds to various health care facilities. The purchase price of these beds has been paid by the buyers into escrow accounts held by a trustee in the name of the buyers and the Jefferson County Commission. These funds will not be released from escrow until the sale has been approved by the appropriate regulatory agencies. The funds held in escrow totaling \$3,638,000 are invested in U.S. Government securities that are included in Cash and Investments on Exhibit #1, but are not included in deposits and investments discussed above.

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, 1997

Note 4 – Due From Other Governments

Amounts due from other governments included on the accompanying financial statements as of September 30, 1997, are as follows:

	(In Thousands)					Totals
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	
Federal	\$ 20	\$ 967	\$108	\$ 93	\$	\$ 1,188
State	108	7		1,094	96	1,305
County	7,169	3,890		37	1	11,097
Municipal	65	188		570	2,200	3,023
Total	\$7,362	\$5,052	\$108	\$1,794	\$2,297	\$16,613

Note 5 – Receivables

Accounts Receivables

Amounts recorded as accounts receivable for governmental fund types and proprietary fund types consist primarily of amounts due from individuals less an allowance account for amounts estimated to be uncollectible. The balances for accounts receivable at September 30, 1997, are listed as follows:

	(In Thousands)			
	<u>Governmental Fund Types</u>	<u>Proprietary Fund Types</u>		Grand Total
	General	Enterprise	Internal Service	
Accounts Receivable	\$ 26	\$ 8,493	\$ 16	\$ 8,535
Allowance Account		(1,296)		(1,296)
Net Accounts Receivable	\$ 26	\$ 7,197	\$ 16	\$ 7,239

Notes to the Financial Statements
For the Year Ended September 30, 1997

Patient Receivables

Patient Receivables in the proprietary funds are from patients, insurance companies and third-party reimbursement contractual agencies and are recorded less an allowance for uncollectible accounts, charity accounts and other uncertainties. Certain third-party insured accounts (Blue Cross, Medicare, and Medicaid) are based on contractual agreements, which generally result in collecting less than the established rates. Final 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	\$12,530
Allowance Account	6,063
Net Patient Receivables	<u>\$ 6,467</u>

Loan Receivables

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 \$3,760,000 at September 30, 1997.

Note 6 – Changes in Fixed Assets

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

	(In Thousands)			
	Balance 10/1/96	Additions	Reductions	Balance 9/30/97
Land	\$ 6,851	\$ 192	\$ 425	\$ 6,618
Buildings	168,891	3,905		172,796
Improvements Other Than Land/Buildings	3,813	3,860		7,673
Equipment and Furniture	61,737	9,728	4,246	67,219
Construction in Progress	21,144	22,308	7,781	35,671
Total	<u>\$262,436</u>	<u>\$39,993</u>	<u>\$12,452</u>	<u>\$289,977</u>

Notes to the Financial Statements
For the Year Ended September 30, 1997

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

Enterprise Funds

	(In Thousands)					Balance 9/30/97
	Balance 10/1/96	Adjustments To Prior Year	Adjusted Prior Year	Additions	Reductions	
Land	\$ 8,582	\$	\$ 8,582	\$	\$	\$ 8,582
Buildings	216,982		216,982	16,654	38	233,598
Improvements Other Than Buildings	244,800		244,800	50,865	19	295,646
Equipment and Furniture	30,486		30,486	5,659	511	35,634
Construction in Progress	183,716	1,868	185,584	106,389	67,445	224,528
Sub-Total	684,566	1,868	686,434	179,567	68,013	797,988
Less: Accumulated Depreciation	(217,473)		(217,473)	(23,785)	339	(240,919)
Total	\$467,093	\$1,868	\$468,961	\$155,782	\$67,674	\$557,069

Internal Service Funds

	(In Thousands)					Balance 9/30/97
	Balance 10/1/96	Adjustments To Prior Year	Adjusted Prior Year	Additions	Reductions	
Land	\$ 76	\$	\$ 76	\$	\$	\$ 76
Buildings	2,163		2,163	4,477		6,640
Improvements Other Than Buildings	58		58	451		509
Equipment and Furniture	7,268		7,268	729	426	7,571
Construction in Progress	4,704	317	5,021	570	4,959	632
Sub-Total	14,269	317	14,586	6,227	5,385	15,428
Less: Accumulated Depreciation	(4,301)		(4,301)	(870)	380	(4,791)
Total	\$9,968	\$317	\$10,285	\$5,357	\$5,005	\$10,638

Note 7 - Operating Leases

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Commission's account groups. During the fiscal year ended September 30, 1997, the Commission paid a total of \$432,000 for operating leases.

Notes to the Financial Statements
For the Year Ended September 30, 1997

The following is a schedule by fiscal years of future minimum rental payments required under operating leases for facilities and equipment that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 1997:

	(In Thousands)	
	Facilities	Total
1997-98	\$ 505	\$ 505
1998-99	429	429
1999-00	414	414
2000-01	414	414
2000-02	377	377
Thereafter	1,117	1,117
Total Minimum Payments Required	\$3,256	\$3,256

Note 8 – 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.

Note 9 – 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.

Notes to the Financial Statements
For the Year Ended September 30, 1997

- ◆ **Property Insurance** - Commercial insurance coverage purchased in the amount of \$95 million per occurrence, except a separate annual aggregate of \$45 million flood and earthquake, to include the following sub-limits: 1) \$15 million per occurrence as respects property in the course of construction, builder's risks and installation or erection; 2) \$5 million per occurrence separately as respects demolition, increased cost of construction and building ordinance.
- ◆ **Boiler and Machinery Insurance** - Commercial insurance coverage purchased in the amount of \$30 million per occurrence.
- ◆ **Hospital and Nursing Home Medical Malpractice and General Liability** - Insured through the County's participation in the Alabama Hospital Association Trust Fund with limits of \$1 million per occurrence with a \$3 million per report year aggregate.

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

The schedule below presents the changes in claims liabilities for the fiscal year for the three types of self-insured activities; general liability, auto liability, and workers' compensation:

	General Liability 1997	Auto Liability 1997	Workers' Compensation 1997	Totals 1997
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$527,492	\$234,122	\$3,949,433	\$4,711,047
Incurred claims and claim adjustment Expenses:				
Provision for insured events of current fiscal year	11,527	86,870	825,446	923,843
Total incurred claims and claim adjustment expenses	11,527	86,870	825,446	923,843
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	250,090	89,686	1,910,119	2,249,895
Totals payments	250,090	89,686	1,910,119	2,249,995
Total unpaid claim and claim adjustment expenses at end of fiscal year	\$288,929	\$231,306	\$2,864,760	\$3,384,995

Information for changes in prior years claims liabilities was not available due to an inadequate data base which tracks the loss and loss expense reserves for each claim file.

Notes to the Financial Statements
For the Year Ended September 30, 1997

Note 10 – Litigation

The Commission is a defendant in a case filed in U. S. District Court by a former employee alleging racial discrimination. The Commission estimates a possible liability of a maximum of \$400,000.

On April 12, 1992, a class action was filed in Jefferson County Circuit Court by two sets of plaintiffs that are subject to the Special County License (Occupational) Tax. They contend that this tax violates the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution because of exemptions allowed to certain occupations. In addition, those plaintiffs who are federal employees claim that the Special County License Tax violates their rights under provision of the Buck Act which allows state and local taxation of compensation of federal officers and employees because of the source of compensation. The plaintiffs seek damages in the amount of taxes collected since January 1, 1988, costs, interest and attorney's fees and an injunction against the collection of the Special County License Tax in its current form with respect to all taxpayers. The County estimates a possible liability of \$350 million in refunds plus the additional loss of future revenues. This action is currently under consideration by the judge in the lowest court of jurisdiction.

Note 11 – Subsequent Events

In March 1997, the Commission entered into an agreement with Morgan Guaranty Trust of New York (Morgan) and executed a transaction with Morgan to receive a fixed payment from Morgan for ten years based on a notional amount of \$175 million. The Commission agreed to pay Morgan a variable amount based on the PSA Municipal Swap Index for ten years using the same notional amount of \$175 million. Subsequent to the audit period, the Commission and Morgan negotiated a termination of the \$175 million transaction and Morgan paid the Commission a termination payment of \$3.1 million plus the amounts accrued to the benefit of the Commission under the terminated transaction.

