

Comprehensive Annual Financial Report

Jefferson County, Alabama

**Fiscal Year Ended
September 30, 2004**

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

JEFFERSON COUNTY COMMISSION



MARY M. BUCKELEW
District 3
Commissioner
Technology and Land
Development



BETTIE FINE COLLINS
District 4
Commissioner
Health &
Human
Services



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



SHELIA SMOOT
District 2
Commissioner
Roads & Transportation
and Community
Development



GARY WHITE
District 5
Commissioner
Environmental Services

Jefferson County, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004

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JEFFERSON COUNTY COMMISSION

LARRY P. LANGFORD—COMMISSIONER

Finance and General Services



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

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

April 1, 2005

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

Jefferson County, Alabama is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A133. These ordinances and the Code of Alabama 1975, Section 41-5-14 requires that the Jefferson County Commission issue annually a report on its financial position and activity, and that this report be audited by the State of Alabama Department of Examiners of Public Accounts. The comprehensive annual financial report of the Jefferson County Commission for the fiscal year ended September 30, 2004 is hereby submitted as mandated by both local ordinances and state statutes. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the Jefferson County Commission. All disclosures necessary to enable the reader to gain an understanding of the Jefferson County Commission's activities have been included.

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

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and proves a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Reporting Entity

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

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

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

Also, the General Retirement System for Employees of Jefferson County, Alabama is a component unit of the Jefferson County Commission. The financial statements for The General Retirement System can be reviewed at the Jefferson County Courthouse, Room 430, Birmingham, Alabama

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

Governmental Structure, Local Economic Condition and Outlook

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

Jefferson County, Alabama's most populous county, is the principal center of finance, trade, health care, manufacturing, transportation and education in the State of Alabama. Birmingham, the State's largest city, and the county seat and 45 other municipalities are located within the County's 1,141 square miles. In 2000 the Birmingham MSA was expanded to include additional and was officially designated the Birmingham-Hoover MSA by the Federal Office of Management and Budget. The seven Birmingham-Hoover counties are: Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby and Walker. The County, which had a population of 663,047 in 2000, is the center of the new seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA),¹ which covers approximately 5,310 square miles. The total population of the counties now

comprising the Birmingham-Hoover MSA was 1,075,248 in 2003, making it the 48th most populated area among the 316 metropolitan areas in the U. S.

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

The Birmingham Hoover MSA is among the most economically diversified areas in the nation. Healthcare, banking and professional services have replaced steel production as the leading economic Sectors. Automotive manufacturing has also emerged as a major player in the region's economic base with the location of major automotive production facilities and suppliers.

The region's healthcare sector is among the top in the Southeast and is anchored by the world-renowned University of Alabama Medical School, which is ranked among the top three Southeastern medical schools in NIH (National Institutes of Health) allocations. In 2002, more than \$226 million dollars were funneled into the region's economy in support of biotechnology research.

Banking and finance is also a major pillar of the region's economic base. Birmingham is the Southeast's largest banking center outside Charlotte, North Carolina. Headquarters to three of the nation's top fifty largest banks, Birmingham ranks among the nation's top ten cities in total banking assets.

The Birmingham-Hoover Metropolitan Area is the center of the nation's fastest developing automotive manufacturing region. Mercedes Benz, Honda and Hyundai have major manufacturing facilities within an eighty-five mile radius of downtown Birmingham. The region's economic base has benefited from its proximity to these major manufacturing facilities with the location of several automotive suppliers.

The County and the Birmingham MSA have experienced steady population growth over the years. Although the City of Birmingham experienced an 8.7 percent loss in population between 1990 and 2000, the Birmingham-Hoover MSA grew 12.37 percent from 1990 to 2003.

Population Trends

Year	Jefferson County	Birmingham-Hoover MSA	State of Alabama
2003	658,141*	1,075,248*	4,500,752*
2000	662,047	1,052,238	4,447,100
1990	651,527	956,868	4,040,389
1980	671,324	884,040	3,893,888
1970	644,991	794,083	3,444,165
1960	634,864	772,044	3,266,740
1950	558,928	708,721	3,061,743

* U.S. Census Bureau 2002 estimates

“Per Capita Personal Income” is defined as the current income from all sources received by one resident in an area. It is measured before deduction of income and other personal taxes, but after deduction of personal contributions for social security, government retirement,

and their social insurance programs. Per capita personal income in the Birmingham MSA and the County are above average for the State of Alabama.

In 2002 the per capita personal income in the Birmingham MSA at \$30,661 or 99% was slightly below national averages, while per capita personal income in the County at \$33,057 or 107% are at the national average of \$30,906 or 100%.

Recent Developments

Until recently, Birmingham was the headquarters to four of the nation's top fifty largest banks – SouthTrust Bank, AmSouth Bank, Compass Bank and Regions Bank. Recent consolidations involving two of the city's four largest banks have changed the landscape of the city's financial sector and could have a significant impact on the County's economic base.

On June 21, 2004, Wachovia Corporation and SouthTrust Corporation (the holding company of SouthTrust Bank) announced plans for a merger in which Wachovia Corporation would acquire SouthTrust Corporation and SouthTrust Bank would be merged into Wachovia Bank. On November 1, 2006 after regulatory and shareholder approval, Wachovia Corporation announced that the merger with SouthTrust Corporation was complete and that the merger integration process is scheduled to be completed in the fourth quarter 2005. The combined company will have its headquarters in Charlotte, North Carolina. Industry analysts project that as many as 2,000 jobs could be lost in the Birmingham market due to the SouthTrust/Wachovia merger. Prior to the merger, SouthTrust was Birmingham's largest bank and in 2003 was the city's 15th largest employer.

On January 23, 2004, Regions Financial Corp. (the holding company of Regions Bank) and Union Planters Corp., a Memphis, Tennessee based company, announced plans for a merger in which Regions Financial Corp. would acquire Union Planters Corp. and Union Planters National Bank would be merged into Regions Bank. On July 1, 2004, the two companies announced the formal completion of their merger and that the merger integration is expected to be completed during 2006. The combined company will have its headquarters in Birmingham, Alabama.

Major Initiatives

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

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

The County is a party of a consent decree arising out of certain litigation involving alleged violations of the Clean Water Act in the operation of the wastewater system. The

County has committed to the numerous improvements to Jefferson County’s wastewater collection and treatment infrastructure, such as:

- consent decree mandated sewer repairs
- consent decree mandated sewer replacements
- consent decree mandated wastewater treatment plant upgrades
- similar projects not mandated under the consent decree but nonetheless required under the federal Clean Water Act
- Projects to provide sewers in previously unserved areas and to increased treatment plan capacities.

The total cost of the consent decree mandates is projected to be approximately \$1.61 billion and accounts for approximately 66 percent of the twelve-year Capital Improvement Program. Of the completed and active consent decree related contracts, about \$1.45 billion of the work is completed, and about \$69.4 million is projected to be spent to complete work under current contracts. The full report on Environmental Services Capital Improvement Plan can be found on the County’s finance web site at www.jeffcofinance.com

During the year, the Commission demonstrated its efforts to construct and improve local roadways by spending approximately \$44 million for construction and maintenance of highways and bridges within the County.

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

(Thousands)	2002	2003	2004
Building Renovation Projects	23,103	10,887	9,317
Road Construction Projects	7,119	12,848	9,845
Landfill Improvements Projects	25	481	480
Sewer Improvements Projects	41,724	44,462	12,191
TOTALS	71,971	68,678	31,883

Additionally, construction contracts and other significant commitments at September 30, 2004 totaled approximately \$180 million.

Internal Controls. Management of Jefferson County is responsible for establishing and maintaining an internal control structure. The purpose of the internal control structure is to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

The results of the County's single audit for the fiscal year ended September 30, 2004, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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

Pension Trust Fund Operations. The General Retirement System for Employees of Jefferson County continues to be strongly funded, comparing the actuarial value of assets to the actuarial accrued liability. Accordingly, based upon the most recent actuarial valuations, the pension trust funded ratio for Fiscal Year ending September 30th was:

Pension Fund Ratio			
2001	2002	2003	2004
117%	111%	111%	111.5%

Debt Administration. At September 30, 2004 Jefferson County had a number of debt issues outstanding. The principal forms of indebtedness that the County is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, special or limited obligation warrants, and various revenue anticipation bonds and warrants relating to enterprises. Under existing law, the County may issue general obligation bonds only after a favorable vote of the electorate of the County. General and special obligation warrants issued for certain specified purposes may be issued without voter approval.

The following is a summary of long-term debt transactions for the Commission:

	(In Thousands)			
	2001	2002	2003	2004
General Obligation Warrants	\$ 288,865	\$ 268,230	\$297,830	\$330,825
Arbitrage Rebate Payable		2,383	2,383	1,260
Revenue Warrants	1,796,250	2,437,755	3,271,710	3,269,115
Total	\$2,085,115	\$3,008,368	\$3,571,923	\$3,601,200

CREDIT RATING

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

General Obligation:	<u>Insured</u>	<u>Underlying</u>
Moody's Investor Service, Inc.	Aaa	Aa2
Standard & Poor's Corporation	AAA	AA
Sewer Revenue:		
Moody's Investors Service, Inc.	Aaa	A3
Standard & Poor's Corporation	AAA	A

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

Statutes authorize the Commission to invest in obligations of the U.S. Treasury and federal agency securities.

(In Thousands)	2002	2003	2004
US Government Securities	\$468,159*	\$235,002	\$285,248
Repurchase Agreements	503,737	580,506	392,621
Certificate of Deposit	-	-	5,000
Total	\$971,896	\$815,508	\$682,869

* includes \$157,318 Investment for General Retirement System for employees of Jefferson County.

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.

The County's deposits at September 30, 2004 were entirely covered by federal depository insurance or by collateral held by the pledging financial institution's trust department in the Commission's name.

Risk Management. Jefferson County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Therefore, the County maintains a risk management program in order to minimize its exposures to loss. As part of the comprehensive plan, the County has established a Risk Management Fund whereby resources are accumulated to meet potential losses. The County is self-insured for workers' compensation and general, auto, professional and medical malpractice liability, with retention of \$500,000 and third party excess coverage for statutory

amounts above the retention amount. Third party insurance coverage is maintained for property coverage.

Independent Audit. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report on the County's finance web site at www.jeffcofinance.com

Awards. Jefferson County was awarded the Government Finance Officers Association Award for Distinguished Budget Presentation for its fiscal year ended September 30, 2004. In order to qualify for the Distinguished Budget Presentation Award, the governmental organization budget document must meet stringent program criteria as a policy document, an operating guide, a financial plan, and a communication device. The award is valid for a period of one year only. This achievement represented Jefferson County's ninth consecutive year to receive the award.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve Saylor", written in a cursive style.

Steve Saylor
Finance Director

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**Jefferson County, Alabama
County Officials
September 30, 2004**

Jefferson County Board of Commissioners

**Larry P. Langford, President
Mary M. Buckelew
Bettye Fine Collins
Shelia Smoot
Gary White**

Administrative

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

Appointed

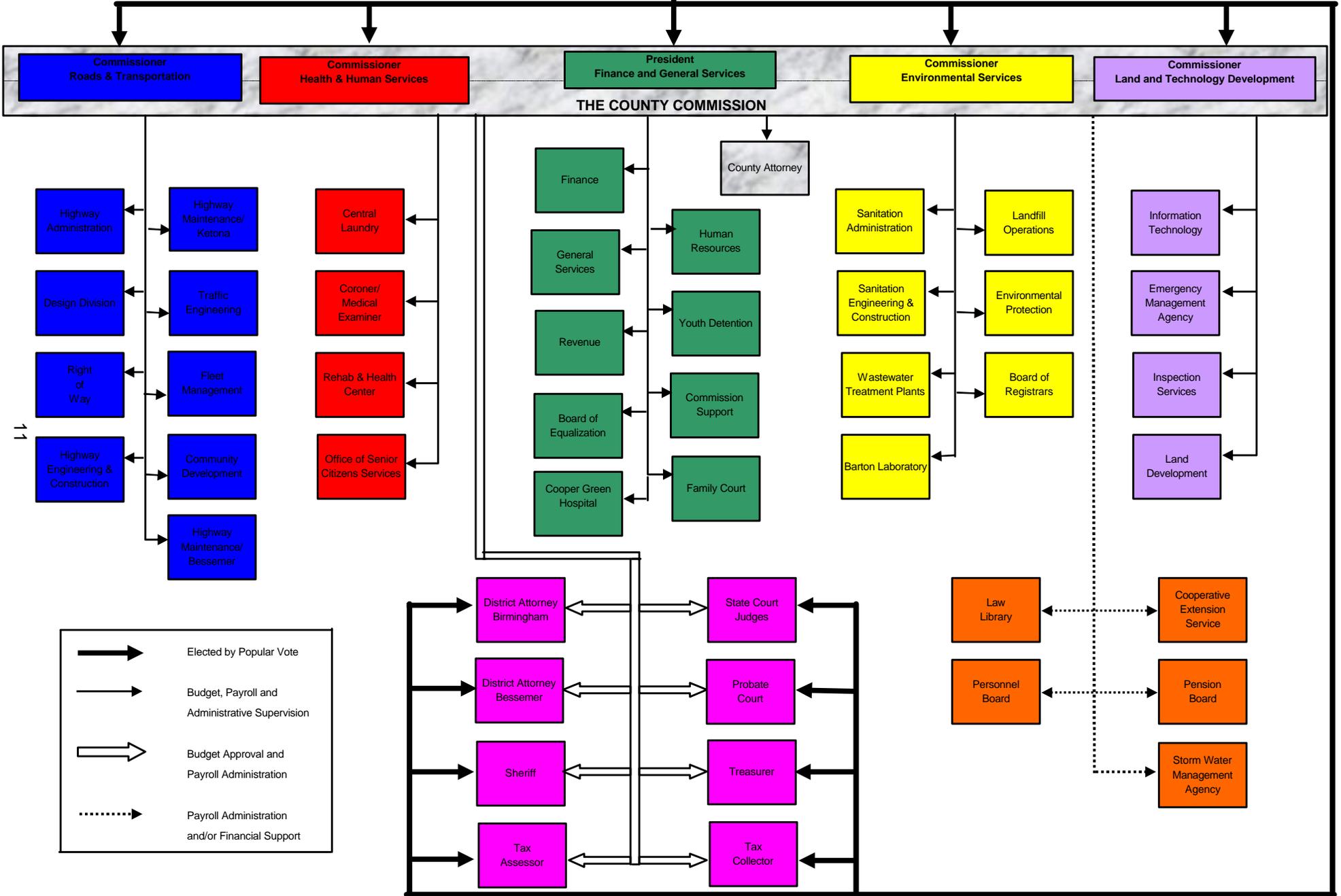
Elwood Odom..... Emergency Management Agency, EMA Coordinator
Cathy Crumley Pension Board, Pension Coordinator
Vacant Personnel Board, Director
Agnes Miller State Courts, Court Administrator

Elected

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

JEFFERSON COUNTY, ALABAMA

ELECTORATE



RESPONSIBILITIES OF JEFFERSON COUNTY

The Jefferson County Commission

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

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

As of October 1, 2004, the County employed approximately 4,529 individuals. The County's employees perform tasks in five areas of County government. These areas are the Department of Finance and General Services, the Department of Roads and Transportation, the Department of Environmental Services, the Department of Health and Human Services, and the Department of Land and Technology Development. A description of each area follows:

The Department of Finance and General Services

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

The Department of Roads and Transportation

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

The Department of Environmental Services

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

The Department of Health and Human Services

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

The Department of Land and Technology Development

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION

AWARD FOR

DISTINGUISHED BUDGET PRESENTATION

For the Fiscal Year Beginning October 1, 2003

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Jefferson County, Alabama for its annual budget for the fiscal year beginning October 1, 2003.

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

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

**PRESENTED TO
Jefferson County,
Alabama**

**For the Fiscal Year Beginning
October 1, 2003**

Edward Harrington
President

Jeffrey L. Esser
Executive Director



Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission (the "Commission"), as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 10. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government, the Jefferson County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include financial data of the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jefferson County, as of September 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government, the Jefferson County Commission, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2005 on our consideration of the Jefferson County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 11 through 14) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 25) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the combining financial statements (Exhibits 15 through 24) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Jefferson County, Alabama's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with the County's basic financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The County's total net assets decreased \$90 million, or 6%. Net assets of business-type activities decreased \$74 million, or 6%, net assets of governmental activities reflected a \$16 million, or 9%, decrease.
- \$333 million of the decrease in total current and other assets and long-term liabilities is due to reclassification of Deferred Loss on Refunding in the sanitary operations fund.
- \$140 million of the decrease in total current and other assets is reflected in the increase in capital assets, primarily from business-type activities.
- Total revenues decreased \$25 million, or 5%. However, total program expenses decreased \$45 million, or 7%.
- Charges for services from business-type activities increased almost \$12 million as a result of the sewer rate going from \$4.90 per hundred cubic feet of water used to \$5.39.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 1 through 4) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements (begin on page 5) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page iii. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of

the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the County's Most Significant Funds

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

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

Activities. In fact the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities – such as the County's Building Services Fund.

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

THE COUNTY AS A WHOLE

The County's combined net assets decreased approximately \$90 million, or 6%, from a year ago, while the previous year showed a \$110 million decreased, or 7%. The analysis below focuses on the net assets and changes in net assets, as reflected in the following condensed statements, of the County's governmental and business-type activities.

	Net Assets					
	FY 2003 Restated					
	(\$000 omitted)					
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Assets and Liabilities</u>						
Current and Other Assets	\$ 346,421	\$ 335,339	\$ 843,441	\$ 1,422,778	\$ 1,189,862	\$ 1,758,117
Capital Assets	<u>282,842</u>	<u>271,478</u>	<u>3,378,607</u>	<u>3,249,376</u>	<u>3,661,449</u>	<u>3,520,854</u>
Total Assets	<u>629,263</u>	<u>606,817</u>	<u>4,222,048</u>	<u>4,672,154</u>	<u>4,851,311</u>	<u>5,278,971</u>
Long-term Liabilities	327,155	294,308	2,941,752	3,279,693	3,268,907	3,574,001
Other Liabilities	<u>140,248</u>	<u>134,693</u>	<u>52,715</u>	<u>90,548</u>	<u>192,963</u>	<u>225,241</u>
Total Liabilities	<u>467,403</u>	<u>429,001</u>	<u>2,994,467</u>	<u>3,370,241</u>	<u>3,461,870</u>	<u>3,799,242</u>
<u>Net Assets</u>						
Invested in Capital Assets, net of related debt	104,450	(24,687)	1,121,098	365,100	1,225,548	340,413
Restricted	27,124	152,481	674,765	995,878	701,889	1,148,359
Unrestricted	<u>30,286</u>	<u>50,022</u>	<u>(568,282)</u>	<u>(59,065)</u>	<u>(537,996)</u>	<u>(9,043)</u>
Total Net Assets	<u>\$ 161,860</u>	<u>\$ 177,816</u>	<u>\$ 1,227,581</u>	<u>\$ 1,301,913</u>	<u>\$ 1,389,441</u>	<u>\$ 1,479,729</u>

Net assets of the County's governmental activities decreased by approximately \$15.9 million, or 9%. However, the components of net assets showed a much greater change from the prior year. Long-term liabilities increased \$33 million, or 11% due to increased long-term debt, and other liabilities increased \$6 million, or 4%, due to reclassifications. Net assets invested in capital assets, net of related debt, increased \$129 million. Restricted net assets decreased \$125 million, or 82%. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased by \$20 million, or 39%.

Changes in Net Assets
(\$000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues:						
Charges for Services	\$ 44,341	\$ 52,085	\$ 171,268	\$ 159,423	\$ 215,609	\$ 211,508
Operating grants	55,796	55,617			55,796	55,617
Capital grants	1,128	427			1,128	427
General revenues:					-	-
Property taxes	81,986	73,436	4,630	4,113	86,616	77,549
Sales tax	67,340	63,920			67,340	63,920
Other taxes	10,059	10,528			10,059	10,528
Occupational license	58,824	55,089			58,824	55,089
Investment earnings	2,745	5,953	32,600	69,057	35,345	75,010
Other general revenues	2,915	10,189	300	72	3,215	10,261
Total revenues	<u>325,134</u>	<u>327,244</u>	<u>208,798</u>	<u>232,665</u>	<u>533,932</u>	<u>559,909</u>
Program Expenses						
General Government	111,829	121,127			111,829	121,127
Public Safety	70,884	71,248			70,884	71,248
Highways and Roads	40,875	41,901			40,875	41,901
Welfare	13,253	16,453			13,253	16,453
Culture and Recreation	15,860	18,250			15,860	18,250
Education	234	231			234	231
Interest and Fiscal Charges	13,614	14,234			13,614	14,234
Hospital			77,952	74,526	77,952	74,526
Nursing Operations			15,965	16,306	15,965	16,306
Landfill			7,022	7,090	7,022	7,090
Sanitary Operations			256,559	287,898	256,559	287,898
Parking			174	307	174	307
Total Expenses	<u>266,549</u>	<u>283,444</u>	<u>357,672</u>	<u>386,127</u>	<u>624,221</u>	<u>669,571</u>
Excess (deficiency) before special items and transfers	58,585	43,800	(148,874)	(153,462)	(90,289)	(109,662)
Net transfers	(74,542)	(46,097)	74,542	46,097		
Increase (decrease) in net assets	<u>\$ (15,957)</u>	<u>\$ (2,297)</u>	<u>\$ (74,332)</u>	<u>\$ (107,365)</u>	<u>\$ (90,289)</u>	<u>\$ (109,662)</u>

The County's total revenues decreased \$25 million, or 5% from the previous year. The total costs of all programs and services decreased \$45 million, or 7%.

Governmental Activities

Total revenue from governmental activities decreased \$2 million, or 0.6% from the prior year. However, individual revenue components both increased and decreased by various amounts.

Charges for services increased \$8 million, or 15%. \$6 million of this decrease is due to discontinuing the Children's Disproportionate Share Fund program with Children's Hospital. The County funds all expenses of the Jefferson County Personnel Board and then is reimbursed on a percentage basis by all jurisdictions served by the Board. During the year, the Board incurred approximately \$2.7 million more in expenses than the prior year, resulting in \$2 million of additional reimbursements to the County from the other jurisdictions for their allocated portions.

Property Taxes for governmental activities increased \$8.5 million from last year. This is primarily due to ongoing annual re-appraisal projects by the Board of Equalization. An increase of \$3.4 million in sales tax and \$3.7 in occupational licenses reflects the improving economic climate in the County.

Total program expenses for governmental funds decreased \$17 million, or 6%, from last year. There were several programs which showed notable increases.

General government expenses went up approximately \$9 million, or 8%. \$6.75 million of this decrease is due to discontinuing the Children's Disproportionate Share Fund program with Children's Hospital. Increases in employees' salaries and benefits were offset by close management attention to budgeted and actual expenditures.

Public safety expenses remained virtually unchanged even with increases in the costs of salaries and benefits

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

**Governmental Activities
(\$000 omitted)**

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General government	\$ 111,829	\$ 121,127	\$ 39,955	\$ 45,543
Public safety	70,884	71,248	66,189	64,856
Highway and Roads	40,875	41,901	30,291	30,509
Welfare	13,253	16,453	(861)	1,692
Culture and recreation	15,860	18,250	15,860	18,250
All others	13,848	14,465	13,850	14,465
Totals	<u>\$ 266,549</u>	<u>\$ 283,444</u>	<u>\$ 165,284</u>	<u>\$ 175,315</u>

Business-type Activities

Total revenues for business-type activities decreased \$23 million, or 10%, due predominantly to investment earnings. The decrease in investment earnings was offset by an increase in charges for services of \$12 million or 7%. On January 1, 2004, the sewer rate increased from \$4.90 per hundred cubic feet of water used to \$5.39 per hundred cubic feet. Real property revaluations resulted in the property tax increase.

Practically the entire \$28 million decrease in program expenses for business-type activities was from sanitary operations. This decrease is due to decrease activity in sanitary operations resulting from studies conducted to best complete Consent Decree improvements.

THE COUNTY'S FUNDS

The General Fund went from a \$17 million net decrease in fund balance last year to a net decrease of \$2 million during the current year. Factors contributing to this were as follows:

- A net change of Fund Balance of \$2 million this year replaced a \$17 million deficiency last year. Total revenues increased \$7 million while total expenditures increased only \$5 million. Operating transfers from the Capital Improvements Fund and Debt Service Fund increased \$6.9 million.
- Operating transfers from the General Fund decreased \$16 million from the prior year. The major beneficiaries of these were the Road Fund (\$16.6 million), Office of Senior Citizen's Services (\$2.3 million), Cooper Green Hospital (\$1.5 million), Nursing Home (\$6.1 million), and the Landfill Fund (\$1.7 million).

The Road Fund's fund balance decreased \$1 million from FY 2003. A \$2.6 million increase in FY 2004 revenue reinforced by virtual equal expenditures was offset by a \$5.8 million decrease in operating transfers in and a \$1 million operating transfer out.

The Indigent Care Fund's fund balance increased \$6 million from FY 2003. A \$2 million increase in Sales Tax, \$.75 million dollar decrease in expenditures due to discontinuing the Children's Disproportionate Share Fund program, and \$3.41 million less operating transfers out contributed to this increase.

The Bridge and Public Building Fund's fund balance remained virtually unchanged. The \$3.6 million increase in Ad Valorem taxes was matched by operating transfers out.