Note 12 – Changes in Long-Term Debt

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 1997:

	(in thousands)			Debt Outstanding September 30, 1997
	Debt Outstanding October 1, 1996	Issued/ Increased	Repaid/ Decreased	
General Obligation Warrants	\$166,195	\$	\$12,510	\$153,685
Estimated Liability for Compensated Absences	7,254	508		7,762
Total	\$173,449	\$508	\$12,510	\$161,447

Notes to the Financial Statements
For the Year Ended September 30, 1997

The following is a summary of proprietary long-term debt transactions for the Commission for the year ended September 30, 1997:

	(In Thousands)					Debt Outstanding September 30, 1997
	Debt Outstanding October 1, 1996	Prior Year Restatement	Debt Outstanding October 1, 1996, As Restated	Issued/ Increased	Repaid/ Decreased	
Revenue Warrants	\$301,415	\$	\$301,415	\$608,335	\$277,415	\$632,335
Estimated Liability for Postclosure Landfill Costs		2,768	2,768	122		2,890
Estimated Claims Liability		4,711	4,711		1,326	3,385
Estimated Liability for Compensated Absences	5,666		5,666	449		6,115
Total	\$307,081	\$7,479	\$314,560	\$608,906	\$278,741	\$644,725

A restatement of \$2,768 was made in the Landfill Operations Fund to record the estimated liability for postclosure landfill costs.

A restatement of \$4,711 was made in the Risk Management Fund to record the estimated claims liability, which had previously been recorded in accounts payable.

Notes to the Financial Statements
For the Year Ended September 30, 1997

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

	(In Thousands of Dollars)				
	General Obligation Warrants		Revenue Warrants		Total Principal and Interest Requirements
	Principal	Interest	Principal	Interest	
Fiscal Year Ended					
September 30, 1998	\$ 15,495	\$ 4,882	\$ 6,235	\$ 34,715	\$ 61,327
1999	16,820	4,662	6,820	34,366	62,668
2000	15,390	4,446	13,090	33,804	66,730
2001	12,220	4,316	18,635	32,876	68,047
2002	12,785	3,750	11,495	32,001	60,031
2003	13,290	3,060	16,300	31,194	63,844
2004	13,895	2,616	5,595	30,582	52,688
2005	14,140	2,139	11,575	30,325	58,179
2006	8,460	1,682	13,490	29,670	53,302
2007	15,810	1,344	2,935	29,181	49,270
2008	5,815	815	3,055	29,060	38,745
2009	6,145	510	3,180	28,933	38,768
2010	3,420	184	3,310	28,802	35,716
2011			3,450	28,665	32,115
2012			3,590	28,522	32,112
2013			3,740	28,374	32,114
2014			3,895	28,219	32,114
2015			4,055	28,058	32,113
2016				27,976	27,976
2017			26,770	27,377	54,147
2018			29,745	25,822	55,567
2019			32,945	24,095	57,040
2020			36,480	22,185	58,665
2021			36,775	20,171	56,946
2022			44,555	17,930	62,485
2023			46,755	15,415	62,170
2024			51,840	12,755	64,595
2025			57,565	9,809	67,374
2026			63,765	6,549	70,314
2027			70,695	2,944	73,639
Totals	\$153,685	\$34,406	\$632,335	\$760,375	\$1,580,801

Note 13 - Warrants Payable-Enterprise Funds

The Landfill Operations Fund has Bonds and Warrants Payable of \$24,000,000 at September 30, 1997, which represents the General Obligation Warrants, Series 1996. In accordance with the bond indenture, the County uses a Debt Service Fund to which it deposits principal and interest amounts due.

Notes to the Financial Statements
For the Year Ended September 30, 1997

The Sanitary Operations Fund has Bonds and Warrants Payable of \$608,335,000 at September 30, 1997. 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 AWWPCA Refunding Warrant, and 4) the 1997-D Sewer Revenue Warrants.

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

The balances as of September 30, 1997, exceeded the bond indenture requirements and were as follows:

(In Thousands)	
Sewer Debt Service Fund	\$ 8,422
Sewer Reserve Fund	54,105
Sewer Rate Stabilization Fund	37,874
Sewer Depreciation Fund	\$ 5,056

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	1997	1996	1995	1994	1993
Active Accounts	140,324	140,146	140,361	138,601	137,733
Average Daily Treatment Volume (millions of gallons treated)	127	130	123	106	111
Sewer Charges	\$46,032,255	\$44,387,013	\$39,587,914	\$38,367,830	\$33,187,956
% Revenues - Largest Customer	2.97	2.56	2.96	2.61	2.51
% Revenues - Top 10 Customers	10.58	9.76	9.98	8.55	7.85

Notes to the Financial Statements
For the Year Ended September 30, 1997

	Consumption	Amount
1997 Top Ten Customers		
Birmingham Housing Authority	767,359	\$1,369,175
University of Alabama - Birmingham	727,719	1,278,221
PEMCO	226,595	464,403
Baptist Medical Centers	266,778	403,796
Golden Flake	183,613	319,465
US Steel	135,854	241,429
SMI Steel	149,163	228,734
Brookwood Medical Center	118,066	198,872
Carraway Hospital	138,247	188,791
Barbers Milk	140,420	\$176,116

Effective January 1, 1998, the County implemented a sewer rate increase. The rate increase was implemented in accordance with the Commission's resolutions and the Indenture with the trustee for the Sewer Revenue Warrants.

Note 15 – Issuance of Long-Term Debt

On February 1, 1997, the Commission issued \$211,040,000 in Sewer Revenue Refunding Warrants Series 1997-A, with an average interest rate of 5.4 percent to advance refund, 1) \$50,780,000 of outstanding 1992 Series Sewer Revenue Warrants with an average interest rate of 5.9 percent, and 2) \$130,000,000 of outstanding 1995 Sewer Revenue Warrants with a variable interest rate, in addition to providing for a \$19,323,213 deposit into a debt service reserve fund, as required by the bond indenture. The net proceeds of \$201,913,117 (after payment of \$9,956,109 in underwriting fees, insurance, and other issuance costs), plus an additional \$1,722,618 of 1992 Series sinking fund monies, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 warrants, and to payoff the 1995 warrants, which were called on February 27, 1997. As a result, the 1992 and 1995 warrants are considered to be defeased and the liability for those warrants has been removed from the long-term debt of the Sanitary Operations Fund.

As a result of the advance refunding related to the 1992 Series warrants, the Commission increased its aggregate debt service payments by almost \$40.6 million over the next 30 years, and incurred an economic loss (difference between the present values of the old and new debt service payments) of \$3.5 million.

On February 1, 1997, the Commission issued \$48,020,000 in Taxable Sewer Revenue Refunding Warrants Series 1997-B, with an average interest rate of 6.4 percent to advance refund \$41,800,000 of outstanding 1993 Sewer Revenue Refunding Warrants with an average interest rate of 5.2 percent, and to provide for a \$4,396,800 deposit into a debt service reserve fund, as required by the bond indenture. The net proceeds of \$47,732,200 (after payment of \$509,441 in

Notes to the Financial Statements

For the Year Ended September 30, 1997

underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 warrants. As a result, the 1993 warrants are considered to be defeased and the liability for those warrants has been removed from the long-term debt of the Sanitary Operations Fund.

As a result of the advance refunding, the Commission reduced its aggregate debt service payments by almost \$3.2 million over the next 12 years, but incurred an economic loss of \$4.3 million.

Simultaneously with the issuance of the Series 1997-A and B Warrants, as described above, the Commission issued \$52,880,000 in Taxable Sewer Revenue Refunding Warrants, Series 1997-C with an interest rate of 4.05 percent to refund by exchange \$52,880,000 of the outstanding 1992 Sewer Revenue Warrant ("the SRF Warrant") held by the Alabama Water Pollution Control Authority ("the Authority") with an interest rate of 4.05 percent. This was done primarily to relieve the County from the restrictive covenants contained in the resolution authorizing the SRF Warrant. The Series 1997-C Warrants were secured on a parity of lien with the Series 1997-A and B Warrants, and were immediately sold to the Authority in exchange for the SRF Warrant. There was no change in aggregate debt service payments over the next 18 years.

Note 16 – Prior Year Defeasance of Debt

As of September 30, 1997, the following warrants outstanding are considered defeased:

	(in thousands)
Sewer Revenue Warrants, Series 1988	\$ 27,990
Sewer Revenue Warrants, Series 1992	49,925
Sewer Revenue Warrants, Series 1993	39,160
Sewer Construction Warrants, Series 1977	3,675
Sanitary Sewer Refunding Warrants, Series 1978	12,375
Capital Appreciation Term Warrants, Series 1978	325
General Obligation Warrants, Series 1988	2,300
General Obligation Warrants, Series 1989	27,290
General Obligation Warrants, Series 1990	34,565
Total Warrants Defeased	\$197,605

Note 17 – Segment Information for Enterprise Funds

The Commission operates Enterprise Funds, which provide medical, inpatient nursing care, landfill, sewer and parking services. These funds are intended to be self-supporting through user fees charged to the public for services. Financial segment information as of and for the year ended September 30, 1997, is presented below:

Notes to the Financial Statements
For the Year Ended September 30, 1997

	(In Thousands)					
	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Total Enterprise Funds
Operating Revenues	\$26,724	\$10,463	\$ 4,148	\$ 55,254	\$162	\$ 96,751
Depreciation, Depletion and Amortization Expense	1,833	265	938	21,586		24,622
Operating Income or (Loss)	(32,653)	(3,508)	97	7,443	(5)	(28,626)
Operating Grants, Entitlements and Shared Revenues	6,670	91				6,761
Operating Transfers:						
In	34,824	3,510				38,334
(Out)	(297)		(1,247)			(1,544)
Tax Revenues				2,862		2,862
Net Income or (Loss)	578	(255)	(1,682)	(4,346)	(27)	(5,732)
Current Capital:						
Contributions						
Transfers						
Property, Plant & Equipment:						
Additions (*)	1,853	104	25,020	154,458		181,435
Deletions	408	11	8,052	59,542		68,013
Net Working Capital	4,462	1,373	(2,622)	306,817	106	310,136
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenue	1,682	411	27,182	610,224	4	639,503
Total Equity	\$18,208	\$ 9,885	\$20,441	\$196,541	\$102	\$245,175

* Additions include prior period adjustments of \$1,868.

Note 18 – Construction and Other Significant Commitments

The following is a listing of the outstanding contracts entered into and commitments made for the fiscal year ending September 30, 1997:

Notes to the Financial Statements
For the Year Ended September 30, 1997

Nature of Commitment	(In Thousands)
	Amount
Aerial Photogrammetric Mapping Service	\$ 1,611
Cahaba Sewer Improvement Project	17,172
Courthouse Building Renovation Project	8,182
Family Court Construction Project	1,318
Highway Improvements	3,508
Landfill Improvements	3,111
Patton Creek Sewer Improvement Project	9,023
Riverchase Pump Rehabilitation Project	1,605
Special Needs Housing Project	922
Trussville Sewer Improvement Project	2,708
Turkey Creek Sewer Improvement Project	1,014
Valley Creek Sewer Improvement Project	8,596
Village Creek Sewer Improvement Project	10,777
Totals	\$69,547

Note 19 – Defined Benefit Pension Plan

A. Plan Description

The General Retirement System for Employees of Jefferson County (Retirement System) is the administrator of a single-employer, defined benefit pension plan (Plan) covering substantially all employees of Jefferson County, Alabama. The Plan 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, 1997.

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.

Investment Valuation:

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

Notes to the Financial Statements
For the Year Ended September 30, 1997

C. Funding Progress

The information presented below was determined as part of the actuarial valuations at the dates indicated:

(In Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b/a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
9-30-96	\$389,730	\$353,152	\$(36,578)	110.4%	\$102,675	(35.6%)

D. Implementation of GASB Statement Number 25

During 1997, the Plan changed its method of accounting in order to show investments at market value to conform with the requirements of Governmental Accounting Standards Board Statement Number 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The financial statements for 1996 have been retroactively restated for the change, which resulted in an increase in income for 1996 of \$44,305,280. Net assets as of the beginning of 1997 have been adjusted for the effect of retroactive application of the new method.

Note 20 - Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 19, the Commission provides post employment health care benefits, in accordance with a resolution approved by the Commission on September 25, 1990, to employees who meet the following eligibility requirements. Employees must: (1) have been covered by the County group health care plan at the time of retirement, (2) immediately upon retirement begin receiving a 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.

Notes to the Financial Statements
For the Year Ended September 30, 1997

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 228 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 \$13 to \$364 per month and total insurance premiums range from \$143 to \$436. Expenditures for postretirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$353,000 were recognized for postretirement health benefits.

Note 21 – Restatements

As of October 1, 1996, the retained earnings of the following funds were restated as follows:

	(In Thousands)	
	Enterprise Funds	Internal Service Funds
Total Retained Earnings, October 1, 1996	\$251,807	\$11,392
<u>Add/(Deduct) for restatement of fixed assets:</u>		
Cooper Green Hospital Fund	(107)	
Landfill Operations Fund	391	
Sanitary Operations Fund	1,583	
Fleet Management Fund		45
Building Services Fund		272
<u>(Deduct) for prior year estimated postclosure landfill costs:</u>		
Landfill Operations Fund	(2,767)	
<u>Add for reduction of insurance reserve:</u>		
Risk Management Fund		906
Total Retained Earnings, October 1, 1996, As Restated	\$250,907	\$12,615

During the fiscal year, the retained earnings of the General Retirement System Fund was restated by \$36,300,000, which is a net of an (\$8,005,000), restatement of the September 30, 1996, "Excess of Revenues Over Expenses" and a \$44,305,000, restatement attributed to the implementation of Governmental Accounting Standards Board Statement Number 25.

Notes to the Financial Statements
For the Year Ended September 30, 1997

Note 22 – Deficit Fund Balances

At September 30, 1997, the following funds had a deficit fund balance:

Road Fund	\$1,672,177
Senior Citizens Activities Fund	65,240
Road Construction Fund	\$ 89,429

Note 23 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Commission place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfills used during the year. The estimated liability for landfill closure and postclosure care costs had a balance of \$2,768,000, as of September 30, 1996, which was based on 94.87% usage (filled) of the Mt. Olive Sanitary Landfill, and 96.74% usage of the Turkey Creek Sanitary Landfill. The estimated liability had a balance of \$2,890,000 as of September 30, 1997, which was based on 100% usage of both landfills, which were 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, 1997. 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.

Combining Financial Statements

***Combining Balance Sheet
All Special Revenue Funds
September 30, 1997
(In Thousands)***

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
<u>ASSETS</u>			
Cash and Investments	\$ 7,000	\$ 40	\$ 179
Loans Receivable, Net			
Interest Receivable			
Due From Other Governmental Units	2,775	888	30
Inventories		1,558	
TOTAL ASSETS	9,775	2,486	209
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit			
Accounts Payable	333	3,792	137
Accrued Payroll and Taxes		116	4
Accrued Compensated Absences		250	3
Due to Other Governmental Units			
Deferred Revenues			130
TOTAL LIABILITIES	333	4,158	274
<u>FUND EQUITY</u>			
Fund Balance:			
Reserved for Encumbrances	333	1,599	270
Reserved for Inventories		1,558	
Reserved for Petty Cash			
Reserved for Loan Receivable			
Reserved for Cooper Green Hospital Foundation	468		
Unreserved	8,641	(4,829)	(335)
TOTAL FUND EQUITY	9,442	(1,672)	(65)
TOTAL LIABILITIES AND FUND EQUITY	\$ 9,775	\$ 2,486	\$ 209

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals Current Year
\$ 311	\$ 472	\$ 1,926	\$	\$ 407	\$ 10,335
	115	3,645			3,760
	12				12
271	581		361	146	5,052
					1,558
582	1,180	5,571	361	553	20,717
			28		28
	293		333	36	4,924
	5			2	127
	2				255
	26	68			94
					130
	326	68	361	38	5,558
	1,868		2,609	50	6,729
					1,558
	115	3,645			3,760
					468
582	(1,129)	1,858	(2,609)	465	2,644
582	854	5,503		515	15,159
\$ 582	\$ 1,180	\$ 5,571	\$ 361	\$ 553	\$ 20,717

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
REVENUES			
Taxes	\$ 33,370	\$ 9,309	\$
Intergovernmental		7,440	3,025
Charges for Services		150	19
Investment Income	916		13
Miscellaneous	306	515	141
TOTAL REVENUES	34,592	17,414	3,198
EXPENDITURES			
Current:			
General Government	2,388		4,218
Public Safety			
Highways and Streets		31,058	
Health and Welfare			
Capital Outlay		4,012	7
Indirect Cost	26		173
TOTAL EXPENDITURES	2,414	35,070	4,398
Excess (deficiency) of revenues over expenditures	32,178	(17,656)	(1,200)
OTHER FINANCING SOURCES (USES)			
Refund of Revenue			
Operating Transfers In		17,738	1,122
Proceeds from Sale of Fixed Assets			
Operating Transfers Out	(33,342)	(99)	
TOTAL OTHER FINANCING SOURCES (USES)	(33,342)	17,639	1,122
Excess (deficiency) of revenues over expenditures and other sources (uses)	(1,164)	(17)	(78)
Fund Balances at beginning of year	10,606	(1,655)	13
Fund Balances at end of year	\$ 9,442	\$ (1,672)	\$ (65)

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals Current Year
\$ 20,851	\$ 2,947	\$ 179	\$ 429	\$ 179	\$ 63,530
				289	14,199
311		197			458
		84	130	6	1,437
21,162	2,947	460	559	474	1,182
					80,806
	783	657	99		8,145
				341	341
	2,471	(10)	609		31,058
	2			20	3,070
3	195	12	11	37	4,041
3	3,451	659	719	398	457
					47,112
21,159	(504)	(199)	(160)	76	33,694
	1,058		161	87	20,166
(20,803)		(859)		(3)	(55,106)
(20,803)	1,058	(859)	161	84	(34,940)
356	554	(1,058)	1	160	(1,246)
226	300	6,561	(1)	355	16,405
\$ 582	\$ 854	\$ 5,503	\$	\$ 515	\$ 15,159