The Cooper Green Hospital Fund's fund balance increased \$18.6 million from FY 2003. The fund's FY 2003 negative \$9.5 million change in net assets was replaced with a FY 2004 \$18.6 million change in net assets. Offsetting operating transfer decreases of \$3.41 million from the Indigent Care Fund were operating transfers of \$1.5 million from the General Fund and \$32 million from the Capital Improvement Fund.

The Sanitary Operations Fund's fund balance decreased \$90.5 million from the FY 2003 restated fund balance. Although the sanitary operations fund had \$3.5 million operating income, non-operating expenses, primarily excess on interest expenses over revenue of \$77 million and \$12 million amortization of bond issue costs caused -\$90.5 million change in net assets.

BUDGETS

Throughout the year, the original budget is amended to reflect changes in funding needs. The County has established policies and procedures for amending the budget. Statements reflecting original and final budgets, plus actual compared to final budget amounts, are shown on pages 84 through 92 for the general fund and all major special refund funds.

Perhaps most notable is the lack of material budgetary activity. Strong management pressure at all levels for costs containment resulted in few budget amendments and \$16 million decrease in governmental program expenditures and \$28 million decrease in business-type program expenditures. Several revenue items saw the original budget significantly increased during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the County had \$3.6 billion invested in a broad range of capital assets, including buildings, roads, bridges, public safety equipment, and sewer lines. The amount represents a net increase (including additions and deductions) of \$140 million, or 4%, over the previous year.

**Capital Assets, net
FY 2003 Restated
(\$000 omitted)**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 13,429	\$ 12,103	\$ 46,566	\$ 45,920	\$ 59,995	\$ 58,023
Buildings and Improvements	49,277	56,260	1,095,204	882,805	1,144,481	939,065
Equipment	25,753	28,241	9,213	11,969	34,966	40,210
Infrastructure	23,937	19,150	1,186,868	1,222,263	1,210,805	1,241,413
Construction in Progress	172,446	155,724	1,040,756	1,086,419	1,213,202	1,242,143
	<u>\$ 284,842</u>	<u>\$ 271,478</u>	<u>\$ 3,378,607</u>	<u>\$ 3,249,376</u>	<u>\$ 3,663,449</u>	<u>\$ 3,520,854</u>

Major additions during the year were predominantly in construction in progress. Amounts expended on construction projects during the year were \$1.1 on Bessemer courthouse renovations, \$2.5 million on courtrooms in the Criminal Justice center, and \$1.2 million for renovations of the Personnel Board space. The County has budgeted approximately \$266 million for construction contracts for fiscal year 2005, principally for building renovations, road construction, and sewer improvements.

Debt

At year end, the County has \$3.59 billion in general obligation and revenue warrants outstanding versus \$3.56 billion last year, an increase of less than 1%.

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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2005
General Obligation Warrants (backed by the County)	\$ 330,825	\$ 297,830	\$	\$	\$ 330,825	\$ 297,830
Revenue Warrants (backed by Sewer fees)			3,269,115	3,271,710	3,269,115	3,271,710
	<u>\$ 330,825</u>	<u>\$ 297,830</u>	<u>\$ 3,269,115</u>	<u>\$ 3,271,710</u>	<u>\$ 3,599,940</u>	<u>\$ 3,569,540</u>

New debt totaling \$51 million in general obligation warrants was issued during the year. The general obligation warrants were issued to refund the outstanding balance of a prior issue and reimburse the County for prior capital expenditures. The majority of the sewer revenue bonds are refundings of previously-issued bonds, with the proceeds of all the bonds being used to upgrade and expand the sanitary sewer system.

CURRENTLY KNOWN FACTS AND CONDITIONS

On January 1, 2005, the residential sewer rate increased from \$5.39 per hundred cubic feet of water used to \$5.93 per hundred cubic feet, or an increase of 10%. Assuming the same volume of water consumption as last year, next year's sewer revenue as recorded in the business-type activities would increase approximately \$12 million.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Jefferson County, Alabama
Statement of Net Assets
September 30, 2004
(In Thousands)
Exhibit #1

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and Investments	\$ 49,547	\$ 11,037	\$ 60,584
Accounts Receivable, Net	78	17,922	18,000
Loans Receivable, Net	3,341		3,341
Patient Accounts Receivable, Net		10,345	10,345
Property Taxes Receivable, Net	79,983	4,374	84,357
Interest Receivable	9	3,136	3,145
Due From Other Governments	55,337	1,093	56,430
Inventories	3,668	2,094	5,762
Prepaid Expenses	57	550	607
Deferred Charges - Issuance Costs		1,420	1,420
Total Current Assets	<u>192,020</u>	<u>51,971</u>	<u>243,991</u>
Noncurrent Assets:			
Deferred Charges - Issuance Costs		49,268	49,268
Advances Due From Other Funds	19,906	(19,906)	
Restricted Assets - Noncurrent	134,495	762,108	896,603
Capital Assets, Net of Depreciation	282,842	3,378,607	3,661,449
Total Non-current Assets	<u>437,243</u>	<u>4,170,077</u>	<u>4,607,320</u>
Total Assets	<u>629,263</u>	<u>4,222,048</u>	<u>4,851,311</u>

Continued

Jefferson County, Alabama
Statement of Net Assets
September 30, 2004
(In Thousands)
Exhibit #1

	<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities:			
Accounts Payable	4,951	16,576	21,527
Deposits Payable		26	26
Due to Other Governments	5,838		5,838
Deferred Revenue	84,676	4,603	89,279
Accrued Wages and Benefits Payable	7,017	2,059	9,076
Accrued Interest Payable	6,781	21,961	28,742
Retainage Payable	1,306	13,008	14,314
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	21,175	4,365	25,540
Add: Unamortized Premiums	570		570
Less: Deferred Loss on Refunding	(256)	(10,748)	(11,004)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41	41
Estimated Liability for Compensated Absences	1,927	824	2,751
Estimated Claims Liability	6,263		6,263
Total Current Liabilities	<u>140,248</u>	<u>52,715</u>	<u>192,963</u>
Noncurrent Liabilities:			
Portion Due or Payable After One Year:			
Arbitrage Rebate Payable		1,260	1,260
Warrants Payable	309,650	3,264,750	3,574,400
Add: Unamortized Premiums	4,075		4,075
Less: Deferred Loss on Refunding	(1,153)	(333,560)	(334,713)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,259	3,259
Estimated Liability for Compensated Absences	14,583	6,043	20,626
Total Non-current Liabilities	<u>327,155</u>	<u>2,941,752</u>	<u>3,268,907</u>
Total Liabilities	<u>467,403</u>	<u>2,994,467</u>	<u>3,461,870</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	104,450	1,121,098	1,225,548
Restricted For:			
Debt Service	13,079	279,116	292,195
Capital Projects		382,641	382,641
Other Purposes	14,045	13,008	27,053
Unrestricted	30,286	(568,282)	(537,996)
Total Net Assets	<u>\$ 161,860</u>	<u>\$ 1,227,581</u>	<u>\$ 1,389,441</u>

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

Jefferson County, Alabama
Statement of Activities
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #2

	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Charges for Services</u>
Primary Government			
Governmental Activities:			
General Government	\$ 111,829	\$ (2,808)	\$ 39,873
Public Safety	70,884	2,790	3,078
Highways and Roads	40,875		1,381
Welfare	13,253	16	9
Culture and Recreation	15,860		
Education	234	2	
Interest and Fiscal Charges	13,614		
	<hr/>	<hr/>	<hr/>
Total Government Activities	266,549		44,341
	<hr/>	<hr/>	<hr/>
Business-type Activities:			
Hospital	77,952		28,595
Nursing Operations	15,965		10,200
Landfill	7,022		3,477
Sanitary Operations	256,559		128,711
Parking	174		285
	<hr/>	<hr/>	<hr/>
Total Business Type Activities	357,672		171,268
	<hr/>	<hr/>	<hr/>
Total Primary Government	\$ 624,221	\$	\$ 215,609
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
General Revenues			
Taxes:			
Property Taxes			
Sales Tax			
Other Taxes			
Occupational License			
Unrestricted Investment Earnings			
Miscellaneous			
Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets Beginning of Year			
(As Restated (Note 24))			
Net Assets, End of Year			

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

Revenues		Net (Expenses) Revenues and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Totals
\$ 29,193		\$ (39,955)	\$	\$ 39,955
3,279	1,128	(66,189)		66,189
9,203		(30,291)		30,291
14,121		861		(861)
		(15,860)		15,860
		(236)		236
		(13,614)		13,614
<u>55,796</u>	<u>1,128</u>	<u>(165,284)</u>		<u>165,284</u>
			(49,357)	49,357
			(5,765)	5,765
			(3,545)	3,545
			(127,848)	127,848
			111	(111)
			(186,404)	186,404
<u>\$ 55,796</u>	<u>\$ 1,128</u>	<u>\$ (165,284)</u>	<u>\$ (186,404)</u>	<u>\$ 351,688</u>
		81,986	4,630	86,616
		67,340		67,340
		10,059		10,059
		58,824		58,824
		2,745	32,600	35,345
		2,915	300	3,215
		(74,542)	74,542	
		<u>149,327</u>	<u>112,072</u>	<u>261,399</u>
		(15,957)	(74,332)	(90,289)
		<u>177,817</u>	<u>1,301,913</u>	<u>1,479,730</u>
		<u>\$ 161,860</u>	<u>\$ 1,227,581</u>	<u>\$ 1,389,441</u>

Jefferson County, Alabama
Balance Sheet - Governmental Funds
September 30, 2004
(In Thousands)
Exhibit #3

	General Fund	Indigent Care Fund	Road Fund
Assets			
Cash and Investments	\$ 4,149	\$ 6,504	\$ 990
Accounts Receivable, Net	34		
Loans Receivable, Net			
Property Taxes Receivable, Net	34,993		13,122
Interest Receivable			
Due From Other Governments	34,527	6,608	846
Inventories	149		2,329
Prepaid Expenses	22		6
Advances Due From Other Funds			
	\$ 73,874	\$ 13,112	\$ 17,293
Total Assets	\$ 73,874	\$ 13,112	\$ 17,293
Liabilities and Fund Balances			
Liabilities			
Cash Deficit	\$	\$	\$
Accounts Payable	969		220
Due To Other Governments	229		5,609
Deferred Revenue	36,864		13,808
Retainage Payable			1,306
Accrued Wages and Benefits Payable	5,365		689
Accrued Interest Payable			
Estimated Liability for Compensated Absences	1,142		415
	44,569		22,047
Total Liabilities	44,569		22,047
Fund Balances			
Reserved For:			
Advances Due From Other Funds			
Inventories	149		2,329
Petty Cash	91		
Mapping and Reappraisal	1,259		
E-911	(126)		
Cooper Green Hospital Foundation		279	
Debt Service			
Encumbrances	5,798		677
Prepaid Expenses	22		6
Loans Receivable			
Unreserved Reported In:			
General Fund	22,112		
Special Revenue		12,833	(7,766)
Capital Projects			
	29,305	13,112	(4,754)
Total Fund Balances	29,305	13,112	(4,754)
Total Liabilities and Fund Balances	\$ 73,874	\$ 13,112	\$ 17,293

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

<u>Bridge and Public Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,183	\$ 159,656	\$ 172,482
	2	36
	3,341	3,341
31,868		79,983
	9	9
443	4,118	46,542
		2,478
	5	33
	19,906	19,906
<u>\$ 33,494</u>	<u>\$ 187,037</u>	<u>\$ 324,810</u>
\$	\$ 2,275	\$ 2,275
	2,119	3,308
		5,838
33,534	470	84,676
		1,306
	94	6,148
	6,781	6,781
		1,557
<u>33,534</u>	<u>11,739</u>	<u>111,889</u>
	19,906	19,906
		2,478
	1	92
		1,259
		(126)
		279
	148,843	148,843
	21,664	28,139
	5	33
	3,341	3,341
		22,112
(40)	(8,949)	(3,922)
	(9,513)	(9,513)
<u>(40)</u>	<u>175,298</u>	<u>212,921</u>
<u>\$ 33,494</u>	<u>\$ 187,037</u>	<u>\$ 324,810</u>

Jefferson County, Alabama
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2004
Exhibit #4

Total Fund Balances - Government Funds (Exhibit #3)	\$	212,921
<p>Amounts reported for governmental activities in the Statement of Net Assets (Exhibit #1) are different because:</p>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets were added as net capital assets in the following amount:		259,628
Deferred Loss on Early Retirement of Debt is Not Reported in the Funds		1,409
Deferred charges related to issuance of long-term liabilities are not reported in the funds		(4,645)
Internal service funds are used by management to charge the costs of certain risk management to individual funds. The assets and liabilities of certain internal service funds are included in the statement of net assets.		35,237
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General Obligation Warrants Payable	(330,825)	
Estimated Liability For Compensated Absences	(11,865)	
Total Long-Term Liabilities	(342,690)	(342,690)
Total Net Assets - Governmental Activities (Exhibit #1)	\$	161,860

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

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Jefferson County, Alabama
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #5

	<u>General Fund</u>	<u>Indigent Care Fund</u>	<u>Road Fund</u>
Revenues			
Taxes	\$ 71,144	\$ 41,216	\$ 14,316
Licenses and Permits	65,208		
Intergovernmental	21,982		8,490
Charges for Services	23,103		332
Indirect Costs Recovery	13,619		
Miscellaneous	376	2,055	110
Interest	2,200	1	
	<u>197,632</u>	<u>43,272</u>	<u>23,248</u>
Total Revenues			
Expenditures			
Current:			
General Government	73,322	2,250	
Public Safety	62,155		
Highways and Roads			34,898
Welfare	848		
Culture and Recreation	15,784		
Education	234		
Capital Outlay	2,842		758
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Debt Issuance Costs			
Indirect Costs	17,952	2	3,945
	<u>173,137</u>	<u>2,252</u>	<u>39,601</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	24,496	41,020	(16,353)
Other Financing Sources (Uses)			
Debt Issued			
Premiums on Debt Issued			
Sale of Capital Assets	67		124
Transfers In	6,921		16,615
Transfers Out	(29,411)	(34,489)	(1,000)
	<u>(22,423)</u>	<u>(34,489)</u>	<u>15,739</u>
Total Other Financing Sources (Uses)			
Net Change In Fund Balances	2,072	6,531	(614)
Fund Balances at Beginning of Year, As Restated (Note 24)	27,233	6,581	(4,140)
Fund Balances at End of Year	<u>\$ 29,305</u>	<u>\$ 13,112</u>	<u>\$ (4,754)</u>

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

<u>Bridge and Public Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 32,708		\$ 159,384
		65,208
713	25,740	56,925
	1,061	24,496
		13,619
	630	3,171
48	460	2,709
<u>33,469</u>	<u>27,891</u>	<u>325,512</u>
	13,100	88,672
	2,446	64,601
		34,898
	10,487	11,335
		15,784
		234
	23,218	26,818
	18,025	18,025
	13,614	13,614
	692	692
6	965	22,870
<u>6</u>	<u>82,547</u>	<u>297,543</u>
33,463	(54,656)	27,969
	51,020	51,020
	791	791
		191
	98,230	121,766
<u>(33,500)</u>	<u>(99,979)</u>	<u>(198,379)</u>
<u>(33,500)</u>	<u>50,062</u>	<u>(24,611)</u>
(37)	(4,594)	3,358
(3)	179,892	209,563
<u>\$ (40)</u>	<u>\$ 175,298</u>	<u>\$ 212,921</u>

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Jefferson County, Alabama
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2004
Exhibit #6

Net Change in Fund Balances - Total Governmental Funds (Exhibit #5)	\$	3,358
<p>Amounts reported for governmental activities in the Statement of Activities (Exhibit #2) are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$26,818) exceeded depreciation (\$13,366) in the current period.</p>		
		13,452
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.</p>		
Debt Issued:		
Refunding Warrants	(\$51,020)	
Premium on Refunding	(791)	
Repayments:		
Principal	<u>18,025</u>	(33,786)
Net Adjustment		
<p>Some expenditures reported in the governmental funds are deferred on the statement of net assets, this includes bond issuance costs and premiums.</p>		
		692
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The current year increases in Estimated Liability for Compensated Absences (\$23) exceeded Amortization of Deferred Charges (\$310).</p>		
		287
<p>Governmental Funds report Proceeds from Sale of Fixed Assets as other financing sources. However, the Statement of Activities reports a gain or loss on the sale of capital assets. The difference between the Proceeds from Sale of Capital Assets (\$191) and the Loss on the Sale of Capital Assets (\$258)</p>		
		(449)
<p>Internal service funds are used by management to charge the costs of certain activities, such as building services and risk management, to individual funds. The net revenue and expense of certain internal service funds is reported with governmental activities.</p>		
		<u>489</u>
Change in net assets of governmental activities	\$	<u><u>(15,957)</u></u>

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

Jefferson County, Alabama
Statement of Net Assets - Proprietary Funds
September 30, 2004
(In Thousands)
Exhibit #7

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>	<u>Other Enterprise Funds</u>
Assets			
Current Assets:			
Cash and Investments	\$ 5,955	\$ 4,695	\$ 387
Accounts Receivable, Net	65	16,797	1,060
Patient Accounts Receivable, Net	8,172		2,173
Property Taxes Receivable, Net		4,374	
Interest Receivable		3,136	
Due From Other Governments	250	843	
Inventories	1,154	886	54
Prepaid Expenses	535	11	4
Deferred Charges-Issuance Costs		1,411	9
Total Current Assets	<u>16,131</u>	<u>32,153</u>	<u>3,687</u>
Noncurrent Assets:			
Deferred Charges - Issuance Costs		49,128	140
Restricted Assets - Noncurrent Cash		762,108	
Capital Assets, Net Where Applicable	<u>11,105</u>	<u>3,310,147</u>	<u>57,355</u>
Total Noncurrent Assets	<u>11,105</u>	<u>4,121,383</u>	<u>57,495</u>
Total Assets	<u>\$ 27,236</u>	<u>\$ 4,153,536</u>	<u>\$ 61,182</u>

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

<u>Total</u>	<u>Internal Service Funds</u>
\$ 11,037	\$ 21,688
17,922	41
10,345	
4,374	
3,136	
1,093	8,798
2,094	190
550	24
1,420	
51,971	30,741
49,268	
762,108	
3,378,607	23,213
4,189,983	23,213
\$ 4,241,954	\$ 53,954

Continued

Jefferson County, Alabama
Statement of Net Assets - Proprietary Funds
September 30, 2004
(In Thousands)
Exhibit #7

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>	<u>Other Enterprise Funds</u>
Liabilities			
Current Liabilities:			
Cash Deficit	\$	\$	\$
Accounts Payable	1,645	14,770	161
Deposits Payable			26
Deferred Revenue		4,603	
Accrued Wages and Benefits Payable	947	763	349
Accrued Interest Payable		21,940	21
Retainage Payable		13,008	
Estimated Liability for Compensated Absences	264	436	124
Warrants Payable		4,365	
Less: Deferred Loss on Refunding		(10,748)	
Estimated Liability for Landfill Closure/ Postclosure Care Costs			41
Estimated Claims Liability			
Total Current Liabilities	<u>2,856</u>	<u>49,137</u>	<u>722</u>
Noncurrent Liabilities:			
Advances Due to Other Funds			19,906
Arbitrage Rebate Payable		1,260	
Warrants Payable		3,264,750	
Less: Deferred Loss on Refunding		(333,560)	
Estimated Liability for Landfill Closure/ Postclosure Care Costs			3,259
Estimated Liability for Compensated Absences	1,934	3,199	910
Total Noncurrent Liabilities	<u>1,934</u>	<u>2,935,649</u>	<u>24,075</u>
Total Liabilities	<u>4,790</u>	<u>2,984,786</u>	<u>24,797</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,105	1,072,395	37,598
Restricted for:			
Debt Service		279,116	
Capital Projects		382,641	
Other Purposes		13,008	
Unrestricted	11,341	(578,410)	(1,213)
Total Net Assets	<u>\$ 22,446</u>	<u>\$ 1,168,750</u>	<u>\$ 36,385</u>

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

<u>Total</u>	<u>Internal Service Funds</u>
\$	\$
16,576	7,852
26	1,642
4,603	
2,059	870
21,961	
13,008	
824	370
4,365	
(10,748)	
41	
	<u>6,263</u>
<u>52,715</u>	<u>16,997</u>
19,906	
1,260	
3,264,750	
(333,560)	
3,259	
6,043	2,719
<u>2,961,658</u>	<u>2,719</u>
<u>3,014,373</u>	<u>19,716</u>
1,121,098	23,213
279,116	
382,641	
13,008	
(568,282)	12,025
<u>\$ 1,227,581</u>	<u>\$ 35,238</u>

Jefferson County, Alabama
Statement of Revenues, Expenses and
Changes in Fund Net Assets -
Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #8

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>	<u>Other Enterprise Funds</u>
Operating Revenues			
Taxes	\$	\$	\$
Intergovernmental		4,630	
Charges for Services	28,595	127,757	13,907
Other Operating Revenue		954	55
Total Operating Revenues	<u>28,595</u>	<u>133,341</u>	<u>13,962</u>
Operating Expenses			
Provision for Bad Debts	1,679		
Salaries	28,009	20,681	9,411
Employee Benefits and Payroll Taxes	6,003	6,038	2,725
Materials and Supplies	11,093	1,380	1,329
Utilities	952	6,072	874
Outside Services	11,874	6,212	2,670
Services From Other Hospitals	5,116		
Jefferson Clinic	7,100		
Office Expense	2,580	2,795	1,121
Depreciation and Amortization	1,633	86,652	2,997
Landfill Closure and Postclosure Care Costs			202
Miscellaneous	205	7	
Total Operating Expenses	<u>76,244</u>	<u>129,837</u>	<u>21,329</u>
Operating Income (Loss)	(47,649)	3,504	(7,367)
Nonoperating Revenues (Expenses)			
Interest Expense		(109,468)	(200)
Interest Revenue	13	32,586	1
Miscellaneous	19	141	41
Amortization of Bond Issue Costs		(12,159)	(9)
Indirect Costs	(1,708)	(3,784)	(1,623)
Gain/(Loss) on Sale of Capital Assets		(1,311)	99
Indirect Cost Recovery			
Total Nonoperating Revenues (Expenses)	<u>(1,676)</u>	<u>(93,995)</u>	<u>(1,691)</u>
Operating Transfers			
Transfers In	67,979	30	7,800
Transfers Out			(1,267)
Total Operating Transfers	<u>67,979</u>	<u>30</u>	<u>6,533</u>
Change in Net Assets	18,654	(90,461)	(2,525)
Total Net Assets - Beginning of Year as Restated (Note 24)	<u>3,792</u>	<u>1,259,211</u>	<u>38,910</u>
Total Net Assets - End of Year	<u>\$ 22,446</u>	<u>\$ 1,168,750</u>	<u>\$ 36,385</u>

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

<u>Total</u>	<u>Internal Service Funds</u>
\$ 4,630	\$ 10,674
170,259	22,888
1,009	
<u>175,898</u>	<u>33,562</u>
1,679	
58,101	21,885
14,766	5,963
13,802	3,043
7,898	3,411
20,756	12,495
5,116	
7,100	
6,496	2,992
91,282	2,858
202	
212	17
<u>227,410</u>	<u>52,664</u>
(51,512)	(19,102)
(109,668)	
32,600	35
201	951
(12,168)	
(7,115)	(859)
(1,212)	13
	<u>17,381</u>
<u>(97,362)</u>	<u>17,521</u>
75,809	3,379
<u>(1,267)</u>	<u>(1,308)</u>
74,542	2,071
<u>(74,332)</u>	<u>490</u>
1,301,913	34,748
<u>\$ 1,227,581</u>	<u>\$ 35,238</u>

Jefferson County, Alabama
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #9

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received for Services	\$ 27,931	\$ 127,168
Other Operating Revenues		6,394
Cash Payments to Employees	(33,896)	(26,618)
Cash Payments for Goods and Services	(40,993)	(31,055)
Net Cash Provided (Used) by Operating Activities	<u>(46,958)</u>	<u>75,889</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers Out		
Operating Transfers In	67,979	30
Received From Auxiliary Services		
Increase/(Decrease) in Cash Deficit	(12,371)	
Miscellaneous	19	141
Indirect Cost	(1,708)	(3,784)
Indirect Cost Recovery		
Net Cash (Used) by Non-Capital Financing Activities	<u>53,919</u>	<u>(3,613)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of Capital Assets	(1,016)	(220,941)
Sale of Capital Assets		122
Interest Paid		(107,000)
Principal Payments on Warrants		(2,595)
Retainage Payments		(2,376)
Arbitrage Payments		(1,123)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,016)</u>	<u>(333,913)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Received	13	31,936
Net Cash Flows Provided by Investing Activities	<u>13</u>	<u>31,936</u>
Net Increase (Decrease) in Cash	5,958	(229,701)
Cash and Investments, Beginning of Year		941,765
Restatement (Note 24)	(3)	54,739
Cash and Investments, Beginning of Year - as restated	(3)	996,504
Cash, End of Year	<u>\$ 5,955</u>	<u>\$ 766,803</u>
Displayed As:		
Cash and Investments	\$ 5,955	\$ 4,695
Restricted Assets - Noncurrent Cash		762,108
	<u>\$ 5,955</u>	<u>\$ 766,803</u>

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

Other Enterprise Funds		Total	Internal Service Funds		
\$	13,185	\$	168,284	\$	22,840
	55		6,449		8,249
	(12,008)		(72,522)		(27,458)
	(5,877)		(77,925)		(21,526)
	(4,645)		24,286		(17,895)
	(1,267)		(1,267)		(1,308)
	7,800		75,809		3,379
			(12,371)		951
	42		202		2,006
	(1,623)		(7,115)		(859)
					17,381
	4,952		55,258		21,550
	(5)		(221,962)		(1,242)
	98		220		37
	(192)		(107,192)		
			(2,595)		
			(2,376)		
			(1,123)		
	(99)		(335,028)		(1,205)
	1		31,950		35
	1		31,950		35
	209		(223,534)		2,485
	179		941,944		19,280
	(1)		54,735		(77)
	178		996,679		19,203
\$	387	\$	773,145	\$	21,688
\$	387	\$	11,037	\$	21,688
			762,108		
\$	387	\$	773,145	\$	21,688

Jefferson County, Alabama
Statement of Cash Flows -
Proprietary Funds
September 30, 2004
(In Thousands)
Exhibit #9

	<u>Cooper Green Hospital Fund</u>	<u>Sanitary Operations Fund</u>
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating Activities</u>		
Operating Income/(Loss)	\$ (47,649)	\$ 3,504
<u>Adjustments to Reconcile Operating Income to</u>		
<u>Net Cash Provided by Operating Activities</u>		
<u>Provision For Bad Debt</u>		
Depreciation Expense	1,633	86,652
(Increase)/Decrease in Prepaid Expenses	1,736	(3)
(Increase)/Decrease in Accounts Receivable	(23)	143
(Increase)/Decrease in Patient Receivables	(639)	
(Increase)/Decrease in Due From Other Governments		79
(Increase)/Decrease in Property Taxes Receivable		(810)
(Increase)/Decrease in Inventories	1	60
Increase/(Decrease) in Accounts Payable	(2,133)	(14,646)
Increase/(Decrease) in Deferred Revenue		809
Increase/(Decrease) in Due to Other Funds		
Increase/(Decrease) in Deposits Payable		
Increase/(Decrease) in Accrued Wages Payable	192	120
Increase/(Decrease) in Estimated Liability For Compensated Absences	(76)	(19)
Increase/(Decrease) in Estimated Claims Liability		
Increase/(Decrease) Postclosure Care Costs		
Total Adjustments	<u>691</u>	<u>72,385</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (46,958)</u>	<u>\$ 75,889</u>

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

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ (7,367)	\$ (51,512)	\$ (19,102)
2,997	91,282	2,858
(2)	1,731	108
(125)	(5)	(12)
(596)	(1,235)	
	79	(2,460)
	(810)	
2	63	(67)
(25)	(16,804)	158
	809	
192	192	
(8)	(8)	
74	386	259
52	(43)	130
		233
161	161	
2,722	75,798	1,207
<u>\$ (4,645)</u>	<u>\$ 24,286</u>	<u>\$ (17,895)</u>

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Jefferson County, Alabama
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004
(In Thousands)
Exhibit #10

	<u>Agency Funds</u>
Assets	
Cash and Investments	\$ 2,995
Loans Receivable, Net	<u>387</u>
Total Assets	<u><u>3,382</u></u>
Liabilities	
Due to External Organizations	2,262
Due to Other Governments	<u>1,120</u>
Total Liabilities	<u><u>\$ 3,382</u></u>

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Note 1 - Summary of Significant Account Policies

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

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

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

These and other changes are reflected in the accompanying government-wide and fund financial statements (including the notes to the financial statements). The Jefferson County Commission implemented the provisions of the Statement in the 2002 fiscal year. The Commission will retroactively report infrastructure (assets acquired prior to October 1, 2001) by or before the fiscal year ending September 30, 2006.

A. Reporting Entity

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Birmingham and Bessemer Divisions, Sheriff, Treasurer – Birmingham Division and Deputy Treasurer – Bessemer Division. Separate legal compliance examination reports are issued for these component units, and these reports can be obtained from the State of Alabama, Department of Examiners of Public Accounts.

Also, the General Retirement System for Employees of Jefferson County, Alabama is a component unit of the Jefferson County Commission. The financial statements for the General Retirement System can be reviewed at the Jefferson County Courthouse, Room 430 Courthouse, Birmingham, Alabama.

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

The Commission reports the following major governmental funds:

- **General Fund** – The general fund is the primary operating fund of the County. It is used to account for financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes, occupational taxes, county sales taxes and revenues collected by the State of Alabama and shared with the Commission.
- **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.
- **Bridge and Public Fund** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.

Other non-major governmental funds are as follows:

- **Senior Citizens' Activities Fund** – This fund is used to account for the expenditure of federal and county funds to provide social, nutritional, transportation, and other services to elderly residents of Jefferson County.
- **Community Development Fund** – This fund is used to account for the expenditure of federal block grant funds.
- **CDBG/EDA Revolving Loan Fund** – This fund is used to account for the Commission's administration of various loan programs for rental housing rehabilitation and economic development.
- **Home Grant Fund** – This fund is used to account for the expenditure of funds received from the U. S. Department of Housing and Urban Development.
- **Emergency Management Fund** – This fund is used to account for the expenditure of funds received for disaster assistance programs.
- **Debt Service Funds** – This fund is used to account for the accumulation of resources for, and the payment of, the Commission's principal and interest on government bonds.
- **Capital Improvements Fund** – This fund is used to account for the financial resources used in the improvement of major capital facilities.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

The Commission reports the following major enterprise funds:

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

Other non-major enterprise funds are as follows:

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

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

The Commission also reports the following Fiduciary Fund Types:

Agency Funds

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

The Commission reports the following columns:

Proprietary Funds

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

Fiduciary Fund Types

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

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

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

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

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

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

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

1. Deposits and Investments

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

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

2. Receivables

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

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

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

	<u>(In Thousands)</u>
	<u>Enterprise Funds</u>
Patient Receivables	\$ 24,747
Allowance Accounts	<u>(14,402)</u>
Net Patient Receivables	<u>\$ 10,345</u>

Jefferson County issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans (net an allowance account) totaled \$3,341,000 at September 30, 2004.

Jefferson County, as lead agency, administers a joint grant agreement with the City of Birmingham for Title IX Revolving Loans Funds to provide funding for qualifying private enterprises. At September 30, 2004, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled \$387,000.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

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

3. Inventories

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

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

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

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

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

7. Long-Term Obligations

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

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

Bond discount/issue cost of the Series 2003-C Sewer Revenue Refunding Warrants contain deferred costs of \$23,965,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2003-C issue was \$23,239,000.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Bond discount/issue cost of the Series 2003-B Sewer Revenue Refunding Warrants contain deferred costs of \$10,814,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2003-B issue was \$10,418,000.

Bond discount/issue cost of the Series 2003-A Sewer Revenue Refunding Warrants contain deferred costs of \$28,000 that are being amortized over 12 years. At September 30, 2004, the unamortized deferred charge of the 2003-A issue was \$24,000.

Bond discount/issue cost of the Series 2002-C Sewer Revenue Refunding Warrants contain deferred costs of \$13,346,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2002-C issue was \$12,661,000.

Bond discount/issue cost of the Series 2002-A Sewer Revenue Warrants contain deferred costs of \$1,607,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2002-A issue was \$1,503,000.

Bond discount/issue cost of the Series 2001-A Sewer Revenue Warrants contain deferred costs of \$11,605,000 that are being amortized over 40 years. As a result of portions of this issue being defeased by the aforementioned 2003-C, 2003-B and 2002-C issues \$10,426,000 in costs were removed from the financial statements. At September 30, 2004, the unamortized deferred charge of 2001-A issue was \$567,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contained deferred costs of \$9,956,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 1997-A issue was \$2,112,000.

Bond (premium)/issue cost of the Series 2004-A General Obligation Capital Improvement Warrants contain deferred costs of \$(99,000) that are being amortized over 20 years. At September 30, 2004, the unamortized deferred credit of the 2004-A issue was (\$98,000).

Bond (premium)/issue cost of the Series 2003-A General Obligation Refunding Warrants contain deferred costs of (\$4,764,000) that are being amortized over 20 years. At September 30, 2004, the unamortized deferred credit of the 2003-A issue was (\$4,131,000).

Bond (premium)/issue cost of the Series 2002-A General Obligation Warrants contain deferred costs of (\$589,000) that are being amortized over 5 years. At September 30, 2004, the unamortized deferred credit of the 2002-A issue was (\$290,000).

Bond (premium)/issue cost of the Series 2001-A General Obligation Warrants contain deferred costs of (\$682,000) that are being amortized over 10 years. At September 30, 2004, the unamortized deferred credit of the 2001-A issue was (\$444,000).

Bond discount/issue costs of the 2001-B General Obligation Warrants contain deferred costs of \$379,000 attributable to general government operations and \$179,000 attributable to Landfill Operations that are being amortized over 20 years. At September 30, 2004, the unamortized deferred charge of the 2001-B issue was \$317,000 for the governmental funds and \$149,000 for enterprise funds.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

8. Compensated Absences

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

Vacation Leave

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

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

Sick Leave

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

Compensatory Leave

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

Maximum limitations of accumulated compensatory time are as follows:

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

Any employee's accrual of overtime in excess of the maximum limitation shall, within the following pay period, be disposed of by either (1) payment at the current hourly pay step of the employee or (b) granting equivalent time off.

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

extent it is probable that the benefits will result in termination payment, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

As of September 30, 2004, the liability for accrued vacation and compensatory leave is approximately \$14,540,000. Of this amount \$10,297,000 is reported in the governmental activities and \$4,243,000 is reported in the business-type activities.

As of September 30, 2004, the liability for accrued sick leave is approximately \$8,837,000. Of this amount, \$6,213,000 is reported in the government activities, and \$2,624,000 is reported in the business-type activities.

9. Net Assets/Fund Equity

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

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

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

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

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

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

	<u>(In Thousands)</u>
Revenues:	
Charges for Services	\$ 8,049
Interest	36
Transfers In	3,379
Total Revenues	11,464
Expenses:	
General Government	9,058
Public Safety	311
Highways and Roads	168
Health and Welfare	54
Culture and Recreation	76
Transfers Out	1,308
Total Expenses	10,975
Total Revenues Over Expenses	\$ 489

Note 3 – Stewardship, Compliance and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budget. All annual appropriations lapse at fiscal year end.

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

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

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2004, the following governmental funds had a deficit fund balance:

	<u>(In Thousands)</u>
Road Fund	\$ 4,754
Bridge and Public Building Fund	40
Senior Citizens Fund	756
Capital Improvement Fund	372

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

The Personnel Board Fund, an Internal Service Fund, had a deficit net asset of \$24,000 at September 30, 2004.

Note 4 – Deposits and Investments

Deposits

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

Investments

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

	(In Thousands)		
	<u>Category 1</u>	<u>Reported Amount</u>	<u>Fair Value</u>
U. S. Government Securities	\$ 285,248	\$ 285,248	\$ 285,248
Repurchase Agreements	392,621	392,621	392,621
Certificate of Deposit	5,000	5,000	5,000
Total Investments	<u>\$ 682,869</u>	<u>\$ 682,869</u>	<u>\$ 682,869</u>

The County has entered into contracts for construction of various facilities within Jefferson County. Amounts were provided by some contractors that were used to purchase certificates of deposit and U.S. Government securities to be held by designated financial institutions in the name of the contractors and the Jefferson County Commission in lieu of retainage. These securities totaling \$14,648,000 are included as part of Cash and Investments on Exhibit 1, but

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

are not included in deposits and investments discussed above. They are not covered by collateral agreements between financial institutions and the Jefferson County Commission, and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

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

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

	(In Thousands)			
	<u>Balance 10-01-03 As Restated (*)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 09/30/04</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 12,103	\$ 1,405	\$ (79)	\$ 13,429
Construction in Progress	155,724	16,738	(16)	172,446
General Infrastructure - C. I. P.	<u>19,150</u>	<u>4,787</u>	<u></u>	<u>23,937</u>
Total Capital Assets, not being depreciated	<u>186,977</u>	<u>22,930</u>	<u>(95)</u>	<u>209,812</u>
Capital Assets, being depreciated:				
Buildings	\$ 197,884	\$	\$	\$ 197,884
Improvements Other than Land/Building	8,436	9	(14)	8,431
Maintenance Equipment	4,826	28	(4)	4,850
Motor Vehicle (Non Fleet)	18,806	571	(255)	19,122
Office Furniture and Fixtures	4,494	52	(63)	4,483
Motor Vehicle (Fleet)	37,103	1,177	(2,531)	35,749
Miscellaneous Equipment	<u>38,041</u>	<u>3,293</u>	<u>(793)</u>	<u>40,541</u>
Total Capital Assets, being depreciated	<u>309,590</u>	<u>5,130</u>	<u>(3,660)</u>	<u>311,060</u>
Less Accumulated Depreciation for:				
Buildings	(145,424)	(6,471)		(151,895)
Improvements Other than Land/Building	(4,636)	(521)	14	(5,143)
Maintenance Equipment	(4,373)	(198)	4	(4,567)
Motor Vehicle (Non Fleet)	(11,668)	(1,503)	194	(12,977)
Office Furniture and Fixtures	(2,540)	(391)	63	(2,868)
Motor Vehicle (Fleet)	(28,236)	(3,472)	2,508	(29,200)
Miscellaneous Equipment	<u>(28,212)</u>	<u>(3,669)</u>	<u>502</u>	<u>(31,379)</u>
Total Accumulated Depreciation	<u>(225,089)</u>	<u>(16,225)</u>	<u>3,284</u>	<u>(238,029)</u>
Total Capital Assets, being depreciated, net	<u>84,501</u>	<u>(11,095)</u>	<u>(376)</u>	<u>73,031</u>
Governmental Activities Capital Assets, net	<u>\$ 271,478</u>	<u>\$ 11,835</u>	<u>\$ (471)</u>	<u>\$ 282,842</u>

Capital Assets were restated to correct prior year error. Total amount of restatement \$1,999,000.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

	(In Thousands)				
	<u>Balance 10/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Balance 09/30/04</u>
Business-Type Activities					
Capital Assets, not being depreciated					
Land	\$ 45,920	\$ 480	\$	\$ 166	\$ 46,566
Construction in Progress	1,086,419	220,751	(10)	(266,404)	1,040,756
Total Capital Assets, not being depreciated	<u>1,132,339</u>	<u>221,231</u>	<u>(10)</u>	<u>(266,238)</u>	<u>1,087,322</u>
Capital Assets, being depreciated:					
Buildings	394,336		(5)	124,731	519,062
Improvements Other than Land/Building	899,038		(1,458)	141,507	1,039,087
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,971				5,971
Motor Vehicle (Non Fleet)	9,046	13	(161)		8,898
Office Furniture and Fixtures	10,047		(5)		10,042
Motor Vehicle (Fleet)	11,644		(548)		11,096
Miscellaneous Equipment	13,958	702	(46)		14,614
Total Capital Assets, being depreciated	<u>2,759,850</u>	<u>715</u>	<u>(2,223)</u>	<u>266,238</u>	<u>3,024,580</u>
Less Accumulated Depreciation for:					
Buildings	(144,035)	(13,687)	3		(157,719)
Improvements Other than Land/Building	(266,534)	(38,732)	40		(305,226)
Infrastructure North	(70,617)	(13,333)			(83,950)
Infrastructure South	(122,930)	(22,062)			(144,992)
Maintenance Equipment	(5,610)	(147)			(5,757)
Motor Vehicle (Non Fleet)	(4,562)	(785)	161		(5,186)
Office Furniture and Fixtures	(9,532)	(94)	4		(9,622)
Motor Vehicle (Fleet)	(8,915)	(1,096)	548		(9,463)
Miscellaneous Equipment	(10,078)	(1,346)	44		(11,380)
Total Accumulated Depreciation	<u>(642,813)</u>	<u>(91,282)</u>	<u>800</u>		<u>(733,295)</u>
Total Capital Assets, being depreciated, net	<u>2,117,037</u>	<u>(90,567)</u>	<u>(1,423)</u>	<u>266,238</u>	<u>2,291,285</u>
Business-type Activities Capital Assets, net	<u>\$ 3,249,376</u>	<u>\$ 130,664</u>	<u>\$ (1,433)</u>	<u>\$</u>	<u>\$ 3,378,607</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

	<u>(In Thousands)</u>
Governmental Activities:	
General Government	\$ 7,932
Public Safety	1,866
Highway and Roads	3,463
Health & Welfare	105
Total Depreciation Expense - Governmental Activities	<u>\$ 13,366</u>
	<u>(In Thousands)</u>
Business-Type Activities:	
Hospital	\$ 1,633
Nursing Operations	320
Landfill	2,674
Sanitary Operations	86,653
Parking Services	2
Total Depreciation Expense - Business-Type Activities	<u>\$ 91,282</u>

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The General Retirement System for Employees of Jefferson County, Alabama (Retirement System) is the administrator of a single-employer, defined benefit pension plan (Plan) covering substantially all employees of Jefferson County, Alabama. The Retirement System was established by Act Number 487, Acts of Alabama 1965, page 717, and provides guidelines for benefits to retired and disabled employees of the County.

The Plan's financial statements are publicly available in the annual report of the General Retirement System for Employees of Jefferson County for the year ended September 30, 2004. The report may be reviewed at the Jefferson County Courthouse, Room 430, Birmingham, Alabama.

B. Funding Policy

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

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

C. Annual Pension Costs

For the year ended September 30, 2004, the Commission's annual pension contribution of \$9,258,000 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of October 1, 2003, the latest actuarial valuation date, were: (a) 7.0 percent investment rate of return on present and future assets, and (b) projected salary increases of 5.5 percent. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding excess is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2004 was 15 years.

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

Fiscal Year Ending	(In Thousands) Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/04	\$9,258	100%	\$0
09/29/03	\$8,580	100%	\$0
09/30/02	\$8,189	100%	\$0

D. Schedule of Funding Progress

(In Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as of Percentage of Covered Payroll [(b-a)/c]
09/30/02	\$ 676,094	\$ 610,321	\$ (65,773)	110.8%	\$ 144,465	(45.5%)
09/30/03	\$ 720,939	\$ 651,635	\$ (69,304)	110.6%	\$ 151,206	(45.8%)
09/30/04	\$ 769,274	\$ 689,976	\$ (79,298)	111.5%	\$ 151,337	(52.4%)

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Note 7 – Other Post-Employment Benefits (OPEB)

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

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

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

Currently 392 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 \$12.25 to \$713 per month and total insurance premiums range from \$288 to \$835. Expenditures for post retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$583,000 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

Jefferson County, Alabama
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For the Year Ended September 30, 2004

<u>Nature of Commitment</u>	(In Thousands)	
	<u>Nature of Commitment</u>	
Cahaba River Sewer Improvements	\$	5,860
Consent Decree Improvements		6,223
Consulting Services		546
East Village Creek Sewer Improvements		4,736
Five Mile Creek Sewer Improvements		14,621
HOME Grant Projects		2,706
Hopewell Pump Station		12,443
Integrated Tax System		687
Lower Valley Creek Sewer Improvements		6,011
Miscellaneous Sewer Rehabilitation		7,089
Morris Kimberly Sewer Improvements		910
Personnel Board Consulting		1,231
Personnel Department Renovations		2,505
Probate Information Management System		2,316
Purchase of Land for Construction Project		675
Prudes Creek Sewer Improvements		6,977
Shades Creek Sewer Improvements		11,702
Turkey Creek Sewer Improvements		8,375
Upper Valley Creek Sewer Improvements		3,197
Valley Creek Sewer Improvements		46,097
Village Creek Sewer Improvements		14,618
Warrior River Sewer Improvements		11,371
Youth Services Grant		6,663
Totals	<u>\$</u>	<u>177,559</u>

Note 9 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Jefferson County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total compensation which at September 30, 2004 amounted to \$10,000.

The Commission is a defendant in various lawsuits. Management is unable to predict the outcome of the litigation, but believes it has strong grounds upon which to defend these

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

proceedings. Accordingly, no provision for possible loss, if any, is included in the financial statements.

Note 10 – Deferred Revenues

Governmental funds and proprietary funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds and proprietary funds were as follows:

	(In Thousands)	
	<u>Unavailable</u>	<u>Unearned</u>
Ad Valorem Taxes Receivable	\$ 84,361	\$ 4,447
Grant Drawdowns Prior to Meeting All Eligibility Requirements		471
Total Deferred/Unearned Revenue	<u>\$ 84,361</u>	<u>\$ 4,918</u>

Note 11 – Lease Obligations

Operating Leases

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected as part of the Commission's capital assets. During the fiscal year ended September 30, 2004, total costs paid by the Commission were \$1,208,000 for governmental activities and \$340,000 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2004 were as follows:

Jefferson County, Alabama
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For the Year Ended September 30, 2004

Fiscal Year Ended September 30	(In Thousands) Governmental Activities
2005	\$ 477
2006	436
2007	402
2008	383
2009	359
2010-2014	1,886
2015-2019	949
Total:	<u>\$ 4,892</u>

Note 12 – County Appropriation Agreement

During the 1989 fiscal year, the Birmingham-Jefferson Civic Center Authority (Authority) issued \$132,380,000 in Capital Outlay Special Tax Bonds, Series 1989. The bonds are limited obligations of the Authority, payable solely out of certain tax proceeds to be received by the Authority pursuant to the separate Pledge and Appropriation Agreements between the City of Birmingham and the Authority and Jefferson County and the Authority.

The County levies a special privilege or license tax (the County Occupational Tax) at the rate of one-half of one percent of the gross receipts of each person following a vocation, occupation, calling or profession within the County. In the County Appropriation Agreement, the County agreed to pay the Authority, from proceeds of the County Occupational Tax, the first \$10,000,000 collected in 1989 and in each year thereafter until and including 2008.

Note 13 – Long-Term Debt

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

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

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

The General Obligation Capital Improvement and Refunding Warrants Series 2003-A dated March 1, 2003 were issued for the purpose of refunding the County's Series 1993 General

Jefferson County, Alabama
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For the Year Ended September 30, 2004

Obligation Warrants and for the purposes of acquiring, constructing and equipping various improvements to county facilities.

The General Obligation Capital Improvement Warrants Series 2004-A dated August 1, 2004, were issued for the purpose of funding various capital improvements.

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

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

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

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

The Sewer Revenue Warrants Series 2002-D dated November 1, 2002 were issued for the purpose funding various sewer improvements. This issue was refunded and defeased within the same fiscal year. See the description of the Sewer Revenue Refunding Warrants Series 2003-C below.

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

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

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

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2004.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

	(In Thousands)				
	Debt Outstanding October 1, 2003	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2004	Amounts Due Within One Year
Governmental Activities:					
General Obligation Warrants	\$ 297,830	\$ 51,020	\$ (18,025)	\$ 330,825	\$ 21,175
Add: Unamortized Premiums	5,112	99	(566)	4,645	570
Less: Deferred Loss on Refunding	(1,665)		256	(1,409)	(256)
Estimated Claims Liability	6,030	2,187	(1,954)	6,263	6,263
Estimated Liability for Compensated Absences	16,146	1,602	(1,238)	16,510	1,927
Governmental Activity Long- Term Liabilities	<u>\$ 323,453</u>	<u>\$ 54,908</u>	<u>\$ (21,527)</u>	<u>\$ 356,834</u>	<u>\$ 29,679</u>
Business-type Activities:					
Arbitrage Rebate Payable	\$ 2,383	\$	\$ (1,123)	\$ 1,260	\$
Revenue Warrants	3,271,710		(2,595)	3,269,115	4,365
Less: Deferred Loss on Refunding	(355,056)		10,748	(344,308)	(10,748)
Estimated Liability for Post- Closure Landfill Costs	3,139	202	(41)	3,300	41
Estimated Liability for Compensated Absences	6,910	52	(95)	6,867	824
Business-type Activity Long- Term Liabilities	<u>\$ 2,929,086</u>	<u>\$ 254</u>	<u>\$ 6,894</u>	<u>\$ 2,936,234</u>	<u>\$ (5,518)</u>

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

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

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

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

Jefferson County, Alabama
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(In Thousands)						
Fiscal Year Ended September 30,	Governmental Activities General Obligation Warrants		Business-Type Activities Revenue Warrants		Total Principal and Interest Requirements To Maturity	
	Principal	Interest	Principal	Interest		
	Principal	Interest	Principal	Interest		
2005	\$ 21,175	\$ 14,315	\$ 4,365	\$ 125,773	\$ 165,628	
2006	15,980	14,301	3,855	125,610	159,746	
2007	23,725	13,312	6,430	125,412	168,879	
2008	14,430	12,358	6,685	123,760	157,233	
2009	15,135	11,619	15,150	123,318	165,222	
2010-2014	64,245	49,303	161,510	601,699	876,757	
2015-2019	78,220	34,785	215,480	563,266	891,751	
2020-2024	97,915	39,085	317,205	513,620	967,825	
2025-2029			457,210	434,103	891,313	
2030-2034			513,900	344,548	858,448	
2035-2039			839,050	226,231	1,065,281	
2040-2044			728,275	40,106	768,381	
Totals	\$ 330,825	\$ 189,078	\$ 3,269,115	\$ 3,347,446	\$ 7,136,464	

Warrant Issuance Costs and Premiums

The Commission has issuance costs, gains/losses on refunding of debt, as well as premiums in connection with the issuance of its warrants. The issuance costs, gains/losses on refunding and premiums are being amortized using the straight line method.