***Combining Balance Sheet
All Capital Projects Funds
September 30, 1997
(In Thousands)***

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
<u>ASSETS</u>			
Cash and Investments	\$ 11,762	\$ 517	\$ 12,279
Due From Other Governmental Units	108		108
TOTAL ASSETS	11,870	517	12,387
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	2,732	607	3,339
Accrued Payroll and Taxes			
Retainage Payable	2,209		2,209
Arbitrage Rebate Payable			
TOTAL LIABILITIES	4,941	607	5,548
<u>FUND EQUITY</u>			
Fund Balance:			
Reserved for Encumbrances	14,956	3,711	18,667
Unreserved	(8,027)	(3,801)	(11,828)
TOTAL FUND EQUITY	6,929	(90)	6,839
TOTAL LIABILITIES AND FUND EQUITY	\$ 11,870	\$ 517	\$ 12,387

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Capital Projects Funds
For the Year Ended September 30, 1997
(In Thousands)

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
REVENUES			
Intergovernmental	\$ 262	\$ 2,648	\$ 2,910
Charges for Services		207	207
Investment Income	1,262	129	1,391
Miscellaneous	10		10
TOTAL REVENUES	1,534	2,984	4,518
EXPENDITURES			
Current:			
General Government	207		207
Highways and Streets		6,134	6,134
Sanitation	63		63
Health and Welfare	303		303
Culture and Recreation	39		39
Capital Outlay	23,065		23,065
TOTAL EXPENDITURES	23,677	6,134	29,811
Excess (deficiency) of revenues over expenditures	(22,143)	(3,150)	(25,293)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	173	99	272
Proceeds from Sale of Fixed Assets			
Operating Transfers Out	(2,119)		(2,119)
TOTAL OTHER FINANCING SOURCES (USES)	(1,946)	99	(1,847)
Excess (deficiency) of revenues over expenditures and other sources (uses)	(24,089)	(3,051)	(27,140)
Fund Balances at beginning of year	31,018	2,961	33,979
Fund Balances at end of year	\$ 6,929	\$ (90)	\$ 6,839

***Combining Balance Sheet
All Enterprise Funds
September 30, 1997
(In Thousands)***

	Cooper Green Hospital	County Home	Landfill Operations Fund
ASSETS			
Cash and Investments	\$ 150	\$ 3,765	\$
Accounts Receivable, Net	188		641
Patient Accounts Receivable, Net	5,265	1,202	
Due From Other Governmental Units	1,187		
Inventories	770	121	
Prepaid Items	-	2	
Fixed Assets, Net Where Applicable	15,428	8,922	50,066
Warrant Issuance Costs			178
Deferred Loss on Early Debt Retirement			
TOTAL ASSETS	22,988	14,012	50,885
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Cash Deficit			1,591
Accounts Payable	1,197	446	758
Other Accounts Payable	1,719		
Deposits Payable		41	
Accrued Payroll and Taxes	182	55	13
Retainage Payable			826
Accrued Compensated Absences	1,682	411	292
Interest Payable			74
Deferred Revenues		3,175	
Bonds and Warrants Payable			24,000
Estimated Liability for Landfill Postclosure Costs			2,890
TOTAL LIABILITIES	4,780	4,128	30,444
FUND EQUITY			
Retained Earnings:			
Unreserved	18,208	9,884	20,441
TOTAL FUND EQUITY	18,208	9,884	20,441
TOTAL LIABILITIES AND FUND EQUITY	\$ 22,988	\$ 14,012	\$ 50,885

Sanitary Operations Fund		Parking Deck Fund	Totals Current Year		
\$	319,635	\$	111	\$	323,661
	6,367		1		7,197
					6,467
	607				1,794
	440				1,331
					2
	482,653				557,069
	17,296				17,474
	4,591				4,591
	831,589		112		919,586
					1,591
	14,050		6		16,457
					1,719
					41
	104				354
	5,147				5,973
	1,889		4		4,278
	5,524				5,598
					3,175
	608,335				632,335
					2,890
	635,049		10		674,411
	196,540		102		245,175
	196,540		102		245,175
\$	831,589	\$	112	\$	919,586

***Combining Statement of Revenues, Expenses and Changes in Fund
Equity - All Enterprise Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Cooper Green Hospital	County Home
<u>OPERATING REVENUES</u>		
Taxes	\$	\$
Licenses and Permits		
Charges for Services		
Net Patient Revenue	20,054	10,372
Medicaid Disproportionate Share	2,535	
Other Operating Revenue	3,104	91
Childrens' Disproportionate Share	1,031	
Total Operating Revenues	26,724	10,463
<u>OPERATING EXPENSES</u>		
Provision for Bad Debts	1,322	345
Salaries and Wages	22,760	6,364
Fringe Benefits	4,768	1,753
Utilities	869	528
Depreciation	1,833	265
Outside Services	2,342	3,186
Services from other Hospitals	3,111	
Jefferson Clinic	12,955	
Other Operating Expenses	1,568	595
Office Expense	1,027	177
Supplies	6,822	758
Total Operating Expenses	59,377	13,971
Operating Income/(Loss)	(32,653)	(3,508)
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Miscellaneous Revenues	36	73
Interest Income	91	180
Indirect Cost	(1,278)	(510)
Interest Expense	(126)	
Loss from Disposal of Fixed Assets	(19)	
Total Nonoperating Revenues/(Expenses)	(1,296)	(257)
Income (Loss) Before Operating Transfers Forwarded	\$ (33,949)	\$ (3,765)

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$	\$	\$	\$
	2,862		2,862
	11		11
4,148	52,381	162	56,691
			30,426
			2,535
			3,195
			1,031
4,148	55,254	162	96,751
19	118		1,804
1,590	11,825	22	42,561
377	3,079	5	9,982
143	3,858	24	5,422
938	21,586		24,622
394	3,494		9,416
			3,111
			12,955
131	2,125	114	4,533
25	347	2	1,578
434	1,379		9,393
4,051	47,811	167	125,377
97	7,443	(5)	(28,626)
5			114
714	15,084	7	16,076
(302)	(1,238)	(29)	(3,357)
(949)	(25,575)		(26,650)
	(60)		(79)
(532)	(11,789)	(22)	(13,896)
\$ (435)	\$ (4,346)	\$ (27)	\$ (42,522)

***Combining Statement of Revenues, Expenses and Changes in Fund
Equity - All Enterprise Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Cooper Green Hospital	County Home
Income (Loss) Before Operating Transfers Brought Forward	\$ (33,949)	\$ (3,765)
<u>OPERATING TRANSFERS</u>		
Operating Transfers In	34,824	3,510
Operating Transfers Out	(297)	
Total Operating Transfers	34,527	3,510
Net Income/(Loss)	578	(255)
Fund Equity, Beginning of Year, As Restated	17,630	10,139
Fund Equity, End of Year	\$ 18,208	\$ 9,884

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$ (435)	\$ (4,346)	\$ (27)	\$ (42,522)
			38,334
(1,247)			(1,544)
(1,247)			36,790
(1,682)	(4,346)	(27)	(5,732)
22,123	200,886	129	250,907
\$ 20,441	\$ 196,540	\$ 102	\$ 245,175

***Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Cooper Green Hospital	County Nursing Home	Landfill Operations
<u>Cash Flows From Operating Activities:</u>			
Operating Income (Loss)	\$ (32,653)	\$ (3,508)	\$ 97
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>			
Depreciation	1,833	265	918
Provision for Doubtful Accounts	1,322	345	19
Decrease in Interest Receivable			
(Increase)/Decrease in Accounts Receivable	(14)		(236)
(Increase) in Patients Receivable	(1,605)	(101)	
(Increase)/Decrease in Prepaid Items	42	(1)	
(Increase)/Decrease in Due From Governmental Units	677		
(Increase)/Decrease in Inventory	(54)	(11)	
Increase/(Decrease) in Accounts Payable	(1,174)	57	(406)
Increase/(Decrease) in Other Accounts Payable	117		
Increase/(Decrease) in Accrued Payroll and Taxes	(70)	28	7
Increase/(Decrease) in Deposits Payable		9	
Increase in Retainage Payable			826
Increase/(Decrease) in Interest Payable			8
Increase/(Decrease) in Compensated Absences Payable	89	18	(6)
Increase in Estimated Liability for Landfill Postclosure Costs			122
Total Adjustments	1,163	609	1,252
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	\$ (31,490)	\$ (2,899)	\$ 1,349

Sanitary Operations	Parking Deck	<u>Totals</u> <u>Current Year</u>
\$ 7,443	\$ (5)	\$ (28,626)
20,760		23,776
118		1,804
(1,788)		(2,038)
6		47
(576)		101
14		(51)
1,621	(17)	81
		117
57		22
		9
946		1,772
4,460		4,468
172	1	274
		122
<u>25,790</u>	<u>(16)</u>	<u>28,798</u>
\$ 33,233	\$ (21)	\$ 172

***Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Cooper Green Hospital	County Nursing Home	Landfill Operations
Net Cash Provided/(Used) by Operating Activities Brought Forward	\$ (31,490)	\$ (2,899)	\$ 1,349
<u>Cash Flows From Non-Capital Financing Activities:</u>			
Operating Transfers In	34,824	3,511	
Operating Transfers Out	(296)		(1,247)
Increase in Cash Deficit			1,591
Received From Auxiliary Services	36	73	5
Indirect Cost	(1,278)	(511)	(302)
Net Cash Provided/(Used) by Non-Capital Financing Activities	33,286	3,073	47
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Interest Paid	(126)		(949)
Acquisition of Fixed Assets	(1,611)	(104)	(16,758)
Principal Payments			
Warrants Refunded			
Warrant Issuance Costs			
Amortization of Warrant Issuance Costs			21
Removal of Unamortized Warrant Issuance Costs			
Deferred Loss on Early Debt Retirement			
Proceeds from Issuance of Debt			
Net Cash Provided/(Used) by Capital and Related Financing Activities	(1,737)	(104)	(17,686)
<u>Cash Flows From Investing Activities:</u>			
Interest and Dividend Income	90	180	714
Net Cash Provided/(Used) by Investing Activities	90	180	714
Net Increase/(Decrease) in Cash and Cash Equivalents	149	250	(15,576)
Cash and Investments, Beginning of Year	1	3,515	15,576
Cash and Investments, End of Year	\$ 150	\$ 3,765	\$

Sanitary Operations	Parking Deck	Totals Current Year
\$ 33,233	\$ (21)	\$ 172
		38,335
		(1,543)
		1,591
		114
(1,237)	(30)	(3,358)
(1,237)	(30)	35,139
(25,575)		(26,650)
(93,490)		(111,963)
(1,955)		(1,955)
(275,460)		(275,460)
(17,731)		(17,731)
825		846
4,297		4,297
(4,894)		(4,894)
608,335		608,335
194,352		174,825
15,084	7	16,075
15,084	7	16,075
241,432	(44)	226,211
78,203	155	97,450
\$ 319,635	\$ 111	\$ 323,661

***Combining Balance Sheet
All Internal Service Funds
September 30, 1997
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>ASSETS</u>			
Cash and Investments	\$ 7,524	\$	\$ 8
Accounts Receivable, Net			
Due From Other Governmental Units		2,197	1
Inventories			
Prepaid Items	55		
Fixed Assets, Net Where Applicable	24	352	227
TOTAL ASSETS	7,603	2,549	236
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit		2,296	
Accounts Payable	43	36	
Other Accounts Payable			
Accrued Payroll and Taxes	3	14	2
Accrued Compensated Absences	40	201	44
Estimated Claims Liability	3,385		
TOTAL LIABILITIES	3,471	2,547	46
<u>FUND EQUITY</u>			
Retained Earnings:			
Reserved for Contingencies	4,132		
Unreserved		2	190
TOTAL FUND EQUITY	4,132	2	190
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,603	\$ 2,549	\$ 236

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ 3	\$ 64	\$ 252	\$	\$ 183	\$ 8,034
1			5	16	16
	417	23	174	93	2,297
				662	1,276
977	2,453	302	162	6,141	55
981	2,934	577	341	7,095	10,638
			41		2,337
92	249	21	39	214	694
			5		5
14	19	3	2	52	109
265	313	55	13	906	1,837
					3,385
371	581	79	100	1,172	8,367
					4,132
610	2,353	498	241	5,923	9,817
610	2,353	498	241	5,923	13,949
\$ 981	\$ 2,934	\$ 577	\$ 341	\$ 7,095	\$ 22,316

***Combining Statement of Revenues, Expenses and Changes in Fund
Equity - All Internal Service Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>OPERATING REVENUES</u>			
Intergovernmental	\$	\$	\$
Charges for Services	2,191	2,197	189
Total Operating Revenues	2,191	2,197	189
<u>OPERATING EXPENSES</u>			
Salaries and Wages	376	1,669	328
Fringe Benefits	372	367	51
Utilities		1	7
Depreciation	6	86	46
Outside Services	106	477	2
Other Operating Expenses	1	348	4
Office Expense	12	205	7
Supplies	2	121	14
Incurred Claims	929		
Total Operating Expenses	1,804	3,274	459
Operating Income/(Loss)	387	(1,077)	(270)
<u>NONOPERATING REVENUES/ (EXPENSES)</u>			
Indirect Cost Recovery		750	
Miscellaneous Revenues	308		
Interest Income	452		1
Indirect Cost		(144)	(68)
Loss from Disposal of Fixed Assets			
Total Nonoperating Revenues/(Expenses)	760	606	(67)
Income (Loss) Before Operating Transfers	1,147	(471)	(337)
<u>OPERATING TRANSFERS</u>			
Operating Transfers In		473	
Operating Transfers Out			
Total Operating Transfers		473	
Net Income/(Loss)	1,147	2	(337)
Fund Equity, beginning of year, As Restated	2,985		527
Fund Equity, end of year	\$ 4,132	\$ 2	\$ 190

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ 415	\$ 1,476	\$ 1,020	\$ 609	\$ 270	\$ 2,656
415	1,476	1,020	609	10,327	16,038
				10,597	18,694
1,658	2,169	419	173	6,169	12,961
374	570	129	45	1,532	3,440
	159	162		2,039	2,368
307	200	38	37	149	869
68	101	119	50	252	1,175
763	33	18	50	445	1,662
297	42	3	9	538	1,113
191	1,971	23	257	1,565	4,144
					929
3,658	5,245	911	621	12,689	28,661
(3,243)	(3,769)	109	(12)	(2,092)	(9,967)
2,576	4,557			5,133	13,016
	102			71	481
4	63	11		184	715
(11)		(21)	(90)		(334)
(12)	(13)			(21)	(46)
2,557	4,709	(10)	(90)	5,367	13,832
(686)	940	99	(102)	3,275	3,865
675	416	33		101	1,698
(77)	(1,032)			(3,120)	(4,229)
598	(616)	33		(3,019)	(2,531)
(88)	324	132	(102)	256	1,334
698	2,029	366	343	5,667	12,615
\$ 610	\$ 2,353	\$ 498	\$ 241	\$ 5,923	\$ 13,949

***Combining Statement of Cash Flows - All Internal Service Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Cash Flows From Operating Activities:</u>			
Operating Income (Loss)	\$ 387	\$ (1,077)	\$ (270)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>			
Depreciation	6	85	46
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Prepaid Items	2		
(Increase)/Decrease in Due From Governmental Units		(32)	305
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	(143)	(29)	(5)
Increase in Other Accounts Payable			
Increase/(Decrease) in Accrued Payroll and Taxes	1	7	1
(Decrease) in Deposits Payable			
Increase/(Decrease) in Compensated Absences Payable		23	2
Increase/(Decrease) in Estimated Claims Liability	(420)		
Total Adjustments	<u>(554)</u>	<u>54</u>	<u>349</u>
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	<u>\$ (167)</u>	<u>\$ (1,023)</u>	<u>\$ 79</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ (3,243)	\$ (3,769)	\$ 109	\$ (12)	\$ (2,092)	\$ (9,967)
307	200	39	37	149	869
4			1	8	9
				1	7
	50		(4)	(79)	240
	69	(5)	(47)	114	131
(24)	(46)	4	10	(183)	(416)
			5		5
6	10	2	1	30	58
(17)	25	5	1	137	176
					(420)
276	308	45	4	177	659
\$ (2,967)	\$ (3,461)	\$ 154	\$ (8)	\$ (1,915)	\$ (9,308)

***Combining Statement of Cash Flows - All Internal Service Funds
For the Year Ended September 30, 1997
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
Net Cash Provided/(Used) by Operating Activities Brought Forward	\$ (167)	\$ (1,023)	\$ 79
<u>Cash Flows From Non-Capital Financing Activities:</u>			
Operating Transfers In		473	
Operating Transfers Out			
Increase in Cash Deficit Received from Auxiliary Services	308	2,296	
Indirect Cost Recovery		750	
Indirect Cost		(144)	(68)
Net Cash Provided/(Used) by Non-Capital Financing Activities	308	3,375	(68)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Capital Contributed by Government			
Interest Paid			
Acquisition of Fixed Assets	(5)	(147)	(4)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(5)	(147)	(4)
<u>Cash Flows From Investing Activities:</u>			
Interest and Dividend Income	453		1
Net Cash Provided/(Used) by Investing Activities	453		1
Net Increase/(Decrease) in Cash and Cash Equivalents	589	-2,205	8
Cash and Investments, Beginning of Year	6,935	(2,205)	
Cash and Investments, End of Year	\$ 7,524	\$	\$ 8