The balance in these accounts for the governmental-type activities are as follows:

	(In Thousands)	
	Deferred Charges on Refunding	Premium
Total Deferred Charges on Refunding and Premiums	\$ 1,793	\$ 5,756
Amount Amortized Prior Years	128	644
Balance Deferred Charges on Refunding and Premiums	1,665	5,112
Current Year Additions		99
Current Amount Amortized	256	566
Balance Deferred Charges on Refunding and Premiums	\$ 1,409	\$ 4,645

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The balances in these accounts for business-type activities are as follows:

	(In Thousands)	
	Issuance Costs	Deferred Charges on Refunding
Total Issuance Costs, Deferred Charges on Refunding	\$ 108,779	\$ 360,618
Amount Amortized Prior Years	56,687	5,562
Balance Issuance Costs , Deferred Charges on Refunding	52,092	355,056
Current Amount Amortized	1,404	10,748
Balance Issuance Costs , Deferred Charges on Refunding	\$ 50,688	\$ 344,308

Prior Year Defeasance of Debt

In prior years, the Commission defeased certain revenue warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2004, the total of \$2,608,390,000 of warrants outstanding are considered defeased.

Note 14 – Warrants Payable – Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of \$3,269,115,000 at September 30, 2004. This long-term liability represents (1) The 1997-A Sewer Revenue Refunding Warrants, (2) the 2001-A Taxable Sewer Revenue Capital Improvements Warrants, (3) the 2002-A Sewer Revenue Capital Improvement Warrants, (4) the 2002-C Sewer Revenue Refunding Warrants, (5) the 2003-A Sewer Revenue Refunding Warrants, (6) the 2003-B Sewer Revenue Refunding Warrants, and (7) the 2003-C Sewer Revenue Refunding Warrants.

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

The balances as of September 30, 2004, exceeded the bond indenture requirements and were as follows:

Jefferson County, Alabama
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	(In Thousands)
Sewer Reserve Fund	\$ 54,095
1999 Sewer Reserve Fund	\$ 61,264
Sewer Rate Stabilization Fund	\$ 27,958
Sewer Depreciation Fund	\$ 50,065
2002-B Sewer Reserve Fund	\$ 54,874
2002-D Reserve Fund	\$ 30,632

Note 15 – Continuing Disclosure

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

	2004	2003	2002	2001
Active Accounts	145,099	143,056	143,038	142,305
Average Daily Treatment Volume (millions of gallons treated)	100	120	116	97
Sewer Charges	\$127,825,621	\$ 92,409,648	\$ 84,470,770	\$72,129,478
% Revenues - Largest Customer	3.23%	3.98%	2.74%	2.66%
% Revenues - Top 10 Customers	11.40%	12.66%	11.13%	12.53%

2004 Top Ten Customers	Consumption	Amount
University of Alabama - Birmingham	494,655	\$ 2,524,076
USX	491,787	\$ 1,671,188
Birmingham Housing	145,455	\$ 769,411
PEMCO	118,033	\$ 627,836
Golden Flake	117,866	\$ 613,527
Brookwood Medical Center	115,001	\$ 610,496
SMI Steel	112,679	\$ 599,298
Barbers Dairies	140,925	\$ 516,322
Samford University	94,740	\$ 502,286
The Children's Hospital	91,366	\$ 485,336

Effective March 1, 1999, January 1, 2000, January 1, 2001, January 1, 2002, January 1, 2003, and January 1, 2004 the County implemented sewer rate increases. The rate increases were implemented in accordance with the Commission's resolutions and the Indenture with the trustee for the Sewer Revenue Warrants.

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Note 16 – Landfill Closure and Postclosure Care Costs

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

The estimated liability for landfill closure and postclosure care costs had a balance of \$3,300,000 as of September 30, 2004. This estimate was based on 57% usage (filled) of the Jefferson County Landfill Number 1, and 76% usage (filled) of the Jefferson County Landfill Number 2, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed in October 1997.

This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2004. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 17 – Conduit Debt Obligations

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

As of September 30, 2004, the principal amount outstanding was \$39,585,000.

Note 18 – Risk Management

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

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

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- **Workers' Compensation** – Self-insured with a retention of \$500,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.
- **Property Insurance** – Commercial insurance coverage purchased in the amount of \$150 million per occurrence, except a separate annual aggregate of \$50 million flood and earthquake, to include the following sub-limits: (1) the County participates in an Owner Controlled Insurance Program with respects to property in the course of construction, builder's risks and installation or erection; (2) \$10 million per occurrence as included in the \$150 million loss limit subject to the policy terms and conditions; (3) \$5 million as respects to extra expense and (4) \$500,000 as respects to transit.
- **Boiler and Machinery Insurance** – Commercial insurance coverage purchased in the amount of \$30 million per occurrence.
- **Hospital and Nursing Home Medical Malpractice and General Liability** – Medical professional employees purchase individual insurance protection that is applicable to their County employment. Jefferson County Commission reimburses premiums for medical malpractice – professional liability insurance coverage for County medical professional employees in amounts up to \$120 per year. Coverage consists of \$1 million per occurrence and \$6 million aggregate.

Risk Management administers health insurance and negotiates with private providers to provide health, life, accidental death and dismemberment, vision, and dental insurances for its employees and dependents. Jefferson County Commission pays approximately 83% of health, 100% of basic life and accidental death and dismemberment, and the employees pay 100% of dental and vision insurance and other voluntary insurance plans.

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

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	(In Thousands)							
	General Liability		Auto Liability		Workers' Compensation		Totals	
	2004	2003	2004	2003	2004	2003	2004	2003
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$ 1,690	\$ 260	\$ 620	\$ 704	\$ 3,720	\$ 2,074	\$ 6,030	\$ 3,038
<u>Incurred Claims and Claim Adjustment Expenses:</u>								
Provision for Insured Events of Current Fiscal Year	239	148	150	38	1,798	827	2,187	1,013
Increases/(Decreases) in Provision for Insured Events of Prior Fiscal Years		1,485		(46)		2,008		3,447
Total Incurred Claims and Claim Adjustment Expenses	<u>239</u>	<u>1,633</u>	<u>150</u>	<u>(8)</u>	<u>1,798</u>	<u>2,835</u>	<u>2,187</u>	<u>4,460</u>
<u>Payments:</u>								
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	95	203	159	76	1,700	1,189	1,954	1,468
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year								
Total Payments	<u>95</u>	<u>203</u>	<u>159</u>	<u>76</u>	<u>1,700</u>	<u>1,189</u>	<u>1,954</u>	<u>1,468</u>
Total Unpaid Claim and Claim Adjustment Expenses at End of Fiscal Year	<u>\$ 1,834</u>	<u>\$ 1,690</u>	<u>\$ 611</u>	<u>\$ 620</u>	<u>\$ 3,818</u>	<u>\$ 3,720</u>	<u>\$ 6,263</u>	<u>\$ 6,030</u>

Employee Health Insurance

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

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

The schedule below presents health claims information for the fiscal year ended September 30, 2004:

(In Thousands)			
Balance 10/01/03	Claims Incurred	Claims Paid	Balance 09/30/04
\$ 1,500	\$ 26,021	\$ (23,871)	\$ 3,650

Jefferson County, Alabama
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For the Year Ended September 30, 2004

Note 19 – Advances to Other Funds

The amounts due to/from other funds at September 30, 2004 were as follows:

<u>(In Thousands)</u>	
<u>Advances From Other Funds</u>	
<u>Sanitary Landfill Operation Fund</u>	
<u>Advances to Other Funds</u>	
Debt Service Fund	\$19,906

Interfund Transfers

	Transfers							Totals
	In							
	General Fund	Road Fund	Cooper Green Hospital	Sanitary Operations	Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds	
<u>Transfers Out</u>								
General Fund	\$	\$ 16,615	\$ 1,490	\$ 29	\$ 2,964	\$ 513	\$ 7,800	\$ 29,411
Indigent Care Fund			34,489					34,489
Road Fund					1,000			1,000
Bridge and Public Building Fund					33,500			33,500
Nonmajor Governmental Funds	6,916		32,000		58,800	2,263		99,979
Internal Service Funds	5			1	700	602		1,308
Nonmajor Proprietary Funds					1,266	1		1,267
Totals	<u>\$ 6,921</u>	<u>\$ 16,615</u>	<u>\$ 67,979</u>	<u>\$ 30</u>	<u>\$ 98,230</u>	<u>\$ 3,379</u>	<u>\$ 7,800</u>	<u>\$ 200,954</u>

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

Note 20 – Subsequent Events

On December 14, 2004, the Commission levied a one cent sales tax for education purposes under the provisions of the **Code of Alabama 1975**, Section 40-12-4. The sales tax became effective January 1, 2005.

The Commission issued Limited Obligation School Warrants, Series 2004-A in the amount of \$650,000,000, Series 2005-A in the amount of \$200,000,000, and Series 2005-B in the amount of \$200,000,000. The warrants were issued to provide grants to the various boards of education located in Jefferson County to fund capital improvements or debt retirement. The

Jefferson County, Alabama
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For the Year Ended September 30, 2004

principal and interest on these warrants will be paid solely from the special sales tax levied for educational purposes.

On December 28, 2004, the Commission approved a plan to withdraw funds from the sewer debt service reserve fund and substitute one or more surety bonds or other comparable bond insurance policies. These funds will be used to pay the costs of capital improvements to the County's sanitary sewer system, thereby reducing the need to issue additional sewer revenue warrants.

Note 21 – Deficit Cash Balance

As of September 30, 2004 the following funds had deficit cash balances:

	<u>(In Thousands)</u>
Senior Citizens Fund	\$ 1,451
Community Development Fund	824
Personnel Board Fund	<u>7,852</u>
Total Governmental Activities	<u>\$ 10,127</u>

Note 22 – Franchise Taxes

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

Note 23 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

Objective of the Swap – In October 2002, the County entered into three (3) swaps to synthetically refund outstanding bonds that provided the County with present value savings of \$57,529,050.67 or 7.939% of the refunded bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in October 2002. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

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Terms – The swaps were executed with JPMorgan Chase Bank, Lehman Brothers Special Financing and Bank of America, NA with notional amounts of \$539,446,000, \$190,054,000 and \$110,000,000 respectively. The swaps commenced on October 25, 2002 and mature on February 1, 2040. Under the swaps, the County pays a fixed rate of 3.92% and receives a variable rate computed as 67% of the 1-Month London Interbank Offered Rate (LIBOR). The swaps have a combined notional amount of \$839,500,000 and the associated variable-rate bond has an \$839,500,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2004 rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.9200%
Variable Payment from Counterparty	67% of LIBOR	<u>1.2328%</u>
Net interest rate swap payments		2.6872%
Variable-Rate Bond Payments		<u>1.6084%</u>
Synthetic Interest Rate on Bonds		<u><u>4.2956%</u></u>

Fair Value – As of September 30, 2004, the swap had a negative fair value of \$53,514,396.62. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because each of the total swap portfolios, documented under each of the respective ISDA Master Agreements with JPMorgan Chase Bank, and Lehman Brothers Special Financing and Bank of America, NA had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. Each of the Schedules to the Master Agreement includes an "additional termination event." Under this provision, the swaps may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligation hereunder. Furthermore, the swaps may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the

Jefferson County, Alabama
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Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swaps expose the County to basis risk should the relationship between LIBOR and the bonds converge, changing the synthetic rate on the bonds.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows:

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2005		\$ 13,503	\$ 22,559	\$ 36,062
2006		13,503	22,559	36,062
2007	2,700	13,481	22,523	38,704
2008	2,800	13,437	22,449	38,686
2009-2013	16,300	66,439	111,002	193,741
2014-2018	20,200	64,975	108,555	193,730
2019-2023	79,600	62,277	104,048	245,925
2024-2028	145,850	50,965	85,149	281,964
2029-2033	27,700	44,797	74,844	147,341
2034-2038	471,050	25,580	42,737	539,367
2039-2040	73,300	1,721	2,875	77,896
Totals:	<u>\$ 839,500</u>	<u>\$ 370,678</u>	<u>\$ 619,300</u>	<u>\$ 1,829,478</u>

2003-B1 – B7 Sewer Refunding Warrants

Objective of the Swap – In May 2003, the County entered into a swap to synthetically refund outstanding bonds that provided the County with present value savings of \$64,675,743.91 or 7.009% of the Refunded Bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in May of 2003. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms – The swap was executed with JPMorgan Chase Bank. The swap commenced on May 1, 2003 and matures on February 1, 2042. Under the swap, the County pays a fixed rate of 3.678% and receives a variable rate computed 67% of the 1-Month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$1,035,800,000 and the associated variable-rate bond has a \$1,035,890,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

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	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to Counterparty	Fixed	3.6780%
Variable Payment from Counterparty	67% of LIBOR	<u>1.2328%</u>
Net Interest Rate Swap Payments		2.4452%
Variable-Rate Bond Payments		<u>1.5379%</u>
Synthetic Interest Rate on Bonds		<u><u>3.9831%</u></u>

Fair Value – As of September 30, 2004, the swap had a negative fair value of \$31,167,029.64. Since the coupons on the County’s variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under the ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio’s fair value, documented under the ISDA Master Agreement, becomes positive at some point in the future Alabama law requires the Counterparty to post collateral against the total swap portfolio’s fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (“Moody’s”) and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County’s obligations under the Swaps or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a “Substitute Credit Provider”) insuring the prompt and timely performance of the County’s obligation hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody’s and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County’s obligation hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows:

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Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2005	\$	\$ 15,930	\$ 25,327	\$ 41,257
2006		15,930	25,327	41,257
2007		15,930	25,327	41,257
2008		15,930	25,327	41,257
2009-2013	29,150	78,561	124,909	232,620
2014-2018	35,075	76,098	120,993	232,166
2019-2023	141,675	68,660	109,166	319,501
2024-2028	170,675	58,604	93,178	322,457
2029-2033	218,525	43,659	69,416	331,600
2034-2038	70,550	32,242	51,264	154,056
2039-2042	370,150	10,486	16,672	397,308
Totals	<u>\$ 1,035,800</u>	<u>\$ 432,030</u>	<u>\$ 686,906</u>	<u>\$ 2,154,736</u>

2003-C Sewer Refunding Warrants

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

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

Jefferson County, Alabama
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	Terms	Rates
Interest Rate Swap (up to 2-1-05)		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	BMA	<u>1.6900%</u>
Net Interest Rate Swap Payments		1.9060%
Variable-Rate Bond Payments		<u>1.4835%</u>
Synthetic Interest Rate on Bonds		<u><u>3.3895%</u></u>
<hr/>		
	Terms	Rates
Interest Rate Swap (after to 2-1-05)		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	67% of LIBOR	<u>1.2328%</u>
Net Interest Rate Swap Payments		2.3632%
Variable-Rate Bond Payments		<u>1.4835%</u>
Synthetic Interest Rate on Bonds		<u><u>3.8467%</u></u>

Fair Value – As of September 30, 2004, the swaps had a negative fair value of \$17,335,600.85. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method involves and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rate used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks – As of September 30, 2004, the County is not exposed to credit risk because each of the total swap portfolios, documented under each of the respective ISDA Master Agreements with JPMorgan Chase Bank and Bank of America, NA, had a negative fair value. If the total swap portfolio's, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. Each of the Schedules to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligation under the Swaps or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substances to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's

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obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows:

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2005	\$	\$ 15,607	\$ 22,457	\$ 38,064
2006		15,607	24,861	40,468
2007		15,607	24,861	40,468
2008		15,607	24,861	40,468
2009-2013	14,575	77,510	123,473	215,558
2014-2018	69,750	75,559	120,365	265,674
2019-2023	39,200	70,625	112,505	222,330
2024-2028	98,850	65,231	103,912	267,993
2029-2033	244,750	51,566	82,144	378,460
2034-2038	178,250	38,710	61,664	278,624
2039-2042	406,650	11,597	18,474	436,721
Totals	<u>\$ 1,052,025</u>	<u>\$ 453,226</u>	<u>\$ 719,577</u>	<u>\$ 2,224,828</u>

2001-B General Obligation Refunding Warrants

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

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

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Notes to the Financial Statements
For the Year Ended September 30, 2004

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.2950%
Variable Payment from Counterparty	BMA	<u>1.6900%</u>
Net Interest Rate Swap Payments		2.6050%
Variable-Rate Bond Payments		<u>1.6700%</u>
Synthetic Interest Rate on Bonds		<u><u>4.2750%</u></u>

Fair Value – As of September 30, 2004, the swap had a negative fair value of \$9,814,831.81. Since the coupons on the County’s variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. Its fair value was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement, with JPMorgan Chase Bank had a negative fair value. If the total swap portfolio’s fair value, documented under the ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty post collateral against the total the swap portfolio’s fair market value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (“Moody’s”) and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County’s obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a “Substitute Credit Provider”) insuring the prompt and timely performance of the County’s obligation hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody’s and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County’s obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change. The swap increases the County’s exposure to variable interest rates starting on April 1, 2008 and thereafter, since JPMorgan Chase has the option to terminate the swap.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments , assuming current interest rates remain the same, for their term were as follows:

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2005	\$	\$ 2,004	\$ 3,126	\$ 5,130
2006		2,004	3,126	5,130
2007		2,004	3,126	5,130
2008		2,004	3,126	5,130
2009-2013	19,845	9,858	15,377	45,080
2014-2018	58,275	6,505	10,147	74,927
2019-2021	41,880	1,420	2,215	45,515
Totals	<u>\$ 120,000</u>	<u>\$ 25,799</u>	<u>\$ 40,243</u>	<u>\$ 186,042</u>

2002-A Sewer Revenue Warrants

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

Terms – The swap was executed with JPMorgan Chance Bank. The swap commenced on February 15, 2002 and matures on February 15, 2042. Under the swap the County pays a fixed rate of 5.06% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of \$110,000,000 and the associated variable-rate bond has an \$110,000,000 principal amount. The bonds’ variable-rate coupons are not based on an index but on market conditions. As of September 30, 2004 rates were as follows.

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	5.060%
Variable Payment from Counterparty	BMA	<u>1.690%</u>
Net Interest Rate Swap Payments		3.370%
Variable-Rate Bond Payments		<u>1.700%</u>
Synthetic Interest Rate on Bonds		<u><u>5.070%</u></u>

Fair Value – As of September 30, 2004, the swap had a negative fair value of \$15,893,342.52. Since the coupons on the County’s variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligation under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, were as follows:

Fiscal Year Ended	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2005	\$	\$ 1,870	\$ 3,707	\$ 5,577
2006		1,870	3,707	5,577
2007		1,870	3,707	5,577
2008		1,870	3,707	5,577
2009-2013		9,350	18,535	27,885
2014-2018		9,350	18,535	27,885
2019-2023		9,350	18,535	27,885
2024-2028		9,350	18,535	27,885
2029-2033		9,350	18,535	27,885
2034-2038		9,350	18,535	27,885
2039-2042		110,000	12,975	129,520
Totals	\$	\$ 110,000	\$ 139,013	\$ 319,138

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

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

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

Terms – The Swap was executed with JPMorgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.52% per year until February 1, 2004. The Notional of the Swap is \$200 million and matures on January 1, 2016; the interim reversal expired on February 1, 2004 and JPMorgan Chase Bank executed its option to cancel the swap on February 1, 2004 and maintains the option to reinstate the agreement on or after February 1, 2009. If the agreement is reinstated, the County pays a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.069%.

Fair Value – As of September 30, 2004, the swap had a negative fair value of \$5,502,335.08. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because the swap has been cancelled and can't be reinstated until 2009. Furthermore, if in 2009 or thereafter, the swap is reinstated and the fair value becomes positive, then Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenues indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The County has contingent variable rate exposure that on or after February 1, 2009 the counterparty will exercise its option to reinstate the swap.

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

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In January of 2001, the County entered into a fixed-to-variable interest rate swap for \$175 million of various outstanding bonds to become effective February of 2002. In May of 2001, the County executed a short-term interim reversal to become effective February of 2002 of this swap to lock in a positive spread 1.455% per year until February of 2004.

Terms – The Swap was executed with JPMorgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.455% per year until February 1, 2004. The Notional of the Swap is \$175 million and matures on January 1, 2016. The interim reversal expired on February 1, 2004 and JPMorgan Chase Bank executed its option to cancel this swap on February 1, 2004 and maintains the option to reinstate the agreement on or after February 1, 2009. If the agreement is reinstated, the County pays a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.225%.

Fair Value – As of September 30, 2004, the swap and short-term interim reversal had a negative fair value of \$4,465,420.88. The fair value of the options was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because the swap has been cancelled and can't be reinstated until 2009. Furthermore, if in 2009 or thereafter, the swap is reinstated and the fair value becomes positive, then Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligation hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligation hereunder. The County has contingent variable rate exposure that on or after February 1, 2009 the counterparty will exercise its option to reinstate the swap.

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

Objective of the Swap – The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In February of 2001, the County entered into a fixed-to-

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

variable interest rate swap for \$70 million of various outstanding bonds to become effective February of 2002. In May of 2001, the County executed a short-term interim reversal to become effective February of 2002 of this swap to lock in a positive spread 1.225% per year until February of 2007.

Terms – The swap was executed with JPMorgan Chase Bank. Under the short-term interim reversal, in effect as of September 30, 2004, the County is receiving BMA and paying 3.9450% fixed rate until February 1, 2007 unless cancelled by the counterparty on or after February 1, 2005. Once the short term interim reversal matures or is cancelled, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.17%. The Notional of the Swap is \$70 million and matures on February 1, 2031. JPMorgan Chase Bank has the option to cancel this swap on or after February 1, 2007.

	<u>Terms</u>	<u>Rates</u>
<u>Rates applicable until February 1, 2007</u>		
Interest Rate Swap:		
Fixed Payment to counterparty		0.0000%
Fixed Payment to counterparty to 2/1/07		<u>1.2250%</u>
Net Interest Rate Swap Payments to 2/1/07		(1.2250%)
Variable-Rate Bond Payments		<u>1.7000%</u>
Synthetic Interest Rate on Bonds to 2/1/07		<u>0.4750%</u>
<u>Rates applicable after February 1, 2007</u>		
Variable payment to counterparty BMA	BMA	1.6900%
Fixed payment from counterparty	Fixed	<u>5.1700%</u>
Net interest rate swap payments		(3.4800%)
Variable -Rate Bond Payments		<u>1.7000%</u>
Synthetic Interest Rate on Bonds after 2/1/07		<u>(1.7800%)</u>

Fair Value – As of September 30, 2004, the swap and short-term interim reversal had a negative fair value of \$600,267.11. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” Under this provision, the swap may be terminated if the long-term sewer indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (“Moody’s”) and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County’s obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substances to Counterparty by a financial insurer satisfactory to the Counterparties (a “Substitute Credit Provider”) insuring the prompt and timely performance of the County’s obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody’s and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substances to the Counterparty by a Substitute Credit Provider insuring the prompt an timely performance of the County’s obligations hereunder. After February 1, 2004, the swap increases the County’s exposure to variable interest rates. As BMA increases, the County’s net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2007.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, were as follows:

Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2005	\$	\$ 1,190	\$ (858)	\$ 332
2006		1,190	(858)	332
2007		1,190	(1,647)	(457)
2008		1,190	(2,436)	(1,246)
2009-2013		5,950	(12,180)	(6,230)
2014-2018		5,950	(12,180)	(6,230)
2019-2023		5,950	(12,180)	(6,230)
2024-2028		5,950	(12,180)	(6,230)
2029-2031	70,000	2,975	(6,090)	66,885
Totals	<u>70,000</u>	<u>\$ 31,535</u>	<u>\$ (60,609)</u>	<u>\$ 40,926</u>

2002-A Sewer Refunding Warrants

Objective of the Swap – The County’s asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to

Jefferson County, Alabama
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For the Year Ended September 30, 2004

synthetically create variable rate debt. In October of 2003, the County entered into a fixed-to-variable interest rate swap for \$110 million of the 2002-A bonds.

Terms – The Swap was executed with Bank of America, NA. Under the swap, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 4.815%. The Notional of the Swap is \$110 million. The swap commences on April 1, 2004 and matures on February 1, 2024. Bank of America has the option to cancel this swap on or after April 1, 2005.

	Terms	Rates
Interest Rate Swap:		
Variable payment to counterparty	BMA	1.6900%
Fixed payment from counterparty	Fixed	<u>4.8150%</u>
Net interest rate swap payments		(3.1259%)
Variable-Rate Bond Payments		<u>1.7000%</u>
Synthetic interest rate on bonds		<u><u>(1.4250%)</u></u>

Fair Value – As of September 30, 2004, the swap had a positive fair value of \$20,057.88. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2004 the County is not exposed to counterparty credit risk because the total swap portfolio, documented under the ISDA Master Agreement with Bank of America, NA, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after April 1, 2005.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirement of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows:

(In Thousands)				
Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps Net	Total
	Principal	Interest		
2005	\$	\$ 1,870	\$ (3,438)	\$ (1,568)
2006		1,870	(3,438)	(1,568)
2007		1,870	(3,438)	(1,568)
2008		1,870	(3,438)	(1,568)
2009-2013		9,350	(17,188)	(7,838)
2014-2018		9,350	(17,188)	(7,838)
2019-2023		9,350	(17,188)	(7,838)
2024-2028		9,350	(17,188)	(7,838)
2029-2033		9,350	(17,188)	(7,838)
2034-2038		9,350	(17,188)	(7,838)
2039-2042	110,000	6,545	(12,031)	104,514
	<u>\$ 110,000</u>	<u>\$ 70,125</u>	<u>\$ (128,911)</u>	<u>\$ 51,214</u>

Various Amounts of the 1997-A, 2001-A, 2003-A Sewer Revenue Warrants

Objective of the Swap – The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was high than the BMA historically averages the County decided to synthetically create variable rate debt. In October of 2003, the County entered into a fixed-to-variable interest rate swap for \$111,825,000, effective May of 2004, of various amount of bonds.