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ (2,967)	\$ (3,461)	\$ 154	\$ (8)	\$ (1,915)	\$ (9,308)
675 (77)	415 (1,032)	33		102 (3,120)	1,698 (4,229)
	102		41	71	2,337
2,576 (11)	4,557	(21)	(90)	5,133	481 13,016 (334)
3,163	4,042	12	(49)	2,186	12,969
(197)	(582)	(41)	(22)	(272)	(1,270)
(197)	(582)	(41)	(22)	(272)	(1,270)
4	64	10		184	716
4	64	10		184	716
3	63 1	135 117	(79) 79	183	3,107 4,927
\$ 3	\$ 64	\$ 252	\$	\$ 183	\$ 8,034

Combining Balance Sheet - All Fiduciary Fund Types
September 30, 1997
(In Thousands)

	<u>Expendable Trust Fund</u> Jefferson County Economic and Industrial Development Authority	<u>Pension Trust</u> Fund General Retirement System	<u>Totals</u> Current Year
ASSETS			
Cash and Investments	\$ 158	\$ 512,372	\$ 512,530
Interest Receivable		3,717	3,717
Contributions Receivable		474	474
TOTAL ASSETS	158	516,563	516,721
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	5	339	344
TOTAL LIABILITIES	5	339	344
FUND EQUITY			
Fund Balance:			
Reserved for:			
Encumbrances	52		52
Contingent Refunds		49,669	49,669
Retirement/Disability Benefits		466,555	466,555
Unreserved	101		101
TOTAL FUND EQUITY	153	516,224	516,377
TOTAL LIABILITIES AND FUND EQUITY	\$ 158	\$ 516,563	\$ 516,721

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 1997***

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	B92-UC-01-0001
	14.218	B93-UC-01-0001
	14.218	B94-UC-01-0001
	14.218	B95-UC-01-0001
	14.218	B96-UC-01-0001
Program Income Generated On CDBG Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants (M)		
Home Program:	14.239	M92-UC-01-0202
	14.239	M93-UC-01-0202
	14.239	M94-UC-01-0202
	14.239	M95-UC-01-0202
	14.239	M96-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	S95-UC-01-0006
	14.231	S96-UC-01-0006
Sub-Total Emergency Shelter Grants Program (M) (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-95-036
	14.231	ESG-96-036
Sub-Total Emergency Shelter Grants Program (M)		
Total U.S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10-1-92 To 9-30-97	\$ 3,094,000	\$ 3,094,000		
10-1-93 To 9-30-97	3,272,000	3,272,000		181,947
10-1-94 To 9-30-97	3,562,000	3,562,000	426,918	163,355
10-1-95 To 9-30-97	3,219,000	3,219,000	2,049,654	676,973
10-1-96 To 9-30-97	3,118,000	3,118,000		1,454,297
10-1-96 To 9-30-97			481,853	481,853
	16,265,000	16,265,000	2,958,425	2,958,425
10-1-91 To 9-30-97	1,607,500	1,286,000	24,545	24,545
10-1-92 To 9-30-97	1,078,750	863,000		
10-1-93 To 9-30-97	1,156,250	925,000	274,282	274,282
10-1-94 To 9-30-97	1,245,000	996,000	128,936	128,936
10-1-96 To 9-30-97	1,145,000	916,000	131,468	131,468
	6,232,500	4,986,000	559,231	559,231
6-18-97 To 6-18-00	1,116,255	1,014,778	30,239	30,239
10-1-94 To 9-30-97	129,000	129,000	34,092	34,092
10-1-96 To 9-30-97	82,000	82,000	81,474	81,474
	211,000	211,000	115,566	115,566
5-31-95 To 5-31-97	256,000	128,000	3,101	3,101
10-1-96 To 6-3-98	600,000	300,000	286,733	286,733
	856,000	428,000	289,834	289,834
	24,680,755	22,904,778	3,953,295	3,953,294
	\$ 24,680,755	\$ 22,904,778	\$ 3,953,295	\$ 3,953,294

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 1997***

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>		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Nutrition Cluster		
<u>Passed Through Alabama Commission On Aging</u>		
Commodity Supplemental Food Program	10.570	
Total U.S. Department of Agriculture		
<u>U.S. Department of Health and Human Services</u>		
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease (M)	93.918	CSH403145-04-0
<u>Passed Through Alabama Commission On Aging</u>		
Title III, Part B - Administration	93.044	03-01-03-03a
Title III, Part B - Social Services	93.044	03-01-03-03a
Sub-Total Title III, Part B (M)		
Title III, Part C - Congregate Nutrition	93.045	03-01-03-03a
Title III, Part C - In Home Nutrition	93.045	03-01-03-03a
Sub-Total Title III, Part C (M)		
Title III, Part D - In Home Services	93.046	03-01-03-03a
Title III, Part G - Prevention of Elder Abuse, Neglect and Exploitation	93.041	03-01-03-03a
Title III, Part F - Prevention Health Services	93.043	03-01-03-03a
Title VII, Ombudsman Services	93.042	03-01-03-03a
Title XIX, Health Care Financing Research, Demonstrations and Evaluations	93.779	03-01-03-03a
Total U.S. Department of Health and Human Services		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 24,680,755	\$ 22,904,778	\$ 3,953,295	\$ 3,953,294
10-1-96 To 9-30-97	33,931	33,931	33,931	33,931
10-1-96 To 9-30-97	61,936	61,936	61,936	61,936
	<u>95,867</u>	<u>95,867</u>	<u>95,867</u>	<u>95,867</u>
10-1-96 To 9-30-97	201,218	201,218	201,218	201,218
	<u>297,085</u>	<u>297,085</u>	<u>297,085</u>	<u>297,085</u>
10-1-96 To 12-31-97	1,318,730	520,739	416,591	416,591
10-1-96 To 9-30-97	180,764	135,573	39,010	39,010
10-1-96 To 9-30-97	653,172	546,378	350,295	350,295
	<u>833,936</u>	<u>681,951</u>	<u>389,305</u>	<u>389,305</u>
10-1-96 To 9-30-97	944,290	791,705	632,125	632,125
10-1-96 To 9-30-97	300,545	248,458	185,113	185,113
	<u>1,244,835</u>	<u>1,040,163</u>	<u>817,238</u>	<u>817,238</u>
10-1-96 To 9-30-97	51,335	43,634	9,744	9,744
10-1-96 To 9-30-97	25,055	21,297	8,140	8,140
10-1-96 To 9-30-97	72,850	61,923	24,488	24,488
10-1-96 To 9-30-97	10,154	8,631	6,905	6,905
10-1-96 To 9-30-97	21,309	21,309	3,162	3,162
	<u>3,578,204</u>	<u>2,399,647</u>	<u>1,675,573</u>	<u>1,675,573</u>
	\$ 28,556,044	\$ 25,601,510	\$ 5,925,953	\$ 5,925,952

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 1997***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U.S. Department of Labor</u>		
<u>Direct Program:</u>		
Senior Community Service Employment Program:	17.235 17.235	D-5822-6-00-81-55 D-6135-7-00-81-55
Total U.S. Department of Labor (M)		
<u>U.S. Department of Transportation</u>		
<u>Passed Through State Department of Transportation</u>		
Public Transportation for Nonurbanized Areas	20.509 20.509	RPT - 37 (12) RPT - 37 (14)
Total U.S. Department of Transportation		
<u>Federal Emergency Management Agency</u>		
<u>Passed Through State Emergency Management Agency</u>		
State and Local Emergency Management Assistance	83.534	
Disaster Assistance Program	83.516	FEMA-1070-DR-AL, PA
Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act of 1986	83.011	
Total Emergency Management Agency		
<u>U.S. Department of Justice</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Juvenile Justice and Delinquency Prevention-Allocation Services	16.540	JF-95-03-0010
Total U.S. Department of Justice		
<u>U.S. Department of Commerce</u>		
<u>Direct Program</u>		
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		
	\$ 28,556,044	\$ 25,601,510	\$ 5,925,953	\$ 5,925,952
7-1-96 To 6-30-97	579,104	513,208	412,218	412,218
7-1-97 To 6-30-98	578,775	513,599	130,794	130,784
	<u>1,157,879</u>	<u>1,026,807</u>	<u>543,012</u>	<u>543,012</u>
10-1-95 To 9-30-96	170,400	76,000	2,809	2,809
10-1-96 To 9-30-97	170,400	76,000	83,147	83,147
	<u>340,800</u>	<u>152,000</u>	<u>85,956</u>	<u>85,956</u>
10-1-96 To 9-30-97	73,502	58,021	58,021	58,021
10-1-96 To 9-30-97	28,840	28,840	28,840	28,840
10-1-96 To 9-30-97	13,587	13,587	13,587	13,587
	<u>115,929</u>	<u>100,448</u>	<u>100,448</u>	<u>100,448</u>
10-1-96 To 9-30-97	37,200	37,200	32,345	32,345
	<u>37,200</u>	<u>37,200</u>	<u>32,345</u>	<u>32,345</u>
7-25-86 To 9-30-97	2,400,000	1,200,000	16,244	16,244
	<u>2,400,000</u>	<u>1,200,000</u>	<u>16,244</u>	<u>16,244</u>
	\$ 32,607,852	\$ 28,117,965	\$ 6,703,958	\$ 6,703,958