Terms – The Swap was executed with JPMorgan Chase Bank. Under the swap, the County will pay a variable rate equipment to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 4.325%. The Notional of the Swap is \$111,825,000 and matures on February 1, 2004. JPMorgan Chase Bank has the option to cancel this swap on or after November 1, 2005.

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:	BMA	1.6900%
Variable payment to counterparty	Fixed	4.3250%
Fixed payment from counterparty		(2.6350%)
Net interest rate swap payments		0.0000%
Variable-Rate Bond Payments		(2.6350%)
Synthetic interest rate on bonds		

Fair Value – As of September 30, 2004, the swap had a positive fair value of \$626,491.69. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio’s fair value, documented under the ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio’s fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (“Moody’s”) and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County’s obligation under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a “Substitute Credit Provider”) insuring the prompt and timely performance of the County’s obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody’s and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County’s obligations hereunder. The swap increases the County’s exposure to variable interest rates. As BMA increases, the County’s net payments on the swap increase. The counterparty may terminate the agreement on or after November 1, 2005.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows:

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For the Year Ended September 30, 2004

(in Thousands)					
Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps		
	Principal	Interest	Net	Total	
2005	\$		\$ 5,284	\$ (2,832)	\$ 2,452
2006		3,855	5,189	(2,781)	6,263
2007		3,730	5,003	(2,681)	6,052
2008		3,885	4,816	(2,581)	6,120
2009		4,050	4,621	(2,476)	6,195
2010		4,220	4,417	(2,367)	6,270
2011		4,400	4,205	(2,253)	6,352
2012		4,585	3,984	(2,135)	6,434
2013		4,785	3,754	(2,012)	6,527
2014		4,990	3,514	(1,883)	6,621
2015		5,210	3,263	(1,748)	6,725
2016		1,215	3,105	(1,664)	2,656
2017		2,840	3,005	(1,610)	4,235
2018		3,385	2,852	(1,528)	4,709
2019		3,995	2,671	(1,431)	5,235
2020		4,680	2,457	(1,317)	5,820
2021		3,900	2,246	(1,204)	4,942
2022		4,685	2,035	(1,091)	5,629
2023		5,575	1,783	(956)	6,402
2024		6,565	1,485	(1,023)	7,027
2025		7,675	1,135		8,810
2026		8,920	727		9,647
2027		10,315	254		10,569
		<u>\$ 107,460</u>	<u>\$ 71,805</u>	<u>\$ (37,573)</u>	<u>\$ 141,692</u>

Restructuring of 2002A, 2002C and 2003B Swaps

Object of the Swap – The County is always looking for ways to manage potential negative carry of basis loss between the floating rates on the County’s existing Variable Rate or Auction Bonds and the index used on the swaps. The index used on the original swaps is equal to the historical trading relationship between BMA and LIBOR and should be a good hedge over the life of the agreement but is currently causing negative carry due to the low interest rate environment. In June 2004, the County restructured the swaps to create an index that better correlates year to year from 67% of LIBOR to 56% of 1-Month London Interbank Offered Rate (LIBOR) plus a fixed spread of 49 basis points.

Terms – The swaps were executed with Bear Stearns Capital Markets & Bank of America, NA and had combined notional amounts of \$1,567,778,000 and \$379,847,000, respectively. The 2002A swap with a notional amount of \$110,000,000 commenced on June 24, 2004 and matures on February 1, 2042. The 2002C swap with a notional of \$824,700,000 commences on February 1, 2011 and matures on February 1, 2040. The 2003B swap with a notional of

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

\$1,012,925,000 commences on August 1, 2012 and matures on February 1, 2042. The County's floating legs of the Swaps are equal to the BMA index on the 2002-A Swap and 67% of 1-Month USD-LIBOR-BBA on the 2002-C and 2003-B Swaps and that the Counterparties' floating legs of the Swap are equal to 56% of 1-Month London Interbank Offered Rate (LIBOR) plus a fixed spread of 49 basis points. The County also received an upfront payment of \$25,448,000. The Counterparties' floating legs were structured to historically match the BMA index and the remaining spread was paid as the upfront payment to the County.

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap (BMA Basis Swap):		
Variable payment to counterparty	BMA	1.6900%
Variable payment from counterparty	56% of LIBOR + .0049	<u>1.5204%</u>
Net interest rate swap payments		0.1696%
Variable-Rate Bond Payments		<u>1.7000%</u>
Synthetic interest rate on bonds		<u>1.8696%</u>

Fair Value – As of September 30, 2004, the swaps had a negative fair value of \$35,961,103.31. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks – As of September 30, 2004 the County is not exposed to counterparty credit risk because each of the total swap portfolios, documented under each of the respective ISDA Master Agreements with Bear Stearns Capital Market & Bank of America, NA., each had a negative value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. Each of the Schedules to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 120 days, obtained an insurance policy satisfactory in form and substance the Counterparty by a Substitute Credit Provider insuring the prompt and

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

timely performance of the County's obligations hereunder. The swaps expose the County to basis risk and tax risk should the relationship between LIBOR and the bonds converge, changing the synthetic rate on the bonds. Tax Risk is the possibility that there could be changes in the structure of the federal tax system or in the marginal tax rates, which could cause LIBOR to permanently trade at a higher percentage than the historical relationships that are used to structure the swaps.

Swap Payments and Associated Debt – As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows:

(In Thousands)				
Fiscal Year Ended September 30	Variable Rate Bonds		Interest Rate Swaps	
	Principal	Interest	Net	Total
2005	\$	\$ 1,870	\$ 187	\$ 2,057
2006		1,870	187	2,057
2007		1,870	187	2,057
2008		1,870	187	2,057
2009-2013		9,350	933	10,283
2014-2018		9,350	933	10,283
2019-2023		9,350	933	10,283
2024-2028		9,350	933	10,283
2029-2033		9,350	933	10,283
2034-2038		9,350	933	10,283
2039-2042	110,000	6,545	653	117,198
	<u>\$ 110,000</u>	<u>\$ 70,125</u>	<u>\$ 6,999</u>	<u>\$ 187,124</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Note 24 - Restatements

The fund equity of the governmental funds was restated to correct prior year errors and reallocation of interest.

	(in Thousands)					
	<u>General Fund</u>	<u>Indigent Care Fund</u>	<u>Road Fund</u>	<u>Bridge and Public Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance, September 30, 2003, as previously reported	\$ 27,724	\$ 6,638	\$ (4,139)	\$ 27	\$ 180,052	\$ 191,557
Restatement to correct prior year errors	(5)		(1)		244	238
Restatement to correct allocation of interest	<u>(486)</u>	<u>(57)</u>		<u>(30)</u>	<u>(404)</u>	<u>(977)</u>
Fund Balance, September 30, 2003, as restated	<u>\$ 27,233</u>	<u>\$ 6,581</u>	<u>\$ (4,140)</u>	<u>\$ (3)</u>	<u>\$ 179,892</u>	<u>\$ 190,818</u>
Net Assets September 30, 2003						176,672
Restatement of Capital Assets						1,999
Restatements to correct prior year errors						201
Restatement to correct allocation of interest						<u>(1,055)</u>
Governmental Activities Net Assets September 30, 2003						<u>\$ 177,817</u>

As of October 1, 2003, the beginning net assets of the proprietary funds was restated to correct prior year errors, to record escrow restructuring bank accounts, and to record the reallocation of interest.

The net assets of the proprietary funds were restated as follows:

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

	(In Thousands)			
	Cooper Green Hospital Fund	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Fund Equity, September 30, 2003, as previously reported	\$ 3,817	\$ 1,204,468	\$ 38,916	\$1,247,201
Restatements to correct prior year errors	(22)	4	(5)	(23)
Restatement to record escrow restructuring accounts		56,708		56,708
Restatement to correct allocation of interest	(3)	(1,969)	(1)	(1,973)
Fund Equity, September 30, 2003, as restated	<u>\$ 3,792</u>	<u>\$ 1,259,211</u>	<u>\$ 38,910</u>	<u>\$1,301,913</u>
Net Assets September 30, 2003				\$1,247,201
Restatements to correct prio year errors				(23)
Restatement to record escrow restructuring accounts				56,708
Restatement to correct allocation of interest				(1,973)
Business-Type Activities Net Assets September 30, 2003				<u>\$1,301,913</u>

The net assets of the discreetly presented internal service funds was restated as follows:

	(In Thousands)
	Internal Service Funds
Net Assets, September 30, 2003 as previously reported	\$ 34,861
Restatement to correct prior year errors	\$ (35)
Restatement to correct allocation of interest	(78)
Net Assets, September 30, 2003 as restated	<u>\$ 34,748</u>

Jefferson County, Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2004

Note 25 – Jointly Governed Organization

The Jefferson County Commission, along with numerous municipalities and other counties, participates in the Storm Water Management Authority, Inc. (the "Authority"). This organization provides storm water analysis services to the citizenry of these governments. The Commission does not have an ongoing financial interest or any responsibility in the management of the Authority. However, the Commission has entered in to an agreement to act in a custodial capacity relating to receipts and disbursements of funds for the Authority.

Required Supplementary Information

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #11

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 118,272	\$ 71,590	\$ 71,138
Licenses and Permits	63,973	63,973	65,208
Intergovernmental	21,002	22,116	21,982
Charges for Services	22,217	22,362	23,103
Indirect Cost Recovery		13,628	13,619
Miscellaneous	17,449	3,739	376
Interest		253	2,200
Total Revenues	<u>242,913</u>	<u>197,661</u>	<u>197,626</u>
<u>Expenditures</u>			
Current:			
General Government	159,566	78,346	73,322
Public Safety	57,412	57,571	62,155
Welfare	546	848	848
Culture and Recreation		15,831	15,784
Education		236	234
Capital Outlay		2,945	2,842
Indirect Costs		17,997	17,952
Total Expenditures	<u>217,524</u>	<u>173,774</u>	<u>173,137</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 25,389</u>	<u>\$ 23,887</u>	<u>\$ 24,489</u>

**Budget to GAAP
Differences
Over (Under)**

**Actual Amounts
GAAP Basis**

(1)	\$	6	\$	71,144
				65,208
				21,982
				23,103
				13,619
				376
				2,200
		6		197,632
				73,322
				62,155
				848
				15,784
				234
				2,842
				17,952
				173,137
	\$	6	\$	24,495

Continued

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #11

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Excess (Deficiency) of Revenues over Expenditures	<u>25,389</u>	<u>26,127</u>	<u>24,489</u>
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets		2	67
Transfers In	10,000	6,916	6,921
Transfers Out	<u>(30,312)</u>	<u>(33,091)</u>	<u>(29,411)</u>
Total Other Financing Sources (Uses)	<u>(20,312)</u>	<u>(26,173)</u>	<u>(22,423)</u>
Change in Fund Balances	5,077	(46)	2,066
Fund Balances Beginning of Year as Restated	<u>22,363</u>	<u>27,728</u>	<u>29,106</u>
Fund Balances End of Year	<u>\$ 27,440</u>	<u>\$ 27,682</u>	<u>\$ 31,172</u>

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Net Changes in Fund Balance - General Fund - Budgetary Basis	\$ 2,066
(1) The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis	<u>6</u>
Net Changes in Fund Balance for General Fund (Exhibit #5)	<u>\$ 2,072</u>

(2) The amount reports as "fund balance" on the budgetary basis of accounting derives from the basis of Accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

**Budget to GAAP
Differences
Over (Under)**

**Actual Amounts
GAAP Basis**

6	24,495
	67
	6,921
	(29,411)
	(22,423)
6	2,072
(2) (1,873)	27,233
<u>\$ (1,867)</u>	<u>\$ 29,305</u>

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Indigent Care Fund
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #12

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 40,097	\$ 40,097	\$ 41,216
Miscellaneous	6,854	6,854	2,055
Interest	4	4	1
Total Revenues	<u>46,955</u>	<u>46,955</u>	<u>43,272</u>
<u>Expenditures</u>			
Current:			
General Government	7,947	7,947	2,250
Indirect Costs	2	2	2
Total Expenditures	<u>7,949</u>	<u>7,949</u>	<u>2,252</u>
Excess (Deficiency) of Revenues over Expenditures	<u>39,006</u>	<u>39,006</u>	<u>41,020</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	<u>(34,450)</u>	<u>(34,483)</u>	<u>(34,489)</u>
Total Other Financing Sources (Uses)	<u>(34,450)</u>	<u>(34,483)</u>	<u>(34,489)</u>
Net Change in Fund Balances	4,556	4,523	6,531
Fund Balance at Beginning of Year, as Restated	<u>6,639</u>	<u>6,639</u>	<u>6,581</u>
Fund Balance at End of Year	<u><u>\$ 11,195</u></u>	<u><u>\$ 11,162</u></u>	<u><u>\$ 13,112</u></u>

<u>Budget to GAAP Difference Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
\$	\$ 41,216
	2,055
	1
	<u>43,272</u>
	2,250
	2
	<u>2,252</u>
	41,020
	<u>(34,489)</u>
	<u>(34,489)</u>
	6,531
	6,581
<u>\$</u>	<u>\$ 13,112</u>

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Road Fund
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #13

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 14,950	\$ 14,950	\$ 14,311
Intergovernmental	7,998	9,033	8,490
Charges for Services	175	218	332
Miscellaneous	228	31	110
Total Revenues	<u>23,351</u>	<u>24,232</u>	<u>23,243</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	38,221	35,303	34,898
Capital Outlay		787	758
Indirect Costs		3,945	3,945
Total Expenditures	<u>38,221</u>	<u>40,035</u>	<u>39,601</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(14,870)</u>	<u>(15,803)</u>	<u>(16,358)</u>
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets		202	124
Transfers In	14,870	16,616	16,615
Transfers Out		(1,000)	(1,000)
Total Other Financing Sources (Uses)	<u>14,870</u>	<u>15,818</u>	<u>15,739</u>
Net Change in Fund Balance		15	(619)
Fund Balance at Beginning of Year, as Restated			<u>(3,452)</u>
Fund Balance at End of Year	<u>\$</u>	<u>\$ 15</u>	<u>\$ (4,071)</u>
Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:			
Net Changes in Fund Balance - Road Fund - Budgetary Basis			\$ (619)
(1) The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis			<u>5</u>
Net Changes in Fund Balance for Road Fund (Exhibit #5)			<u>\$ (614)</u>
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reports in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.			

Budget to GAAP Differences Over (under)		Actual Amounts GAAP Basis	
(1) \$	5	\$	14,316
			8,490
			332
			110
	<u>5</u>		<u>23,248</u>
			34,898
			758
			3,945
			<u>39,601</u>
	<u>5</u>		<u>(16,353)</u>
			124
			16,615
			<u>(1,000)</u>
			<u>15,739</u>
	5		(614)
	<u>(688)</u>		<u>(4,140)</u>
\$	<u><u>(683)</u></u>	\$	<u><u>(4,754)</u></u>

Jefferson County, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Bridge and Public Building Fund
For the Year Ended September 30, 2004
(In Thousands)
Exhibit #13

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 32,982	\$ 32,982	\$ 32,695
Intergovernmental	713	713	713
Interest	80	80	48
Total Revenues	<u>33,775</u>	<u>33,775</u>	<u>33,456</u>
<u>Expenditures</u>			
Indirect Costs	6	6	6
Total Expenditures	<u>6</u>	<u>6</u>	<u>6</u>
Excess (Deficiency) of Revenues over Expenditures	<u>33,769</u>	<u>33,769</u>	<u>33,450</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	<u>(33,769)</u>	<u>(33,500)</u>	<u>(33,500)</u>
Total Other Financing Sources (Uses)	<u>(33,769)</u>	<u>(33,500)</u>	<u>(33,500)</u>
Net Change in Fund Balance		269	(50)
Fund Balance at Beginning of Year, as Restated	<u>27</u>		<u>1,668</u>
Fund Balance at End of Year	<u>\$ 27</u>	<u>\$ 269</u>	<u>\$ 1,618</u>

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Net Changes in Fund Balance - Bridge and Public Building Fund - Budgetary Basis	\$ (50)
(1) The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis	<u>13</u>
Net Changes in Fund Balance for Bridge & Public Building Fund (Exhibit #5)	<u>\$ (37)</u>

(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reports in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

**Budget to GAAP
Differences
Over (under)**

**Actual Amounts
GAAP Basis**

(1) \$	13	\$	32,708
			713
			48
	<u>13</u>		<u>33,469</u>
			6
			6
	<u>13</u>		<u>33,463</u>
			<u>(33,500)</u>
			<u>(33,500)</u>
	13		(37)
	<u>(1,671)</u>		<u>(3)</u>
\$	<u><u>(1,658)</u></u>	\$	<u><u>(40)</u></u>

Jefferson County, Alabama
Combining Balance Sheet
Other Governmental Funds
September 30, 2004
(In Thousands)
Exhibit #15

	Sr. Citizens' Activities Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Assets			
Cash and Investments	\$	\$	\$ 2,241
Accounts Receivable, Net			
Loans Receivable, Net		135	1,200
Property Taxes Receivable, Net			
Interest Receivable		9	
Due From Other Governments	1,007	1,869	
Prepaid Expenses	2		
Advances Due From Other Funds			
Total Assets	<u>1,009</u>	<u>2,013</u>	<u>3,441</u>
Liabilities and Fund Balances			
Liabilities			
Cash Deficit	1,451	824	
Accounts Payable	291	666	2
Deferred Revenue			
Accrued Wages and Benefits Payable	23	53	
Accrued Interest Payable			
Estimated Liability for Compensated Absences		1	
Total Liabilities	<u>1,765</u>	<u>1,544</u>	<u>2</u>
Fund Balances			
Reserved For:			
Advances Due to Other Funds			
Petty Cash			
Debt Services			
Encumbrances	84	10,936	
Prepaid Expenses	2		
Loans Receivable		135	1,200
Unreserved Reported In:			
Special Revenue Funds	(842)	(10,602)	2,239
Capital Projects Funds			
Total Fund Balances	<u>(756)</u>	<u>469</u>	<u>3,439</u>
Total Liabilities and Fund Balances	<u>\$ 1,009</u>	<u>\$ 2,013</u>	<u>\$ 3,441</u>

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
\$ 488	\$ 940	\$ 155,670	\$ 296	\$ 21	\$ 159,656
2,006				2	2
					3,341
996	1			245	9
	3				4,118
		19,906			5
					19,906
<u>3,490</u>	<u>944</u>	<u>175,576</u>	<u>296</u>	<u>268</u>	<u>187,037</u>
					2,275
108	249	46	668	89	2,119
470					470
2	16				94
		6,781			6,781
	(1)				
<u>580</u>	<u>264</u>	<u>6,827</u>	<u>668</u>	<u>89</u>	<u>11,739</u>
		19,906			19,906
	1				1
		148,843			148,843
	1,324		7,132	2,188	21,664
	3				5
2,006					3,341
904	(648)				(8,949)
			(7,504)	(2,009)	(9,513)
<u>2,910</u>	<u>680</u>	<u>168,749</u>	<u>(372)</u>	<u>179</u>	<u>175,298</u>
<u>\$ 3,490</u>	<u>\$ 944</u>	<u>\$ 175,576</u>	<u>\$ 296</u>	<u>\$ 268</u>	<u>\$ 187,037</u>

Jefferson County, Alabama
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ending September 30, 2004
(In Thousands)
Exhibit #16

	Sr. Citizens' Activities Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Revenues			
Intergovernmental	\$ 7,106	\$ 13,465	\$
Charges for Services		9	
Miscellaneous	450		1
Interest	2		51
Total Revenues	7,558	13,474	52
Expenditures			
Current:			
General Government	9,588	3,368	
Public Safety			
Highways and Roads			
Welfare	9	9,691	196
Capital Outlay		98	
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Debt Issuance Costs			
Indirect Costs	306	371	16
Total Expenditures	9,903	13,528	212
Excess (Deficiency) of Revenues over Expenditures	(2,345)	(54)	(160)
Other Financing Sources (Uses)			
Debt Issued			
Premiums on Debt Issued			
Proceeds From Sale of Capital Assets			
Transfers In	2,339	412	16
Transfers Out			
Total Other Financing Sources (Uses)	2,339	412	16
Net Change in Fund Balances	(6)	358	(144)
Fund Balances at Beginning of Year, As Restated	(750)	111	3,583
Fund Balance at End of Year	\$ (756)	\$ 469	\$ 3,439

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
\$ 656	\$ 2,346	\$ 1,038	\$ 1,129	\$	\$ 25,740
		3		1,049	1,061
159	20				630
34	2	371			460
<u>849</u>	<u>2,368</u>	<u>1,412</u>	<u>1,129</u>	<u>1,049</u>	<u>27,891</u>
144					13,100
	2,446				2,446
600					10,496
	348				446
			19,351	3,412	22,763
		18,025			18,025
		13,614			13,614
		692			692
21	113	138			965
<u>765</u>	<u>2,907</u>	<u>32,469</u>	<u>19,351</u>	<u>3,412</u>	<u>82,547</u>
84	(539)	(31,057)	(18,222)	(2,363)	(54,656)
		51,020			51,020
		791			791
49	113	34,766	58,160	2,375	98,230
		(61,800)	(38,179)		(99,979)
<u>49</u>	<u>113</u>	<u>24,777</u>	<u>19,981</u>	<u>2,375</u>	<u>50,062</u>
133	(426)	(6,280)	1,759	12	(4,594)
2,777	1,106	175,029	(2,131)	167	179,892
<u>\$ 2,910</u>	<u>\$ 680</u>	<u>\$ 168,749</u>	<u>\$ (372)</u>	<u>\$ 179</u>	<u>\$ 175,298</u>

Jefferson County, Alabama
Combining Statement of Net Assets
Nonmajor Enterprise Funds
(In Thousands)
September 30, 2004
Exhibit #17

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
Assets				
Current Assets:				
Cash and Investments	\$ 203	\$ 66	\$ 118	\$ 387
Accounts Receivable, Net		1,059	1	1,060
Patient Accounts Receivable, Net	2,173			2,173
Inventories	54			54
Prepaid Expenses	4			4
Deferred Charges - Issuance Costs		9		9
Total Current Assets	<u>2,434</u>	<u>1,134</u>	<u>119</u>	<u>3,687</u>
Noncurrent Assets:				
Capital Assets, Net Where Applicable	8,657	48,692	6	57,355
Deferred Charges - Issuance Costs		140		140
Total Noncurrent Assets	<u>8,657</u>	<u>48,832</u>	<u>6</u>	<u>57,495</u>
Total Assets	<u>11,091</u>	<u>49,966</u>	<u>125</u>	<u>61,182</u>
Liabilities				
Current Liabilities:				
Accounts Payable	159		2	161
Deposits Payable	26			26
Accrued Wages and Benefits Payable	276	72	1	349
Accrued Interest Payable		21		21
Estimated Liability for Compensated Absences	66	58		-
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41		41
Total Current Liabilities	<u>527</u>	<u>192</u>	<u>3</u>	<u>598</u>
Noncurrent Liabilities:				
Advances Due to Other Funds		19,906		19,906
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,259		3,259
Estimated Liability for Compensated Absences	484	426		910
Total Noncurrent Liabilities	<u>484</u>	<u>23,591</u>	<u>-</u>	<u>24,075</u>
Total Liabilities	<u>1,011</u>	<u>23,783</u>	<u>3</u>	<u>24,673</u>
Net Assets				
Invested in Capital Assets Net of Related Debt	8,657	28,935	6	37,598
Unrestricted	1,423	(2,752)	116	(1,213)
Total Net Assets	<u>\$ 10,080</u>	<u>\$ 26,183</u>	<u>\$ 122</u>	<u>\$ 36,385</u>

Jefferson County, Alabama
Combining Statement of Revenues, Expenses
and Changes in Net Assets
Nonmajor Enterprise Funds
(In Thousands)
For the Year Ended September 30, 2004
Exhibit #18

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
Operating Revenues				
Charges for Services	\$ 10,148	\$ 3,474	\$ 285	\$ 13,907
Other Operating Revenues	52	3		55
Total Revenues	<u>10,200</u>	<u>3,477</u>	<u>285</u>	<u>13,962</u>
Operating Expenses				
Salaries	7,544	1,846	21	9,411
Employees Benefits and Payroll Taxes	2,137	582	6	2,725
Materials and Supplies	1,149	176	4	1,329
Utilities	616	227	31	874
Outside Services	2,149	423	98	2,670
Office Expense	1,102	19		1,121
Depreciation and Amortization	320	2,674	3	2,997
Closure and Postclosure Care Costs		202		202
Total Operating Expenses	<u>15,017</u>	<u>6,149</u>	<u>163</u>	<u>21,329</u>
Operating Income (Loss)	<u>(4,817)</u>	<u>(2,672)</u>	<u>122</u>	<u>(7,367)</u>
Nonoperating Revenues (Expenses)				
Interest Expense		(200)		(200)
Interest Revenue	1			1
Miscellaneous		41		41
Amortization of Bond Issue Costs		(9)		(9)
Indirect Costs	(948)	(664)	(11)	(1,623)
Gain/(Loss) on Sale of Capital Assets	1	98		99
Total Nonoperating Revenues (Expenses)	<u>(946)</u>	<u>(734)</u>	<u>(11)</u>	<u>(1,691)</u>
Operating Transfers				
Transfers In	6,100	1,700		7,800
Transfers Out	(1)	(1,266)		(1,267)
Total Operating Transfers	<u>6,099</u>	<u>434</u>	<u>-</u>	<u>6,533</u>
Changes in Net Assets	336	(2,972)	111	(2,525)
Total Net Assets - Beginning of Year As Restated	<u>9,744</u>	<u>29,155</u>	<u>11</u>	<u>38,910</u>
Total Net Assets - End of Year	<u>\$ 10,080</u>	<u>\$ 26,183</u>	<u>\$ 122</u>	<u>\$ 36,385</u>

Jefferson County, Alabama
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
(In Thousands)
For the Year Ended September 30, 2003
Exhibit #19

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>				
Cash Received for Services	\$ 9,552	\$ 3,348	\$ 285	\$ 13,185
Other Operating Revenues	52	3		55
Cash Payments to Employees	(9,623)	(2,360)	(25)	(12,008)
Cash Payments for Goods and Services	(5,038)	(707)	(132)	(5,877)
Net Cash Provided (Used) by Operating Activities	\$ (5,057)	\$ 284	\$ 128	\$ (4,645)
<u>Cash Flows from Non-Capital Financing Activities</u>				
Operating Transfers Out	(1)	(1,266)		(1,267)
Operating Transfers In	6,100	1,700		7,800
Miscellaneous		42		42
Indirect Costs	(948)	(664)	(11)	(1,623)
Net Cash Provided (Used) by Non-Capital Financing Activities	5,151	(188)	(11)	4,952
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition of Capital Assets	(5)			(5)
Proceeds From Sale of Capital Assets	1	97		98
Interest Paid		(192)		(192)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4)	(95)		(99)
<u>Cash Flows from Investing Activities</u>				
Interest Received	1			1
Net Cash Flows Provided by Investing Activities	1			1
Net Increase/(Decrease) in Cash	91	1	117	209
Cash and Investments, Beginning of Year	113	65	1	179
Restatement	(1)			(1)
Cash and Investments, Beginning of Year as Restated	112	65	1	178
Cash and Investment, End of Year	\$ 203	\$ 66	\$ 118	\$ 387

Continued

Jefferson County, Alabama
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
(In Thousands)
For the Year Ended September 30, 2002
Exhibit #19

	<u>County Home Fund</u>	<u>Landfill Operations Fund</u>	<u>Parking Deck Fund</u>	<u>Totals</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating Income/(Loss)	\$ (4,817)	\$ (2,672)	\$ 122	\$ (7,367)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Depreciation Expense	320	2,674	3	2,997
(Increase)/Decrease in Prepaid Expenses	(2)			(2)
(Increase)/Decrease in Accounts Receivable		(125)		(125)
(Increase)/Decrease in Patient Receivables	(596)			(596)
(Increase)/Decrease in Inventories	2			2
Increase/(Decrease) in Accounts Payable	(14)	(13)	2	(25)
Increase/(Decrease) in Due to Other Funds		192		192
Increase/(Decrease) in Deposits Payable	(8)			(8)
Increase/(Decrease) in Accrued Wages and Benefits Payable	58	16		74
Increase/(Decrease) in Estimated Liability for Compensated Absences		51	1	52
Increase/(Decrease) in Landfill Closure/Postclosure Costs		161		161
Total Adjustments	<u>(240)</u>	<u>2,956</u>	<u>6</u>	<u>2,722</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,057)</u>	<u>\$ 284</u>	<u>\$ 128</u>	<u>\$ (4,645)</u>

Jefferson County, Alabama
Combining Statement of Net Assets
Internal Service Funds
September 30, 2004
(In Thousands)
Exhibit #20

	Risk Management Fund	Personnel Board Fund	Elections Fund
Assets			
Current Assets:			
Cash and Investments	\$ 8,267	\$	\$ 22
Accounts Receivable, Net			
Due From Other Governments		8,298	424
Inventories			
Prepaid Expenses	21	2	
Total Current Assets	<u>8,288</u>	<u>8,300</u>	<u>446</u>
Noncurrent Assets:			
Capital Asset, Net Where Applicable	33	906	781
Total Noncurrent Assets	<u>33</u>	<u>906</u>	<u>781</u>
Total Assets	<u><u>8,321</u></u>	<u><u>9,206</u></u>	<u><u>1,227</u></u>
Liabilities			
Current Liabilities:			
Cash Deficit		7,852	
Accounts Payable	4	845	1
Accrued Wages and Benefits Payable	26	142	9
Estimated Liability for			
Compensated Absences	10	47	4
Estimated Claims Liability	6,263		
Total Current Liabilities	<u>6,303</u>	<u>8,886</u>	<u>14</u>
Noncurrent Liabilities:			
Estimated Liability for			
Compensated Absences	71	344	32
Total Noncurrent Liabilities	<u>71</u>	<u>344</u>	<u>32</u>
Total Liabilities	<u>6,374</u>	<u>9,230</u>	<u>46</u>
Net Assets			
Invested in Capital Assets Net of			
Related Debt	33	906	781
Unrestricted	1,914	(930)	400
Total Net Assets	<u><u>\$ 1,947</u></u>	<u><u>\$ (24)</u></u>	<u><u>\$ 1,181</u></u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 742	\$ 302	\$ 86	\$ 120	\$ 12,149	\$ 21,688
33				8	41
	6		40	30	8,798
	220	6	222	742	1,190
1					24
<u>776</u>	<u>528</u>	<u>92</u>	<u>382</u>	<u>12,929</u>	<u>31,741</u>
4,545	1,774	7,767	23	7,384	23,213
<u>4,545</u>	<u>1,774</u>	<u>7,767</u>	<u>23</u>	<u>7,384</u>	<u>23,213</u>
5,321	2,302	7,859	405	20,313	54,954
<u>5,321</u>	<u>2,302</u>	<u>7,859</u>	<u>405</u>	<u>20,313</u>	<u>54,954</u>
					7,852
231	246		27	288	1,642
141	106	15	10	421	870
64	54	5	5	181	370
<u>436</u>	<u>406</u>	<u>20</u>	<u>42</u>	<u>890</u>	<u>6,263</u>
<u>436</u>	<u>406</u>	<u>20</u>	<u>42</u>	<u>890</u>	<u>16,997</u>
470	399	36	35	1,332	2,719
<u>470</u>	<u>399</u>	<u>36</u>	<u>35</u>	<u>1,332</u>	<u>2,719</u>
906	805	56	77	2,222	19,716
<u>906</u>	<u>805</u>	<u>56</u>	<u>77</u>	<u>2,222</u>	<u>19,716</u>
4,545	1,774	7,767	23	7,384	23,213
(130)	(277)	36	305	10,707	12,025
<u>\$ 4,415</u>	<u>\$ 1,497</u>	<u>\$ 7,803</u>	<u>\$ 328</u>	<u>\$ 18,091</u>	<u>\$ 35,238</u>

Jefferson County, Alabama
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ending September 30, 2003
(In Thousands)
Exhibit #21

	Risk Management Fund	Personnel Board Fund	Elections Fund
Revenues			
Intergovernmental	\$	\$	\$
Charges for Services	1,382	10,011	663
Total Revenue	<u>1,382</u>	<u>10,011</u>	<u>663</u>
Operating Expenses			
Salaries	647	3,939	557
Employee Benefits and Payroll Taxes	211	930	55
Materials and Supplies	15	149	52
Utilities			11
Outside Services	510	4,959	104
Office Expense	49	383	37
Depreciation	54	101	73
Miscellaneous			
Total Operating Expenses	<u>1,486</u>	<u>10,461</u>	<u>889</u>
Operating Income (Loss)	<u>(104)</u>	<u>(450)</u>	<u>(226)</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	15		
Miscellaneous			
Indirect Costs		(245)	(106)
Gain/(Loss) on Sale of Capital Assets			
Indirect Cost Recovery		1,371	
Total Nonoperating Revenues (Expenses)	<u>15</u>	<u>1,126</u>	<u>(106)</u>
Operating Transfers			
Transfers In	62		600
Transfers Out	(5)	(700)	
Total Operating Transfers	<u>57</u>	<u>(700)</u>	<u>600</u>
Changes in Net Assets	<u>(32)</u>	<u>(24)</u>	<u>268</u>
Total Net Assets Beginning of Year	<u>1,979</u>		<u>913</u>
Total Net Assets End of Year	<u>\$ 1,947</u>	<u>\$ (24)</u>	<u>\$ 1,181</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 727	\$ 1,107	\$ 645	\$ 744	\$ 18,283	\$ 22,888
727	1,107	645	744	18,283	33,562
4,005	2,740	389	250	9,358	21,885
938	831	150	67	2,781	5,963
181	1,175	35	261	1,175	3,043
2	43	2		3,353	3,411
3,106	60	7	131	3,618	12,495
763	705	345	3	707	2,992
2,005	197	8	17	403	2,858
1		16			17
11,001	5,751	952	729	21,395	52,664
(10,274)	(4,644)	(307)	15	(3,112)	(19,102)
				20	35
	59			892	951
(508)					(859)
	7	2		4	13
8,106	4,105	75	37	3,687	17,381
7,598	4,171	77	37	4,603	17,521
1,714	600	400		3	3,379
				(603)	(1,308)
1,714	600	400	-	(600)	2,071
(962)	127	170	52	891	490
5,377	1,370	7,633	276	17,200	34,748
\$ 4,415	\$ 1,497	\$ 7,803	\$ 328	\$ 18,091	\$ 35,238

Jefferson County, Alabama
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ending September 30, 2004
(In Thousands)
Exhibit #22

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Cash Flows From Operating Activities</u>			
Cash Received for Services	\$ 1,383	\$	\$
Other Revenues		7,862	387
Cash Payments to Employees	(844)	(4,806)	(614)
Cash Payments for Goods and Services	(307)	(4,878)	(227)
Net Cash Provided (Used) by Operating Activities	232	(1,822)	(454)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers Out	(5)	(700)	
Operating Transfers In	62		600
Received From Auxiliary Services			
Increase/(Decrease) in Cash Deficit		2,090	
Indirect Cost		(245)	(106)
Indirect Cost Recovery		1,371	
Net Cash Provided (Used) by Non-Capital Financing Activities	57	2,516	494
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Capital Assets	(7)	(694)	(19)
Proceeds From Sale of Capital Assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(7)	(694)	(19)
<u>Cash Flows from Investing Activities</u>			
Interest Received	15		
Net Cash Flows Provided by Investing Activities	15		
Net Increase (Decrease) in Cash	297		21
Cash and Investments, Beginning of Year	8,012		1
Restatement	(42)		
Cash and Investments, Beginning of Year - as restated	7,970		1
Cash and Investments, End of Year	\$ 8,267	\$	\$ 22
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income/(Loss)	(104)	(450)	(226)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Depreciation Expense	54	101	73
(Increase)/Decrease in Prepaid Expenses	108	(2)	
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due From Other Governments		(2,149)	(275)
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	(73)	615	(23)
Increase/(Decrease) in Accrued Wages Payable	9	39	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	5	24	(5)
(Decrease) in Estimated Claims Liability	233		
Total Adjustments	336	(1,372)	(228)
Net Cash Provided by Operating Activities	\$ 232	\$ (1,822)	\$ (454)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
\$ 713	\$ 1,107	\$ 647	\$ 705	\$ 18,285	\$ 22,840
(4,856)	(3,543)	(561)	(317)	(11,917)	(27,458)
(4,125)	(2,257)	(408)	(451)	(8,873)	(21,526)
(8,268)	(4,693)	(322)	(63)	(2,505)	(17,895)
				(603)	(1,308)
1,714	600	400		3	3,379
	59			892	951
		(84)			2,006
(508)					(859)
8,106	4,105	75	37	3,687	17,381
9,312	4,764	391	37	3,979	21,550
(303)	(73)		(3)	(143)	(1,242)
	15	18		4	37
(303)	(58)	18	(3)	(139)	(1,205)
				20	35
	-	-		20	35
741	13	87	(29)	1,355	2,485
1	290		149	10,827	19,280
	(1)	(1)		(33)	(77)
1	289	(1)	149	10,794	19,203
\$ 742	\$ 302	\$ 86	\$ 120	\$ 12,149	\$ 21,688
(10,274)	(4,644)	(307)	15	(3,112)	(19,102)
2,005	197	8	17	403	2,858
2					108
(13)				1	(12)
	1	1	(39)	1	(2,460)
	43	(2)	(51)	(57)	(67)
(74)	(318)	(1)	(6)	38	158
30	22	3	3	151	259
56	6	(24)	(2)	70	130
					233
2,006	(49)	(15)	(78)	607	1,207
\$ (8,268)	\$ (4,693)	\$ (322)	\$ (63)	\$ (2,505)	\$ (17,895)

Jefferson County, Alabama
Combining Statement of Fiduciary
Net Assets
All Agency Funds
September 30, 2004
(In Thousands)
Exhibit #23

	<u>Storm Water Management Authority Fund</u>	<u>City of Birmingham Revolving Loan Fund</u>	<u>Totals</u>
Assets			
Cash and Investments	\$ 2,262	\$ 733	\$ 2,995
Loans Receivable, Net		387	387
Total Assets	<u>\$ 2,262</u>	<u>\$ 1,120</u>	<u>\$ 3,382</u>
Liabilities			
Due to External Organization	\$ 2,262		\$ 2,262
Due to Other Governments		1,120	1,120
Total Liabilities	<u>\$ 2,262</u>	<u>\$ 1,120</u>	<u>\$ 3,382</u>

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

	<u>Balance 10/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 09/30/04</u>
<u>Storm Water Management Authority Fund</u>				
<u>Assets</u>				
Cash and Investments	\$ 2,462	\$ 1,572	\$ 1,772	\$ 2,262
Prepaid Expenses	1		1	
Total Assets	<u>\$ 2,463</u>	<u>\$ 1,572</u>	<u>\$ 1,773</u>	<u>\$ 2,262</u>
<u>Liabilities</u>				
Due to External Organizations	\$ 2,463	\$ 1,572	\$ 1,773	\$ 2,262
Total Liabilities	<u>\$ 2,463</u>	<u>\$ 1,572</u>	<u>\$ 1,773</u>	<u>\$ 2,262</u>
<u>City of Birmingham Revolving Loan Fund</u>				
<u>Assets</u>				
Cash and Investments	\$ 963	\$ 45	\$ 275	\$ 733
Loans Receivable, Net	405	9	27	387
Total Assets	<u>\$ 1,368</u>	<u>\$ 54</u>	<u>\$ 302</u>	<u>\$ 1,120</u>
<u>Liabilities</u>				
Due to Other Governments	\$ 1,368	\$ 54	\$ 302	1,120
Total Liabilities	<u>\$ 1,368</u>	<u>\$ 54</u>	<u>\$ 302</u>	<u>\$ 1,120</u>
TOTALS - ALL AGENCY FUNDS				
<u>Assets</u>				
Cash and Investments	\$ 3,425	\$ 1,617	\$ 2,047	\$ 2,995
Loans Receivable, Net	405	9	27	387
Prepaid Expenses	1		1	
Total Assets	<u>\$ 3,831</u>	<u>\$ 1,626</u>	<u>\$ 2,075</u>	<u>\$ 3,382</u>
<u>Liabilities</u>				
Due to External Organizations	\$ 2,463	\$ 1,572	\$ 1,773	\$ 2,262
Due to Other Governments	1,368	54	302	1,120
Total Liabilities	<u>\$ 3,831</u>	<u>\$ 1,626</u>	<u>\$ 2,075</u>	<u>\$ 3,382</u>

Jefferson County, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004
Exhibit #25

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
<u>U. S. Department of Agriculture</u>			
<u>Passed Through Alabama Department of Education</u>			
Food Donation (N)	10.550		10-01-03 To 9-30-04
Nutrition Cluster:			
School Breakfast Program	10.553		10-01-03 To 9-30-04
National School Lunch Program	10.555		10-01-03 To 9-30-04
Sub-Total Nutrition Cluster			
Sub-Total Passed Through Alabama Department of Education			
<u>Passed Through Alabama Department of Senior Services</u>	10.570		10-01-03 To 9-30-04
Nutrition Services Incentive			
Total U. S. Department of Agriculture			
<u>U. S. Department of Commerce</u>			
<u>Direct Program</u>			
Economic Development - Technical Assistance	11.303	04-39-3391.02	07-25-86 To 9-30-04
Total U. S. Department of Commerce			
<u>U. S. Department of Housing and Urban Development</u>			
<u>Direct Programs</u>			
Community Development Block Grants/Entitlement Grants	14.218	B00-UC-01-0001	10-01-00/09-30-04
	14.218	B01-UC-01-0001	10-01-01/09-30-04
	14.218	B02-UC-01-0001	10-01-02/09-30-04
	14.218	B03-UC-01-0001	10-01-03/09-30-04
Related Revolving Loan Funds	14.218		10-01-03/09-30-04
Sub-Total Community Development Block Grants/Entitlement Grants			
HOME Investment Partnership Program	14.239	M99-UC-01-0202	10-01-99/09-30-04
	14.239	M00-UC-01-0202	10-01-00/09-30-04
	14.239	M01-UC-01-0202	10-01-01/09-30-04
	14.239	M02-UC-01-0202	10-01-02/09-30-04
	14.239	M03-UC-01-0202	10-01-03/09-30-04
Sub-Total HOME Investment Partnership Program			
Emergency Shelter Grants Program	14.231	S01-UC-01-0006	10-01-01/09-30-04
	14.231	S02-UC-01-0006	10-01-02/09-30-04
	14231	S03-UC-01-0006	10-01-03/09-30-04
Sub-Total Emergency Shelter Grants Programs (Direct Programs)			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Emergency Shelter Grants Program	14.231	ESG-03-036	05-27-03/05-26-05
Sub-Total Emergency Shelter Grants Program			
Total U. S. Department of Housing and Urban Development			
Sub-Total Forward			

Budget			
Total	Federal Share	Revenue Recognized	Expenditures
\$ 4,694	\$ 4,694	\$ 4,694	\$ 4,694
35,357	35,357	35,357	35,357
65,077	65,077	65,077	65,077
100,434	100,434	100,434	100,434
105,127	105,127	105,127	105,127
319,636	319,636	319,636	319,636
424,763	424,763	424,763	424,763
			422,136
			422,136
2,724,000	2,724,000		437,993
2,809,000	2,809,000	186,253	453,119
2,773,000	2,773,000	2,773,000	680,971
2,596,000	2,596,000	295,342	1,682,511
			1,940,589
10,902,000	10,902,000	3,254,595	5,195,183
1,272,500	1,018,000	99,736	99,736
1,240,675	1,023,000	28,068	28,068
1,274,331	1,051,000	346,227	346,227
1,308,750	1,047,000	98,523	98,523
1,308,750	1,047,000	143,006	143,006
6,405,006	5,186,000	715,559	715,559
96,000	96,000	145	145
96,000	96,000	5,492	5,492
95,000	95,000	95,000	95,000
287,000	287,000	100,637	100,637
400,000	200,000	156,443	156,443
687,000	487,000	257,080	257,080
17,994,006	16,575,000	4,227,234	6,167,823
18,418,769	16,999,763	4,651,998	7,014,723

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
Sub-Total Brought Forward			
<u>U. S. Department of Justice</u>			
<u>Direct Programs</u>			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2002-DD-BX-0027	05-01-02/10-31-04
	16.580	2203-DD-BX-0248	07-01-03/06-30-05
Sub-total Edward Byrne Memorial State and Local Law			
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-2182	09-22-03/09-21-05
Bullet Proof Vest Partnership Program	16607		10-1-03/09-30-04
Public Safety Partnership and Community Policing Grants	16.710	1999-SDH-WX-0529	09-01-99/08-31-03
	16.710	2002-SH-WX-0654	0901-02/08-31-05
	16.710	2002-HS-WX-0038	09-01-02/02-28-05
	16.710	2002-CK-WX-0011	10-01-01/03-31-04
	16.710	2003-UL-WX-0016	06-01-03/05-31-06
	16.710	2003-CK-WX-0276	02-20-03/02-19-05
Sub-Total Public Safety Partnership and Community Policing Grants			
Gang Resistance Education and Training	16.737	2004-JV-FX-0100	01-01-04/12-31-04
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	02-JF-C3-009	08-01-03/10-15-04
	16.540	02-JF-C3-014	10-01-03/10-30-04
Sub-Total Juvenile Justice and Delinquency Prevention - Allocation to States			
Total U. S. Department of Justice			
<u>U. S. Department of Labor</u>			
<u>Direct Programs</u>			
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60	3-20-00 To 6-30-05
<u>Passed Through Senior Service America, Inc.</u>			
Senior Community Service Employment Program	17.235	AD-10530-00-055	7-1-03 To 6-30-04
<u>Passed Through Alabama Department of Senior Services</u>			
Senior Community Service Employment Program	17.235	05-502-99-3A	7-1-03 To 6-30-04
Sub-Total Senior Community Service Employment Program			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Welfare-to-Work Grants to States and Localities	17.253	92WTW	07-01-01/09-28-04
Sub-Total Welfare-to-Work Grants to States and Localities			
Sub-Total Forward			

Budget		Revenue Recognized	Expenditures
Total	Federal Share		
\$ 18,418,769	\$ 16,999,763	\$ 4,651,996	\$ 7,014,723
2,390,160	2,390,160	1,043,334	1,043,334
496,750	496,750	38,250	38,250
<u>2,886,910</u>	<u>2,886,910</u>	<u>1,081,584</u>	<u>1,081,584</u>
<u>346,098</u>	<u>311,488</u>	<u>311,488</u>	<u>311,488</u>
<u>5,317</u>	<u>5,317</u>	<u>5,317</u>	<u>5,317</u>
1,035,670	1,035,670	210,811	210,811
517,870	517,870	163,022	163,022
75,250	75,250	46,151	46,151
800,000	800,000	800,000	800,000
750,000	750,000	185,453	185,453
496,750	496,750	113,746	113,746
<u>3,675,540</u>	<u>3,675,540</u>	<u>1,519,184</u>	<u>1,519,184</u>
<u>42,096</u>	<u>42,096</u>	<u>41,986</u>	<u>41,986</u>
36,470	36,470	31,977	31,977
<u>62,590</u>	<u>62,590</u>	<u>62,590</u>	<u>62,590</u>
<u>99,060</u>	<u>99,060</u>	<u>94,567</u>	<u>94,567</u>
<u>7,055,021</u>	<u>7,020,411</u>	<u>3,054,127</u>	<u>3,054,127</u>
<u>19,804,385</u>	<u>19,804,385</u>	<u>3,394,592</u>	<u>3,394,592</u>
404,852	358,277	299,348	299,348
<u>190,778</u>	<u>171,700</u>	<u>145,289</u>	<u>145,289</u>
<u>595,630</u>	<u>529,977</u>	<u>444,637</u>	<u>444,637</u>
<u>3,750,665</u>	<u>3,750,665</u>	<u>1,492,203</u>	<u>1,492,203</u>
<u>3,750,665</u>	<u>3,750,665</u>	<u>1,492,203</u>	<u>1,492,203</u>
49,624,470	48,105,201	13,037,555	15,400,282

Continued

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
Sub-Total Brought Forward			
WIA Adult Program	17.258	22	7-1-02/6-30-04
WIA Adult Program	17.258	32	7-1-03/6-30-05
WIA Adult Program	17.258	42	7-1-04/6-30-06
Sub-Total WIA Adult Program			
WIA Youth Activities	17.259	22	7-1-02/6-30-04
WIA Youth Activities	17.259	32	7-1-03/6-30-05
WIA Youth Activities	17.259	42	7-1-04/6-30-06
Sub-Total WIA Youth Activities			
WIA Dislocated Workers	17.260	22	7-1-02/6-30-04
WIA Dislocated Workers	17.260	32	7-1-03/6-30-05
WIA Dislocated Workers	17.26	42	7-1-04/6-30-06
Sub-Total WIA Dislocated Workers			
Total WIA Cluster			
Total U. S. Department Of Labor			
<u>U. S. Department of Education</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Safe and Drug-Free Schools and Communities - State Grants	84.186	02-GV-DR-038	02-01-04/09-30-04
Total U. S. Department of Education			
<u>U. S. Department of Health and Human Services</u>			
<u>Direct Programs</u>			
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	US2MPOWH10-01-0	09-30-02/09-29-07
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93-283	H57/CCH423134-01	09-15-03/09-14-07
Health Care and Other Facilities	93.887	4C76HF00183-01-01	09-20-03/09-19-04
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (M)	93.918	6H76HA00098-10-03	01-01-03/12-31-03
	93.918	6H76HA00098-11-03	01-01-04/12-31-04
Sub-total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			
<u>Passed Through Alabama Department of Senior Services</u>			
<u>Special Programs for the Aging</u>			
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse Neglect, and Exploitation	93.041	03-01-04-03a	10-01-03/09-30-04
Title VII, Chapter 2 - Long Term Ombudsman Services for Older Individuals	93-042	03-01-04-03a	10-01-03/09-30-04
Subtotal Brought Forward			