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 1997***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U.S. Department of Energy</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Energy Conservation for Institutional Buildings	81.052	1EX8ICP94 ECM 267
Total U.S. Department of Energy		
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	
Total General Services Administration		
<u>Other Federal Assistance</u>		
<u>Federal Emergency Management Agency</u>		
<u>Passed Through State Emergency Management Agency</u>		
Chemical Stockpile Emergency Preparedness Program		
Total Other		
Total Expenditures of Federal Awards		

(M) = Major Program

(N) = Non-cash assistance

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 32,607,852	\$ 28,117,965	\$ 6,703,958	\$ 6,703,958
12-31-96 To 9-14-97	219,322	108,000	108,000	108,000
	219,322	108,000	108,000	108,000
10-1-96 To 9-30-97	573	573	573	573
	573	573	573	573
10-1-96 To 9-30-97	82,153	82,153	82,153	82,153
	82,153	82,153	82,153	82,153
	\$ 32,909,900	\$ 28,308,691	\$ 6,894,684	\$ 6,894,684

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 1997

Note 1 – Significant Accounting Policies

A. **Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Office of Budget and Management (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

◆ **Federal awards** - according to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, Federal awards consist of Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

◆ **Federal financial assistance** - pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, Federal financial assistance is defined as assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. Accordingly, non-monetary Federal assistance, including food stamps, food commodities and donated amounts of Federal surplus property, are included in federal financial assistance.

◆ **Cluster of programs** - according to OMB Circular A-133, a cluster of programs is a grouping of closely related programs that share common compliance requirements. The following cluster is presented on the Schedule of Expenditures of Federal Awards:

USDA CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program

◆ **Major Programs** - a risk-based approach to determine which Federal programs are major programs is required. Federal programs are classified as either Type A or Type B programs. Type A programs are defined as Federal awards expended during the audit period of \$300,000 or more. Type B programs consist of any remaining Federal awards with expenditures between \$100,000 and \$300,000. The Department of Examiners of Public Accounts has elected to use the first year audit exemption from use of the risk criteria in determining major programs. Major programs for the audit period are all Type A programs.

B. **Basis of Accounting** - the information presented in the Schedule of Expenditure of Federal Awards has been prepared using the modified accrual basis of accounting. Under this basis expenditures are recognized when incurred and revenues are recognized when they become susceptible to accrual, that is when they become both "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

*Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 1997*

Note 2 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients of CDBG Revolving Loan funds. The balance of such loans outstanding at September 30, 1997, was \$3,966,625.

Jefferson County also issues loans through the Community Development Office for eligible participants of the Housing Rehabilitation Program. The balance of such loans outstanding at September 30, 1997, was \$447,522.

Additional Information

Commission Members and Administrative Personnel
October 1, 1996 through September 30, 1997

Commission Members		Term Expires
Hon. Mary Miller Buckelew, President	Room 211 Jefferson County Courthouse Birmingham, AL 35263	1998
Hon. Bettye Fine Collins, Member	Room 203-A Jefferson County Courthouse Birmingham, AL 35263	1998
Hon. Jeff Germany, Member	Room 200 Jefferson County Courthouse Birmingham, AL 35263	1998
Hon. Chris McNair, Member	Room 218 Jefferson County Courthouse Birmingham, AL 35263	1998
Hon. Gary L. White, Member	Room 204 Jefferson County Courthouse Birmingham, AL 35263	1998
 <u>Administrative Personnel</u>		
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 (the "Commission") as of and for the year ended September 30, 1997, and have issued our report thereon dated January 9, 1998. We conducted our audit in accordance with generally accepted auditing standards 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 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 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 97-1 through 97-5.

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, of the reportable conditions described above, we consider items 97-3 and 97-5 to be material weaknesses.

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

This report is intended for the information of management, other state officials, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



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

January 9, 1998

***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 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, 1997. 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 Jefferson County Commission's management. Our responsibility is to express an opinion on Jefferson County Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 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 Jefferson County Commission's compliance with those requirements.

As described in item 97-6 in the accompanying Schedule of Findings and Questioned Costs, Jefferson County Commission did not comply with requirements regarding *Reporting* that are applicable to its Title III, Part B Program. As described in item 97-7 in the accompanying Schedule of Findings and Questioned Costs, Jefferson County Commission did not comply with requirements regarding *Cash Management* that are applicable to its Title III, Part B and Part C Programs. As described in item 97-8 in the accompanying Schedule of Findings and Questioned Costs, Jefferson County Commission did not comply with requirements regarding *Matching, Level of Effort & Earmarking* that are applicable to its Title III, Part B Program. Compliance with such requirements is necessary, in our opinion, for Jefferson County Commission to comply with requirements applicable to the programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 1997.

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

Internal Control Over Compliance

The management of 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 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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Jefferson County Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-9 and 97-10.

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. Our consideration of the internal control over compliance 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 consider all of the reportable conditions described above to be material weaknesses.

This report is intended for the information of management, other state officials, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

January 9, 1998

Schedule of Findings and Questioned Cost For the Year Ended September 30, 1997

Summary of Examiner's Results

The audit of Jefferson County Commission was conducted in accordance with generally accepted auditing standards; 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*. An unqualified opinion was issued on the financial statements of Jefferson County Commission.

We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions which are described below as items 97-1 through 97-5. However, of the reportable conditions described above, we consider items 97-3 and 97-5 to be material weaknesses. Our audit disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts and grants that are required to be reported under *Government Auditing Standards*.

A qualified opinion was issued on Jefferson County Commission's compliance with laws, regulations, contracts and grants applicable to each of its major Federal programs. Our audit disclosed certain matters that we are required to report under OMB Circular A-133 as items 97-6, 97-7 and 97-8. We also noted certain matters involving the internal control over compliance applicable to federal programs that we consider to be reportable conditions which are described below as items 97-9 and 97-10. We believe these reportable conditions to be material weaknesses.

During the audit period, the following major programs were identified:

Community Development Block Grants/Entitlement Grants	#14.218
HOME Program	#14.239
Emergency Shelter Grants Program	#14.231
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	#93.918
Title III, Part B	#93.044
Title III, Part C	#93.045
Senior Community Service Employment Program	#17.235

Federal programs are classified as either Type A or Type B programs. According to criteria established by OMB Circular A-133, the Jefferson County Commission qualified as a low-risk auditee. The dollar threshold used to distinguish between Type A and Type B programs is as follows:

- ◆ **Type A Programs** - Federal awards expended during the audit period of \$300,000 or more.
- ◆ **Type B Programs** - Any remaining Federal awards with expenditures between \$100,000 and \$300,000.

***Schedule of Findings and Questioned Cost
For the Year Ended September 30, 1997***

Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
97-1	Internal Control	<p><u>Finding:</u> Of eighty fixed asset items tested, twenty-six items did not have a Commission identification sticker attached, five were not physically located, and one was not tagged correctly.</p> <p><u>Recommendation:</u> The Commission should take steps to ensure that Commission property is properly identified and located.</p>	
97-2	Internal Control	<p><u>Finding:</u> A complete and accurate physical inventory of materials and supplies was not performed at year-end.</p> <p><u>Recommendation:</u> The Commission should implement controls to ensure that a complete and accurate inventory of supplies and materials is performed at year-end.</p>	
97-3	Internal Control	<p><u>Finding:</u> During the audit period, the Commission did not reconcile general ledger revenues and expenditures to the subsidiary accounting records maintained by the Office of Senior Citizens' Activities, which were used to generate federal financial reports.</p> <p><u>Recommendation:</u> The Commission should reconcile general ledger revenues and expenditures to the subsidiary records maintained by the Office of Senior Citizens' Activities.</p>	
97-4	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> The Commission should implement procedures to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.</p>	

***Schedule of Findings and Questioned Cost
For the Year Ended September 30, 1997***

Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
97-5	Internal Control	<p><u>Finding:</u> Various weaknesses were noted regarding controls over data entry into the accounting system that have the potential to compromise the integrity of financial information presented by the Commission. Adequate controls were not present to: ensure that revenue and expenditure subsidiary ledgers balance to applicable general ledger control accounts; ensure that all entries made into the accounting system are in balance; and ensure that all entries are made in the correct accounting period.</p> <p><u>Recommendation:</u> The Commission should implement controls to alleviate the weaknesses in the accounting software system.</p>	