Budget			
Total	Federal Share	Revenue Recognized	Expenditures
\$ 49,624,470	\$ 48,105,201	\$ 13,037,555	\$ 15,400,282
1,159,895	1,159,895	468,645	468,645
1,476,317	1,476,317	988,989	988,989
196,965	196,965	21,597	21,597
<u>2,833,177</u>	<u>2,833,177</u>	<u>1,479,231</u>	<u>1,479,231</u>
1,110,011	1,110,011	530,617	530,617
857,166	857,166	857,166	857,166
887,896	887,896	367,475	367,475
<u>2,855,073</u>	<u>2,855,073</u>	<u>1,755,258</u>	<u>1,755,258</u>
1,115,350	1,115,350	641,870	641,870
1,193,004	627,854	232,418	232,418
350,517	350,517	20,907	20,907
<u>2,658,871</u>	<u>2,093,721</u>	<u>895,195</u>	<u>895,195</u>
8,347,121	7,781,971	4,129,684	4,129,684
<u>32,497,801</u>	<u>31,866,998</u>	<u>9,461,116</u>	<u>9,461,116</u>
25,000	25,000	16,795	16,795
<u>25,000</u>	<u>25,000</u>	<u>16,795</u>	<u>16,795</u>
309,354	309,354	219,018	219,018
241,198	241,198	159,792	159,792
<u>987,673</u>	<u>957,381</u>	<u>550,000</u>	<u>550,000</u>
1,015,955	1,015,955	25,000	25,000
965,345	965,345	877,530	877,530
<u>1,981,300</u>	<u>1,981,300</u>	<u>902,530</u>	<u>902,530</u>
10,900	10,294	9,810	9,810
<u>30,113</u>	<u>28,440</u>	<u>27,102</u>	<u>27,102</u>
61,557,129	59,440,139	19,052,286	21,415,014

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period
Sub-Total Brought Forward			
Title III, Part D - Disease Prevention and Health Promotion	93.014	03-01-04-03a	10-01-03/09-30-04
Aging Cluster:			
Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-04-03a	10-01-03/09-30-04
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-04-03a	10-01-03/09-30-04
Sub-Total Title III, Part B			
Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-04-03a	10-01-03/09-30-04
Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-04-03a	10-01-03/09-30-04
Sub-Total Title III, Part C			
Total Aging Cluster			
Title IV - and Title II - Discretionary Projects	93.048	90AM2580-13-03	10-01-03/09-30-04
Alzheimer's Disease Demonstration Grants to States	93.051	AD-01-03-03a	10-01-03/09-30-04
National Family Caregiver Support	93.052	03-01-04-03a	10-01-03/09-30-04
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	SHIP-01-02-3A	10-01-03/09-30-04
	93.779	SHIP-01-03-3A	10-01-03/09-30-04
	93.779	SHIP-01-04-3A	10-01-03/09-30-04

Total U. S. Department of Health & Human Services

U. S. Department of Homeland Security
Passed Through Alabama Department
of Economic and Community Affairs

Hazard Mitigation Grant	97.039	HMGP1208-0025	5-1-01 To 4-30-03
Hazard Mitigation Grant	97.039	HMGP1214-0023	7-3-01 To 7-2-03
Hazard Mitigation Grant	97.039	FMA-PJ=04AL-2000001	07-03-01/07-02-04
Sub-Total Hazard Mitigation Grant			

Total U. S. Department of Homeland Security

Total Expenditures of Federal Awards

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

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

Budget			
Total	Federal Share	Revenue Recognized	Expenditures
\$ 61,557,129	\$ 59,440,139	\$ 19,052,286	\$ 21,415,014
46,703	41,803	33,986	33,986
113,233	113,233	113,233	113,233
711,253	682,471	564,035	564,035
824,486	795,704	677,268	677,268
830,343	820,575	573,085	573,085
574,896	571,169	505,498	505,498
1,405,239	1,391,744	1,078,583	1,078,583
2,229,725	2,187,448	1,755,851	1,755,851
35,033	35,033	14,921	14,921
12,745	12,745	12,745	12,745
604,237	553,742	377,744	377,744
2,774	2,774	2,774	2,774
19,035	19,035	19,035	19,035
44,573	44,573	10,114	10,114
66,382	66,382	31,923	31,923
6,555,363	6,425,120	4,095,422	4,095,422
263,353	263,353	945	945
259,755	259,755	67,242	67,242
25,400	25,400	2,500	2,500
548,508	548,508	70,687	70,687
548,508	548,508	70,687	70,687
\$ 65,100,462	\$ 62,885,800	\$ 21,350,146	\$ 23,712,871

**Notes to the Schedule of Expenditures
Of Federal Awards
For the Year Ended September 30, 2004**

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant-Entitlement Grants	14.218	\$ 2,426,249
Emergency Shelter Grants Program	14.231	\$ 247,077
Welfare-to-Work Grants to States and Localities	17.253	\$ 1,373,852
Workforce Investment Act:		
WIA Cluster:		
WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Workers	17.260	
Total Workforce Investment Act		\$ 3,328,426
Youth Opportunity Grant	17.263	\$ 3,514,131
Hazard Mitigation Grant	97.039	\$ 17,193

Note 3 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2004:

	<u>CFDA Number</u>	<u>Loans Outstanding</u>	<u>Less: Allowance for Doubtful Accounts</u>	<u>Net Loans Outstanding</u>
Economic Development				
Technical Assistance	11.303	\$ 253,468	\$ (22,796)	\$ 230,672
Community Development Block				
Grants/Entitlement Grants	14.218	\$ 1,056,135	\$ (63,553)	\$ 992,582
HOME Investment Partnership				
Program	14.239	\$ 2,264,122	\$ (258,000)	\$ 2,006,122

Additional Information

Commission Members and Administrative Personnel October 1, 2003 through September 30, 2004

Commission Members			Term Expires
Hon. Larry P. Langford, President	President	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Mary M. Buckelew	Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Bettye Fine Collins	Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Shelia Smoot	Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Gary White	Member	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2006

Administrative Personnel

Mr. Steve Saylor	Finance Director	Suite 810 Jefferson County Courthouse Birmingham, AL 35263
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***Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Jefferson County Commission as of and for the year ended September 30, 2004, which collectively comprise the Jefferson County Commission's basic financial statements and have issued our report thereon dated February 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

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

noncompliance that we have reported to the management of the Jefferson County Commission in the Report to the Chief Examiner.

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



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

February 9, 2005

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

Compliance

We have audited the compliance of the Jefferson County Commission with the types of compliance requirements described in the **U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that are applicable to each of its major federal programs for the year ended September 30, 2004. The Jefferson County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on the Jefferson County Commission's compliance based on our audit.

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

In our opinion, the Jefferson County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

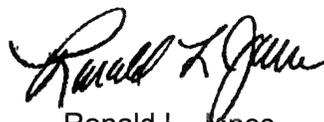
The management of Jefferson County Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of law, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Jefferson County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

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. 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 requirement of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-2.

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 programs 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 believe the reportable condition described above is not a material weakness.

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



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

February 9, 2005

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004**

Section I – Summary of Examiner’s Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
16.71	Public Safety Partnership and Community Policing Grants
17.263	Youth Opportunity Grants
17.258, 17.259 and 17.260	Workforce Investment Act Cluster

Dollar threshold used to distinguish Between Type A and Type B programs: \$ 653,168

Auditee qualified as low-risk auditee? X Yes _____ No

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004**

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings

JEFFERSON COUNTY COMMISSION



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

LARRY P. LANGFORD—COMMISSIONER
Finance and General Services

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

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2004

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Section __.315(b), the Jefferson County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2004.

Finding Ref. No.	Status of Prior Audit Finding
2003-2	Corrective action was taken.

Steve Sayler
Finance Director

Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION



LARRY P. LANGFORD, PRESIDENT
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VIA Email

Nicole.Peagler@examiners.state.al.us

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

Corrective Action Plan For the Year Ended September 30, 2003

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, Section .315(c), the Jefferson County Commission has prepared and hereby submits the following Correction Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2004.

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

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

Finding #2003-1: Procedures were not in place to ensure that all customers who are receiving sewer service are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers

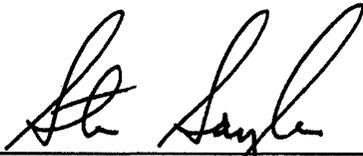
Response: See response to 1999-1 above. Also, the County has added an inspector in the Sewer Billing Office to assist with locating these billing problems.

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

Finding: At September 30, 2004, the following funds had deficit fund balances:

Road Fund	\$ 4,755,220.71
Bridge and Public Building Fund	\$ 39,955.29
Senior Citizens' Activities Fund	\$ 756,085.67
Capital Improvements Fund	\$ 372,508.02
Personnel Fund	\$ 23,969.84

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



Steve Sayler, Director of Finance of County Commission



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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2002	\$ 181,087	\$ 49,568	\$ 1,250	\$203,120	\$ 57,983	\$ 10,844	\$ 503,852
2003	\$ 211,508	\$ 55,617	\$ 427	\$207,086	\$ 75,010	\$ 10,261	\$ 559,909
2004	\$ 215,609	\$ 55,796	\$ 1,128	\$222,839	\$ 35,345	\$ 3,215	\$ 533,932

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

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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Welfare</u>	<u>Culture and Recreation</u>	<u>Education</u>	<u>Interest and Fiscal Charges</u>
2002	\$ 104,496	\$ 65,936	\$ 41,716	\$ 14,766	\$ 16,187	\$ 200	\$ 15,809
2003	\$ 121,127	\$ 71,248	\$ 41,901	\$ 16,453	\$ 18,250	\$ 231	\$ 14,234
2004	\$ 111,829	\$ 70,884	\$ 40,875	\$ 13,253	\$ 15,860	\$ 234	\$ 13,614

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

<u>Hospital</u>	<u>Nursing Operations</u>	<u>Landfill</u>	<u>Sanitary Operations</u>	<u>Parking</u>	<u>Total</u>
\$ 73,375	\$ 15,279	\$ 7,352	\$ 234,463	\$ 326	\$ 589,905
\$ 74,526	\$ 16,306	\$ 7,090	\$ 287,898	\$ 307	\$ 669,571
\$ 77,952	\$ 15,965	\$ 7,022	\$ 256,559	\$ 174	\$ 624,221

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

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges For Services	Miscellaneous (1)	Net Bond Proceeds	Total
1995	\$ 109,555	\$ 45,131	\$ 29,492	\$ 15,852	\$ 16,850	\$	\$ 216,880
1996	\$ 108,131	\$ 47,380	\$ 27,590	\$ 16,886	\$ 19,998	\$	\$ 219,985
1997	\$ 113,609	\$ 49,138	\$ 26,692	\$ 16,965	\$ 18,474	\$	\$ 224,878
1998	\$ 121,746	\$ 52,657	\$ 35,933	\$ 19,722	\$ 20,360	\$ 50,000	\$ 300,418
1999	\$ 127,688	\$ 53,683	\$ 30,975	\$ 19,269	\$ 14,480	\$	\$ 246,095
2000	\$ 136,188	\$ 58,606	\$ 37,352	\$ 19,605	\$ 21,664	\$ 107,125	\$ 380,540
2001	\$ 142,260	\$ 59,846	\$ 48,973	\$ 20,460	\$ 30,917	\$ 202,267	\$ 504,723
2002	\$ 145,295	\$ 60,903	\$ 50,819	\$ 24,477	\$ 30,660	\$ 20,793	\$ 332,947
2003	\$ 147,884	\$ 61,313	\$ 56,042	\$ 26,247	\$ 30,515	\$ 99,833	\$ 421,834
2004	\$ 159,384	\$ 65,208	\$ 56,925	\$ 24,496	\$ 19,690	\$ 51,811	\$ 377,514

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

(1) Composed of indirect cost recovery, investment income, proceeds of sale of capital assets and miscellaneous revenue.

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

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Culture and Recreation
1995	\$ 53,035	\$ 35,815	\$ 26,856	\$ 9,304	\$ 16,106
1996	\$ 63,897	\$ 39,429	\$ 32,521	\$ 4,880	\$ 13,503
1997	\$ 48,547	\$ 41,101	\$ 37,192	\$ 3,944	\$ 13,144
1998	\$ 53,027	\$ 49,115	\$ 35,516	\$ 6,916	\$ 13,260
1999	\$ 55,136	\$ 46,929	\$ 31,974	\$ 4,283	\$ 12,819
2000	\$ 63,880	\$ 47,976	\$ 36,731	\$ 3,334	\$ 12,677
2001	\$ 75,667	\$ 51,313	\$ 36,718	\$ 9,604	\$ 13,758
2002	\$ 83,525	\$ 56,336	\$ 33,554	\$ 14,209	\$ 14,684
2003	\$ 94,923	\$ 62,989	\$ 34,256	\$ 14,819	\$ 16,578
2004	\$ 88,672	\$ 64,601	\$ 34,898	\$ 11,335	\$ 15,784

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

<u>Education</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Indirect Cost</u>	<u>Total</u>
\$ 199	\$ 6,459	\$ 15,277	\$	\$ 163,051
\$ 163	\$ 5,336	\$ 17,560	\$ 351	\$ 177,640
\$ 168	\$ 31,346	\$ 17,506	\$ 12,740	\$ 205,688
\$ 170	\$ 21,919	\$ 21,706	\$ 11,508	\$ 213,137
\$ 185	\$ 22,243	\$ 24,575	\$ 14,812	\$ 212,956
\$ 185	\$ 37,830	\$ 82,230	\$ 18,964	\$ 303,807
\$ 197	\$ 37,873	\$ 128,545	\$ 19,094	\$ 372,769
\$ 200	\$ 38,242	\$ 54,091	\$ 20,401	\$ 315,242
\$ 231	\$ 29,103	\$ 80,688	\$ 18,249	\$ 351,836
\$ 234	\$ 26,818	\$ 32,331	\$ 22,870	\$ 297,543

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

Tax Year Beginning October 1	Total Taxes Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections
1995	\$ 245,901,867	\$ 235,457,220	95.75%	\$ 4,254,077
1996	\$ 247,358,892	\$ 239,414,593	96.79%	\$ 4,853,300
1997	\$ 254,823,293	\$ 249,806,279	98.03%	\$ 4,130,970
1998	\$ 265,673,868	\$ 262,277,245	98.72%	\$ 4,253,108
1999	\$ 284,182,209	\$ 283,265,317	99.68%	\$ 1,390,376
2000	\$ 333,238,350	\$ 330,192,023	99.09%	\$ 2,280,785
2001	\$ 340,759,254	\$ 336,421,870	98.73%	\$ 1,686,156
2002	\$ 351,730,297	\$ 348,124,036	98.97%	\$ 5,606,431
2003	\$ 365,507,555	\$ 361,085,704	98.79%	\$ 4,205,271
2004	\$ 420,329,738	\$ 415,119,655	98.76%	\$ 6,368,992

Source: Jefferson County Tax Assessor and Jefferson County Tax Collector

Total Tax Collections	Ratio of Total Tax Collections to Total Taxes Levied	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Taxes Levied
\$ 239,711,297	97.48%	\$ 1,578,755	0.64%
\$ 244,267,893	98.75%	\$ 1,147,635	0.46%
\$ 253,937,249	99.65%	\$ 761,341	0.30%
\$ 266,530,353	100.32%	\$ 687,408	0.26%
\$ 284,655,693	100.17%	\$ 892,304	0.31%
\$ 332,472,808	99.77%	\$ 633,356	0.19%
\$ 338,108,026	99.22%	\$ 897,388	0.26%
\$ 353,730,497	100.57%	\$ 1,169,066	0.33%
\$ 365,290,975	99.94%	\$ 2,502,273	0.68%
\$ 421,488,647	100.16%	\$ 2,222,051	0.53%

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

Assessment Date October 1	Real Property*		Personal Property*	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1995	\$ 3,508,608,069	\$ 20,694,608,522	\$ 638,847,151	\$ 3,194,235,755
1996	\$ 3,569,535,589	\$ 21,147,002,093	\$ 690,979,113	\$ 3,454,895,565
1997	\$ 3,646,343,831	\$ 21,718,757,694	\$ 785,184,132	\$ 3,925,920,770
1998	\$ 3,764,036,047	\$ 22,434,017,344	\$ 883,387,978	\$ 4,416,939,890
1999	\$ 4,062,038,925	\$ 23,291,507,597	\$ 1,092,375,051	\$ 5,461,875,255
2000	\$ 4,132,989,142	\$ 23,766,470,052	\$ 859,648,212	\$ 4,298,241,060
2001	\$ 4,167,485,910	\$ 31,309,817,539	\$ 891,135,934	\$ 4,482,575,120
2002	\$ 4,277,742,048	\$ 32,103,509,180	\$ 938,489,379	\$ 4,721,523,800
2003	\$ 5,026,883,707	\$ 38,965,716,871	\$ 973,288,174	\$ 4,901,177,855
2004	\$ 5,381,715,632	\$ 40,863,438,836	\$ 973,734,774	\$ 4,869,036,965

* Source: Jefferson County Tax Assessor

** Source: Jefferson County Revenue Director

Property is assessed on the following basis:

- Class I - Public Utility-----30%
- Class II - Commercial-----20%
- Class III - Residential-----10%
- Class IV - Automobile-----15%

Automobile**		Total Assessed Value	Total Estimated True Value	Ratio of Total Assessed Value to Total Actual Value
Assessed Value	Estimated Actual Value			
\$ 379,586,980	\$ 2,530,579,867	\$ 4,527,042,200	\$ 26,419,424,144	17.14%
\$ 409,392,840	\$ 2,729,285,600	\$ 4,669,907,542	\$ 27,331,183,258	17.09%
\$ 450,545,420	\$ 3,003,636,133	\$ 4,882,073,383	\$ 28,648,314,597	17.04%
\$ 530,077,135	\$ 3,533,847,567	\$ 5,177,501,160	\$ 30,384,804,801	17.04%
\$ 570,975,326	\$ 3,806,502,173	\$ 5,725,389,302	\$ 32,559,885,025	17.58%
\$ 697,002,840	\$ 4,646,685,600	\$ 5,689,640,194	\$ 32,711,396,712	17.39%
\$ 811,100,700	\$ 5,407,338,000	\$ 5,869,722,544	\$ 41,199,730,659	14.25%
\$ 834,311,980	\$ 5,562,079,867	\$ 6,050,543,407	\$ 42,387,112,847	14.27%
\$ 843,387,480	\$ 5,622,583,200	\$ 6,843,559,361	\$ 49,489,477,926	13.83%
\$ 852,022,748	\$ 5,680,151,658	\$ 7,207,473,154	\$ 51,412,627,459	14.02%

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

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

Source: Jefferson County Tax Assessor

Tax Due Date: October 1

Delinquent Date: January 1

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

Discounts Allowed: None

Tax Sale Date: Usually May or June

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

Fiscal Year	Jefferson County			City of Birmingham					State of Alabama	Total Tax
	County Government	County Schools	County Total	General Fund	Debt Service Funds	Board of Education Fund	Library	City Total		
1995	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1996	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1997	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1998	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
1999	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2000	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2001	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2002	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2003	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14
2004	\$ 1.35	\$ 3.01	\$ 4.36	\$ 0.90	\$ 1.20	\$ 1.98	\$ 0.05	\$ 4.13	\$ 0.65	\$ 9.14

Jefferson County, Alabama
Principal Taxpayers
September 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage Of Total Assessed Valuation</u>
Alabama Power Company	Public Utility	\$ 512,877,850	9.53%
BellSouth Telecommunications	Public Utility	265,478,160	4.93%
USX Corporation	Steel Mfr. And Real Estate	100,639,801	1.87%
Colonial Realty Ltd. Partnership	Real Estate	55,034,500	1.02%
HealthSouth Corporation	Healthcare	50,630,558	0.94%
AmSouth Bank Corporation	Financial Institution	48,419,501	0.90%
SouthTrust Corporation	Financial Institution	39,270,414	0.73%
Alabama Gas Corporation	Public Utility	37,766,260	0.70%
American Cast Iron Pipe Co.	Foundry	30,917,549	0.57%
Protective Life Insurance Co.	Insurance	27,588,900	0.51%
		<u>\$ 1,168,623,493</u>	<u>21.71%</u>

Source: Jefferson County Tax Assessor

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

Assessed value of real and personal property	\$	<u>7,207,473</u>
Debt limit, 5% of assessed value (see note below)	\$	360,374
Outstanding general obligation bonds and warrants net of accreted interest		330,825
Legal debt margin	\$	<u>29,549</u>

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

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

Fiscal Year Ended	Population		Assessed Value	Gross Bonded Debt (1)
	Census	Number		
1995	1990	651,520	\$ 4,527,042,200	\$ 178,555,000
1996	1990	651,520	\$ 4,669,907,532	\$ 190,195,000
1997	1990	651,520	\$ 4,882,073,383	\$ 177,685,000
1998	1990	651,520	\$ 5,177,501,160	\$ 212,190,000
1999	1990	651,520	\$ 5,732,807,599	\$ 195,370,000
2000	2000	662,047	\$ 5,689,675,034	\$ 228,210,000
2001	2000	662,047	\$ 5,869,722,544	\$ 288,865,000
2002	2000	662,047	\$ 6,050,543,407	\$ 268,230,000
2003	2000	662,047	\$ 6,843,559,361	\$ 297,830,000
2004	2000	662,047	\$ 7,207,473,154	\$ 330,825,000

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

(1) All general obligation bonds and warrants

General Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
\$ 17,021,000	\$ 161,534,000	3.57%	\$ 248
\$ 19,483,000	\$ 170,712,000	3.14%	\$ 225
\$ 22,317,000	\$ 155,368,000	2.69%	\$ 202
\$ 24,273,000	\$ 187,917,000	3.63%	\$ 288
\$ 27,058,000	\$ 168,312,000	2.94%	\$ 258
\$ 87,230,000	\$ 140,980,000	2.48%	\$ 213
\$ 153,033,000	\$ 135,832,000	2.31%	\$ 205
\$ 154,854,000	\$ 113,376,000	1.87%	\$ 171
\$ 175,364,000	\$ 122,466,000	1.79%	\$ 185
\$ 175,029,000	\$ 155,796,000	2.16%	\$ 235

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

Fiscal Year	Total Debt Service (1)		Total General Expenditures (2)		Debt Service as a Percentage of Expenditures
1995	\$	15,277	\$	163,051	9.37%
1996	\$	17,560	\$	177,640	9.89%
1997	\$	17,506	\$	205,688	8.51%
1998	\$	21,706	\$	213,137	10.18%
1999	\$	24,575	\$	212,956	11.54%
2000	\$	23,909	\$	303,807	7.87%
2001	\$	28,545	\$	372,769	7.66%
2002	\$	34,026	\$	315,242	10.48%
2003	\$	32,448	\$	351,836	9.22%
2004	\$	32,331	\$	297,543	10.87%

Source: Jefferson County Commission, Finance Department

(1) Debt service includes regular principal and interest on general obligation debt made out of the Debt Fund.

(2) Total General expenditures represent total expenditures for all governmental types.

Jefferson County, Alabama
Computation of Direct and Overlapping Debt

Direct:		
Gross bonded debt and warrants	\$	330,825,000
Overlapping:		
City of Birmingham (as of June 30, 2004)		511,500,000
Jefferson County Board of Education (as of September 30, 2004)		<u>158,065,070</u>
Total overlapping debt		<u>669,565,070</u>
Total direct and overlapping debt	\$	<u><u>1,000,390,070</u></u>

Jefferson County, Alabama
Schedule of General Obligation Warrants
Debt Service Payments to Maturity
For the Year Ended September 30, 2004
(In Thousands)

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Thereafter</u>	<u>Outstanding Principal Balance September 30, 2004</u>
8,990	9,385	9,810			60,660
			9,695	110,305	120,000
					11,390
6,145	3,420	560	1,135	45,050	87,755
		1,685	1,745	47,590	51,020
<u>\$ 15,135</u>	<u>\$ 12,805</u>	<u>\$ 12,055</u>	<u>\$ 12,575</u>	<u>\$ 202,945</u>	<u>\$ 330,825</u>

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

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1995	\$ 50,554	\$ 22,811	\$ 27,743	\$ 4,000	\$ 9,420	\$ 13,420	2.07
1996	\$ 58,288	\$ 25,495	\$ 32,793	\$ 5,245	\$ 12,703	\$ 17,948	1.83
1997	\$ 70,338	\$ 27,405	\$ 42,933	\$ 4,915	\$ 25,575	\$ 30,490	1.41
1998	\$ 80,120	\$ 31,158	\$ 48,962	\$ 6,235	\$ 33,546	\$ 39,781	1.23
1999	\$ 103,777	\$ 31,482	\$ 72,295	\$ 6,820	\$ 62,504	\$ 69,324	1.04
2000	\$ 126,096	\$ 36,044	\$ 90,052	\$ 11,090	\$ 82,904	\$ 93,994	0.96
2001	\$ 132,218	\$ 40,574	\$ 91,644	\$ 15,635	\$ 90,391	\$ 106,026	0.86
2002	\$ 137,412	\$ 40,555	\$ 96,857	\$ 8,495	\$ 114,324	\$ 122,819	0.79
2003	\$ 190,819	\$ 42,104	\$ 148,715	\$ 13,300	\$ 156,198	\$ 169,498	0.88
2004	\$ 165,927	\$ 43,185	\$ 122,742	\$ 2,595	\$ 109,668	\$ 112,263	1.09

(1) Total operating revenue plus interest income.