***Schedule of Findings and Questioned Cost
For the Year Ended September 30, 1997***

Findings and Questioned Costs for Federal Awards

Ref. No.	CFDA No.	Program	Findings/Noncompliance	Questioned Costs
97-6	93.044	U.S. Department of Health and Human Services, Passed Through Alabama Commission On Aging, Title III, Part B	<p><u>Finding:</u> Federal regulations governing "Reporting" require that the federal financial reports submitted to grantor agencies contain accurate and reliable financial information that is supported by the accounting records. The Final Quarterly Financial Report prepared by Jefferson County Commission's Office of Senior Citizens' Activities submitted to the Alabama Commission On Aging for Title III, Part B contained incomplete financial information that was not reconciled to the accounting records.</p> <p><u>Recommendation:</u> The Commission should ensure that the federal reports submitted to the Alabama Commission On Aging contain accurate and reliable financial information that is supported by the accounting records.</p>	
97-7	93.044 93.045	U.S. Department of Health and Human Services, Passed Through Alabama Commission On Aging, Title III, Parts B and C	<p><u>Finding:</u> Federal regulations governing "Cash Management" require that the Commission have a system for requesting federal funds which is adequate to limit the amount of federal funds requested to the Commission's immediate needs. During the audit period, the Jefferson County Commission's Office of Senior Citizens' Activities did not have an adequate cash management system and maintained large program cash balances unrelated to immediate program needs in Title III, Part B and C programs.</p>	

**Schedule of Findings and Questioned Cost
For the Year Ended September 30, 1997**

Findings and Questioned Costs for Federal Awards

Ref. No.	CFDA No.	Program	Findings/Noncompliance	Questioned Costs
			<p><u>Recommendation:</u> The Commission should develop an adequate cash management system that limits the amount of federal funds requested to the Commission's immediate needs.</p>	
97-8	93.044	U.S. Department of Health and Human Services, Passed Through Alabama Commission On Aging, Title III, Part B	<p><u>Finding:</u> Federal regulations governing "Matching, Level of Effort & Earmarking" require supporting documentation for in-kind contributions. During the audit period, Jefferson County Commission's Office of Senior Citizens' Activities reported in-kind contributions as local match in Title III, Part B programs that lacked supporting documentation.</p> <p><u>Recommendation:</u> The Commission should ensure that in-kind contributions reported on Federal Financial Reports are supported by documentation.</p>	\$35,701.00
97-9	93.044 93.045	U. S. Department of Health and Human Services, Passed Through Alabama Commission on Aging, Title III, Parts B and C	<p><u>Finding:</u> As described in 97-3, during the audit period, the Commission did not reconcile general ledger revenues and expenditures to the subsidiary accounting records maintained by the Office of Senior Citizens' Activities, which were used to generate federal financial reports.</p> <p><u>Recommendation:</u> The Commission should reconcile general ledger revenues and expenditures to the subsidiary records maintained by the Office of Senior Citizens' Activities</p>	

***Schedule of Findings and Questioned Cost
For the Year Ended September 30, 1997***

Findings and Questioned Costs for Federal Awards

Ref. No.	CFDA No.	Program	Findings/Noncompliance	Questioned Costs
97-10	14.218	U. S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants.	<p><u>Finding:</u> As described in 97-5, various weaknesses were noted regarding controls over data entry into the accounting system that have the potential to compromise the integrity of financial information presented by the Commission. Adequate controls were not present to: ensure that revenue and expenditure subsidiary ledgers balance to applicable general ledger control accounts; ensure that all entries made into the accounting system are in balance; and ensure that all entries are made in the correct accounting period.</p> <p><u>Recommendation:</u> The Commission should implement controls to alleviate the weaknesses in the accounting software system.</p> <p><u>Auditee Response:</u> The Jefferson County Commission disagreed with finding. See Corrective Action Plan.</p>	
	14.239 14.231	HOME Program Emergency Shelter Grants Program		
	93.918	U. S. Department of Health and Human Services Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		
	93.044 93.045	Passed Through Alabama Commission on Aging Title III, Part B Title III, Part C		
	17.235	U. S. Department of Labor Senior Community Service Employment Program		

Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION



MARY M. BUCKELEW

PRESIDENT

211 Courthouse, Birmingham, Alabama 35263-0071
Telephone (205) 325-5555

March 11, 1998

VIA FAX: 334-242-1775

Mr. Ronald L. Jones
Chief Examiner
State of Alabama Department of
Examiners of Public Accounts
P.O. Box 302251
Montgomery, Alabama 36130-2251

Dear Mr. Jones:

Attached is the information required in reference to Mr. Doug Clark's letter dated March 10, 1998.

Very truly yours,

A handwritten signature in cursive script that reads "Mary M. Buckelew".

Commissioner Mary M. Buckelew
President

Enclosure

cc: Jefferson County Commission
Sheriff Jim Woodward
Edwin A. Strickland
Max Michael, M.D.
Steve Sayler
Jeny Drake
Billy Morace
Jack Swann
Linda Vice
Patrick Nicovich
Sylvester Kyneard
Wayne Sullivan

**Corrective Action Plan
For the Year Ended September 30, 1997**

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(b), Jefferson County 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, 1997.

<u>Finding Reference Number</u>	<u>Corrective Plan Details</u>
97-1	Contact Person: Steve Sayler Response: Fixed asset inventory is ongoing. Anticipated Completion Date: ongoing
97-2	Contact Person: Jim Woodward; Jerry Drake; Max Michael, M.D.; Pat Nicovich; Jack Swann; Sylvester Kyneard; Billy Morace Response: Inventory will be taken. Anticipated Completion Date: September 30, 1998
97-3	Contact Person: Linda Vice Response: General ledger revenues and expenditures to the subsidiary records will be reconciled. Anticipated Completion Date: September 30, 1998
97-4	Contact Person: Steve Sayler Response: Compliance with Bessemer Utilities contract will be monitored. Anticipated Completion Date: ongoing.
97-5	Contact Person: Steve Sayler Response: Compensating controls alleviate weaknesses in data entry. Contract with vendor will be considered to eliminate weaknesses. Anticipated Completion Date: ongoing
97-6	Contact Person: Linda Vice Response: Federal reports submitted will contain proper information. Anticipated Completion Date: September 30, 1998.
97-7	Contact Person: Linda Vice Response: Cash Management system will limit the amount of federal funds requested. Anticipated Completion Date: September 30, 1998

97-8 **Contact Person: Linda Vice**
Response: In-kind contributions will be documented on Federal Financial Reports.
Anticipated Completion Date: September 30, 1998

97-9 **Contact Person: Linda Vice**
Response: General Ledger revenues and expenditures to the subsidiary records will be reconciled.
Anticipated Completion Date: September 30, 1998

97-10 **Contact Person: Steve Saylor**
Response: The financial information presented to the auditor balances between subsidiary and general ledgers; all entries to the accounting system are in balance; and all entries were made in the correct accounting period. It should be impossible for the auditor to consider this item as a reportable condition, much less a material weakness.
Anticipated Completion Date: September 30, 1997

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

Finding: Several new employees tested did not have I-9 Forms on file. Also, of the three contract workers tested, it appeared that, in accordance with IRS regulations, all should have been classified as Commission employees rather than independent contractors.

Response: The Jefferson County Personnel Board provides the Commission with human resource services such as I-9 Forms retention. The County Attorney advises the Commission that contract employees are in compliance with all laws.

Finding: The Alabama Competitive Bid Law requires that entities obtain competitive bids for purchases of goods and services costing in excess of \$7,500.00. The Commission did not obtain bids on an expenditure totaling \$19,800.00 for certain roadwork. In another instance, the Commission bid gasoline and fuel for a period of three years and awarded the bid to a local vendor. However, the Commission made purchases of gasoline totaling \$99,200.00 from another vendor.

Response: Wayne Sullivan of the County Highway Department has been advised that construction contracts such as the work performed by Trico Road Boring & Utilities, Inc. for the Carson Road Railroad project on or about October 1996 must be bid in accordance with the law. The Sheriff's gas credit cards have been destroyed and all fuel purchases should be under the Price Oil contract.

Finding: At September 30, 1997, the following funds have deficit fund balances:

Road Fund	\$1,671,177
Senior Citizens' Activities Fund	65,240
Road Construction Fund	89,429

Response: The Jefferson County Commission supplements the Road operations from the General Fund. The Commission transfers the supplementary cash at appropriate times during the fiscal year and we will not overfund the Road Fund cash account in order to eliminate the fund balance deficit. The Senior Citizen's Activities and Road Construction Funds fund balance deficits are similar in nature to the Road Fund. 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.



Mary M. Buckelew, President