(2) Total operating expenses excluding depreciation.

(3) Coverage ratios do not consider the impacts of capitalized interest and prior year surplus as defined in the indenture.

**Jefferson County, Alabama
Property Values
Last Ten Fiscal Years**

<u>Year</u>	<u>Commercial</u>	<u>Residential</u>
1995	\$ 13,001,349,826	\$ 12,887,494,451
1996	\$ 13,396,899,124	\$ 13,204,998,534
1997	\$ 14,113,052,231	\$ 13,531,626,233
1998	\$ 15,022,517,075	\$ 13,828,440,159
1999	\$ 18,306,061,846	\$ 17,480,609,528
2000	\$ 17,347,597,564	\$ 17,769,610,297
2001	\$ 17,651,736,107	\$ 18,140,656,552
2002	\$ 18,303,131,230	\$ 18,521,901,750
2003	\$ 21,635,645,715	\$ 22,231,249,011
2004	\$ 21,527,270,589	\$ 24,205,205,212

Source: Jefferson County Tax Assessor

Jefferson County, Alabama
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Income	Retail Sales Volume (In thousands)	Median Age	Unemployment Rate
1995	656,637	\$ 23,625	\$ 8,123,043	34.4	3.98%
1996	657,827	\$ 21,915	\$ 8,382,105	34.4	4.30%
1997	661,927	\$ 23,939	\$ 8,629,972	34.4	3.20%
1998	658,664	\$ 23,939	\$ 8,880,994	34.4	2.20%
1999	660,513	\$ 21,787	\$ 8,917,407	36.9	3.10%
2000	662,047	\$ 22,575	\$ 9,271,464	36.9	3.10%
2001	663,222	\$ 22,618	\$ 9,321,125	37.1	3.40%
2002	659,743	\$ 24,218	\$ 9,008,044	36.2	4.80%
2003	655,300	\$ 27,896	\$ 9,250,713	36.4	4.80%
2004	658,141	\$ 30,661	\$ 9,636,672	36.4	5.10%

Source: Claritas 2002

* Metropolitan Statistical Area

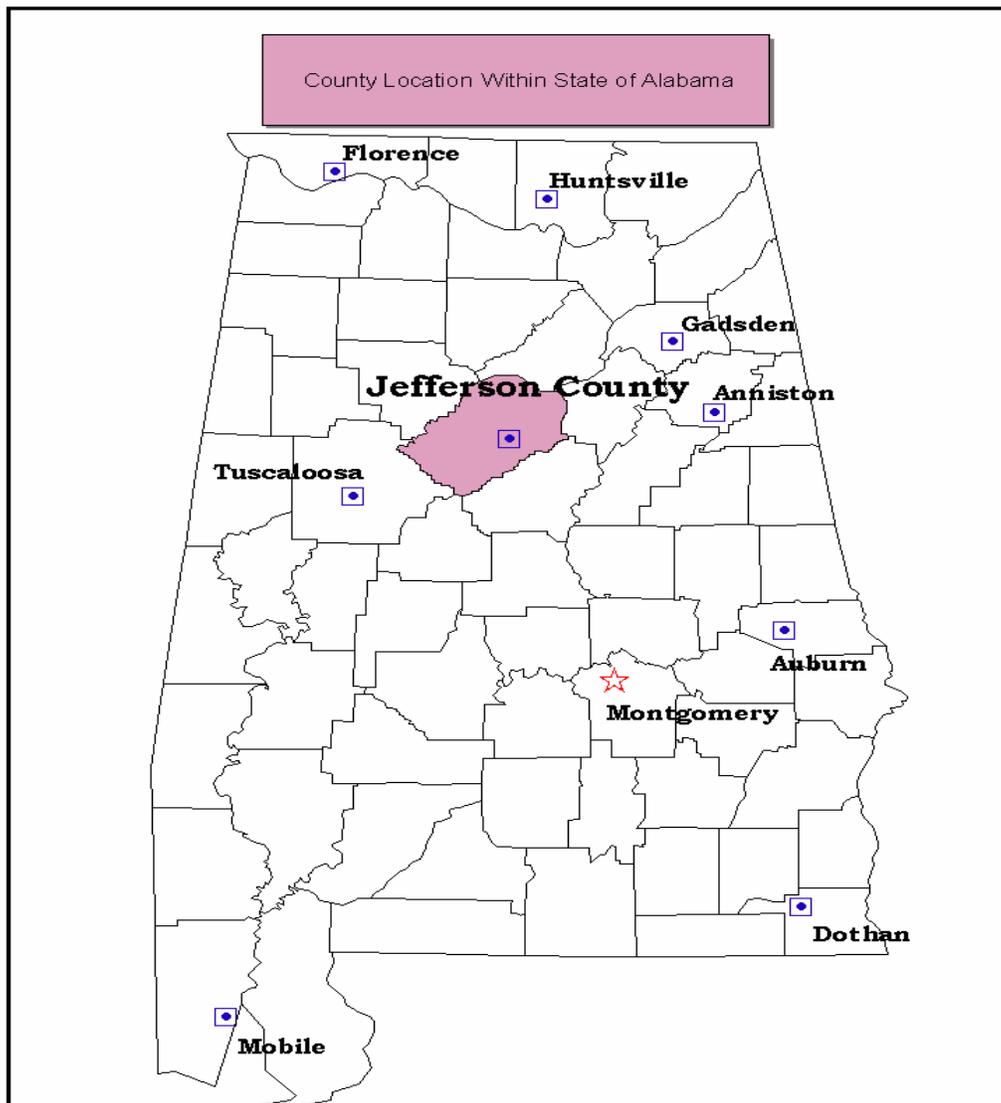
Jefferson County, Alabama Economic Demographic Information

ECONOMIC AND DEMOGRAPHIC INFORMATION

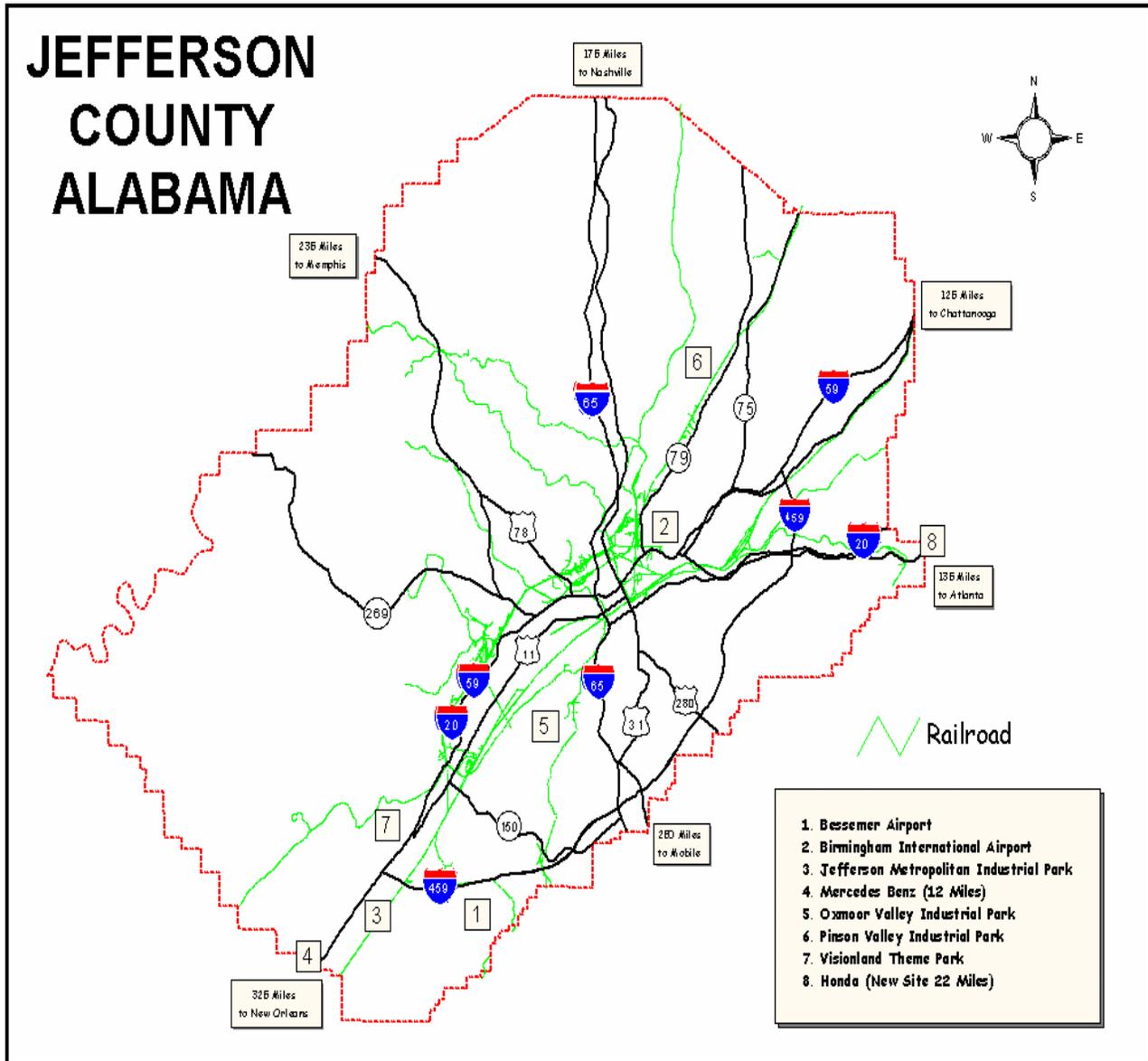
Origination

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

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

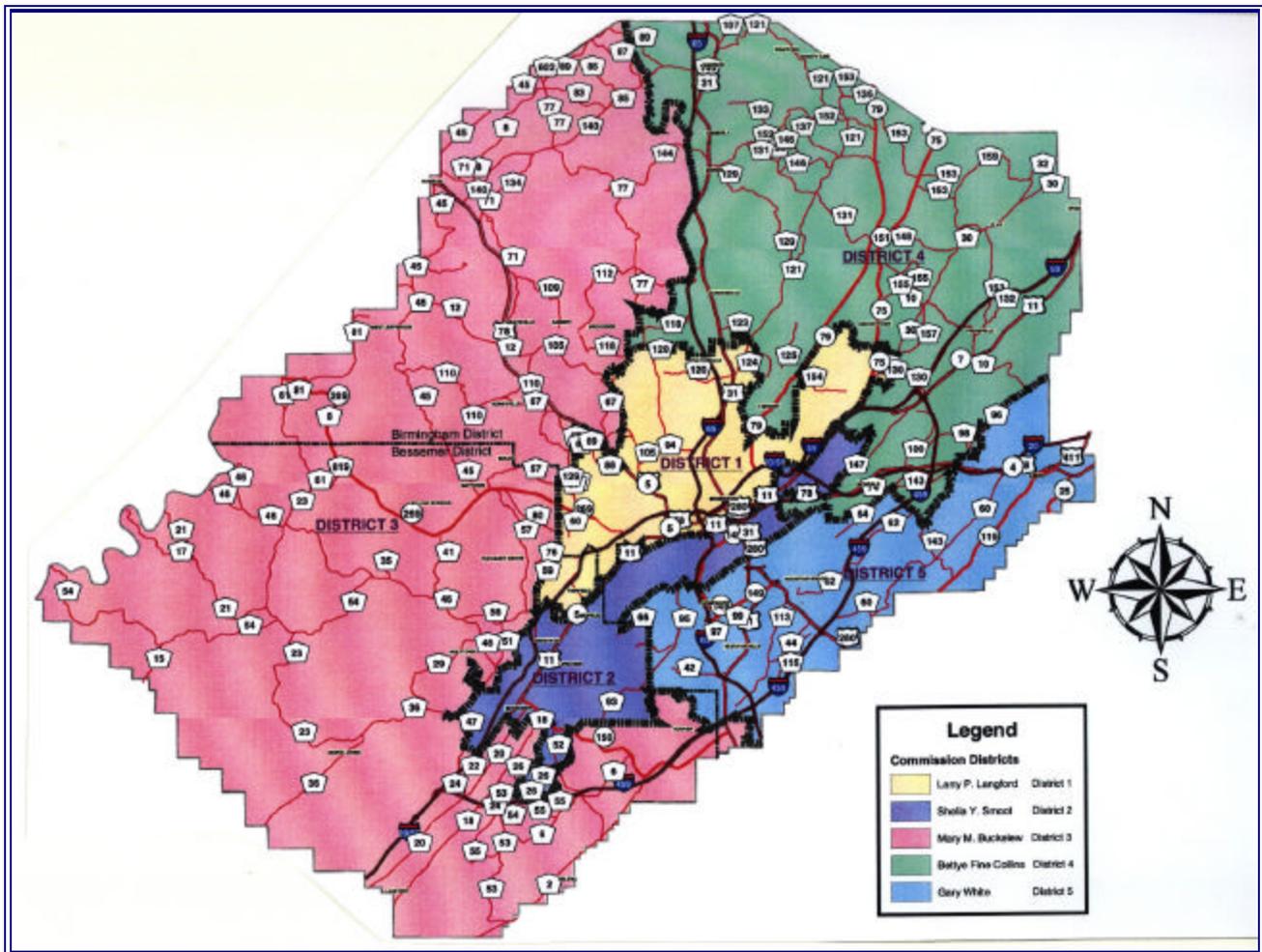


**Jefferson County, Alabama
Economic Demographic Information**





Jefferson County Commission Districts



Jefferson County, Alabama Economic Demographic Information

General

Jefferson County (the “County”), is Alabama’s most populous county and is the principal center of finance, trade, healthcare, manufacturing, transportation and education in the State of Alabama. Birmingham, the State’s largest city, and the county seat, and 45 other municipalities are located within the County’s 1,141 square miles. In 2000 the Birmingham MSA was expanded to include additional counties and was officially designated the Birmingham Hoover MSA by the federal Office of Management and Budget. The seven Birmingham-Hoover MSA counties are: Bibb, Blount, Chilton, Jefferson, Saint Clair, Shelby and Walker. The County, which had a population of 663,047 in 2000, is the center of the seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA)¹, which covers approximately 5,310 square miles. The total population of the seven counties now comprising the Birmingham-Hoover MSA was 1,075,238² in 2003, making it the 48th most populated area among the 316 metropolitan areas in the U.S.³

The Birmingham-Hoover MSA is among the most economically diversified area in the nation. Healthcare, banking and professional services have replaced steel production as the leading economic sectors. Automotive manufacturing has also emerged as a major player in the region’s economic base with the location of major automotive production facilities and suppliers.

The region’s healthcare sector is among the top in the Southeast and is anchored by the world-renowned University of Alabama Medical School, which is ranked among the top three Southeastern medical schools in NIH (National Institutes of Health) allocations. In 2002, more than \$226 million dollars were funneled into the region’s economy in support of biotechnology research.

Banking and finance is also a major pillar of the region’s economic base. Birmingham is the Southeast’s largest banking center outside Charlotte, North Carolina. Headquarters to three of the nation’s top fifty largest banks, Birmingham ranks among the nation’s top ten cities in total banking assets.

The Birmingham-Hoover Metropolitan Area is the center of the nation’s fastest developing automotive manufacturing region. Mercedes Benz, Honda and Hyundai have major manufacturing facilities within an eighty-five mile radius of downtown Birmingham. The region’s economic base has benefited from its proximity to these major manufacturing facilities with the location of several automotive suppliers.

While the County’s economy once depended primarily on iron and steel and other heavy industry, it has diversified extensively over the past three decades into health care, finance,

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

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

³ *Source: Jefferson County*

**Jefferson County, Alabama
Economic Demographic Information**

trade, government and other services. In 2001, 83 percent of the wage and salary jobs in the County are in the healthcare sector.

Population

The County and the Birmingham MSA have experienced steady population growth over the years. Although the City experienced an 8.7 percent loss in population between 1990 and 2000, the Birmingham MSA grew 12.37 percent from 1990 to 2003. Similarly, the average household income increased during the same time period from \$52,259 to \$55,771. The suburban counties of Blount, Shelby and St. Clair experienced some of the fastest growth in population growth in the State. It is anticipated that most of the population growth in the Birmingham-Hoover MSA will continue to occur outside the present city limits of the City of Birmingham and that the city will continue to serve as an employment, service and cultural center for residents of the suburban areas. The following table summarizes historical population growth for Jefferson County, the Birmingham-Hoover MSA, and the State of Alabama.

Population Trends			
Year	Jefferson County	Birmingham-Hoover MSA	State of Alabama
2003	658,141 *	1,075,248 *	4,500,752 *
2000	662,047	1,052,238	4,447,100
1990	651,527	956,858	4,040,389
1980	671,324	884,040	3,893,888
1970	644,991	794,083	3,444,165
1960	634,864	772,044	3,266,740
1950	558,928	708,721	3,061,743

* U. S. Census Bureau 2002 estimate. Sources: Birmingham Regional Chamber of Commerce and U. S. Census Bureau

Employment and Labor Force

The following table sets forth estimated nonagricultural wage and salary employment statistics for Jefferson County as of 2003:

**Jefferson County, Alabama
Economic Demographic Information**



JEFFERSON COUNTY NONAGRICULTURAL EMPLOYMENT BY INDUSTRY		
	Number Employed	Percent (%)
Mining	1,647	0.46%
Construction	21,754	6.02%
Manufacturing	29,885	8.27%
Wholesale & Retail Trade	66,460	18.40%
Transportation & Warehousing	8,689	2.40%
Utilities & Information	16,747	4.64%
Finance & Insurance	25,884	7.16%
Real Estate, Rental & Leasing	5,237	1.45%
Healthcare & Social Assistance	43,708	12.10%
Accommodation & Food Services	26,219	7.26%
Professional, Technical & Business Services	67,352	18.64%
State & Local Government	47,702	13.20%
Other	9	0.00%
Total	361,293	100.0%

Source: State of Alabama, Department of Industrial Relations

**Jefferson County, Alabama
Economic Demographic Information**

The following table sets forth the annual average employment labor force estimates for the County for the period from 1995 through 2003.

JEFFERSON COUNTY EMPLOYMENT AND LABOR FORCE									
	1995	1996	1997	1998	1999	2000	2001	2002	2003
Civilian Labor Force	325,120	328,370	338,670	337,870	336,940	349,390	331,980	325,050	332,540
Employment ¹	310,220	316,960	326,110	327,380	325,420	338,130	319,360	309,390	315,740
Unemployment ²	14,900	11,410	12,560	10,490	11,520	11,260	12,620	15,660	16,800
Unemployment Rate	4.6%	3.5%	3.7%	3.1%	3.4%	3.2%	3.8%	4.8%	5.1%

¹ Place of residence basis.

² Rate of computed on unrounded data.

Source: State of Alabama, Department of Industrial

The following table lists the top employers in the Birmingham Metropolitan Area. This list underscores the diversification of the area's economy. The list includes education, government, healthcare, communications, finance and manufacturing industries.

**Jefferson County, Alabama
Economic Demographic Information**

BIRMINGHAM-HOOVER MSA LARGEST EMPLOYERS 2003		
Employer	Service or Product	Number of Employees
University of Alabama at Birmingham	Education, medical research	15,750
Baptist Health System	Healthcare	5,890
BellSouth	Utilities	5,696
Jefferson County Board of Education	Education	5,000
Birmingham Board of Education	Education	5,000
City of Birmingham	Government	4,985
AmSouth Bank	Financial Services	4,200
Jefferson County Commission	Government	3,875
SouthTrust Bank	Financial Services	3,094
Bruno's Supermarkets, Inc.	Grocers-retail	3,477
Children's Hospital	Healthcare	3,067
Shelby County Board of Education	Education	3,034
Alabama Power Company	Utilities	3,000
HealthSouth Corporation	Healthcare	2,950
Drummond Company	Manufacturing/Mining	2,800
U. S. Postal Service	Government	2,800
Blue Cross-Blue Shield of Alabama	Healthcare	2,650
Compass Bancshares, Inc.	Financial Services	2,500
American Cast Iron Pipe (ACIPCO)	Manufacturing	2,400
United States Steel	Manufacturing - Heavy	2,400
Brookwood Medical Center	Healthcare	2,300
Eastern Health System, Inc.	Healthcare	2,300
Saks, Incorporated	Retail/Corporate headquarters	2,083
McWane, Inc., including Empire Coke Company	Manufacturing - Heavy	2,000
St. Vincent's Hospital	Healthcare	2,000
EBSCO Industries, Inc.	Publishing/Printing	1,867
Social Security Administration	Federal Government	1,800
Regions Bank	Financial Services	1,797
Southern Company Services, Inc.	Utilities	1,500
Southern Progress Corporation	Publishing	1,400

Note: Employment figures reflect both full-time and part-time employees.

Source: Birmingham Regional Chamber of Commerce, September 2004

**Jefferson County, Alabama
Economic Demographic Information**

Income

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

	Jefferson County		Birmingham MSA*		State of Alabama		United States	
	Income	% of National Average	Income	% of National Average	Income	% of National Average	Income	% of National Average
2002	33,057	107%	30,661	99%	25,548	83%	30,906	100%
2001	31,789	104%	29,707	97%	24,845	81%	30,527	100%
2000	29,895	101%	29,057	99%	23,521	80%	29,469	100%
1999	28,816	103%	27,966	100%	22,694	82%	27,843	100%
1998	27,673	103%	26,791	100%	21,904	81%	26,893	100%
1997	26,339	103%	25,454	100%	21,899	82%	25,874	100%
1996	25,221	104%	24,501	101%	20,138	83%	24,270	100%
1989	17,946	97%	17,488	94%	14,899	80%	18,566	100%
1979	8,827	96%	8,541	93%	7,199	78%	9,230	100%
1969	3,394	88%	3,298	86%	2,748	71%	3,846	100%

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

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

Median Family Income

The median family income is a measure defined by the U. S. Census Bureau as the amount which divides the income distribution of families into two equal groups, half having incomes above the median, half having incomes below the median. In recent years, median family income in Alabama and the Birmingham MSA increased at slightly faster rates than the U. S. overall.

**Jefferson County, Alabama
Economic Demographic Information**

National, State and Birmingham MSA - Median Family Income								
Median Family Income								
	1997	1998	1999	2000	2001	2002	2003*	2004*
United States	\$ 43,500	\$ 45,300	\$ 47,800	\$ 50,200	\$ 52,500	\$ 54,400	\$ 56,500	\$ 57,500
Alabama	37,100	38,700	41,500	44,300	46,100	47,000	46,900	47,700
Birmingham MSA**	41,900	44,000	47,900	51,100	51,100	52,700	54,200	55,200

* Estimate

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

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

Retail Sales

The following table shows retail sales in Jefferson County and the State for the years indicated:

Total Retail Sales (000s omitted)					
	2004	2003	2002	2001	2000
State of Alabama	N/A	N/A	N/A	\$ 41,142,810	\$ 40,496,678
Jefferson County	\$ 8,051,814	\$ 7,648,110	\$ 7,568,041	\$ 7,386,612	\$ 7,582,260

Source: University of Alabama CBER

Housing and Construction

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

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

Jefferson County, Alabama Economic Demographic Information

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

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

BIRMINGHAM-HOOVER MSA			
Construction Activity			
Year	Residential	Non-Residential	Total
2003	\$ 1,035,776,000	\$ 825,094,000	\$ 1,860,870,000
2002	853,183,000	675,838,000	1,529,021,000
2001	742,062,000	859,610,000	1,601,672,000
2000	801,628,000	805,903,000	1,607,531,000
1999	538,829,000	785,076,000	1,323,905,000
1998	756,759,000	639,879,000	1,396,638,000

Source: Birmingham Regional Chamber of Commerce

Post-Secondary Education



The County is home to six colleges and universities, four business schools and five junior colleges and trade schools. These schools have a combined enrollment of over 35,000. The largest institution is the University of Alabama at Birmingham (UAB), which includes the University College, the Graduate School, and UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 16,000. The UAB Medical Center consists of the Schools of Medicine, Dentistry, Nursing, Optometry and Public Health and the School of Community and Allied Health. UAB has an annual payroll exceeding \$590 million and is the largest employer in the County.

**Jefferson County, Alabama
Economic Demographic Information**

Institutions of Higher Education Jefferson County		
Name	Type	Enrollment June 2003
Four-Year		
Birmingham School of Law	Private	469
Birmingham-Southern College	Private	1,453
Miles College	Private	1,715
Samford University	Private	4,416
Southeastern Bible College	Private	256
University of Alabama at Birmingham*	State Supported	16,693
Two Year		
Bessemer State Technical College	State Supported	1,390
Herzing College of Business and Technology	Private	500
ITT Technical Institute	Private	587
Jefferson State Junior College	State Supported	7,376
Lawson State Community College	State Supported	2,433
Virginia College	Private	5,000

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

Primary and Secondary Education

The Jefferson County School system consists of 60 schools with an enrollment of approximately 42,000 students. The City of Birmingham has approximately 75 schools in its system and approximately 38,000 students. The nine other school systems in the County encompass 45 schools and more than 36,000 students. In addition, the Birmingham MSA has 80 private and denominational schools with grades ranging from kindergarten through high school.

**Jefferson County, Alabama
Economic Demographic Information**

Jefferson County, Alabama Statistical Comparison

Jefferson County, Alabama Statistical Comparison to City of Birmingham, Birmingham MSA ¹ and State of Alabama 2002						
Area	Population ²	Percent of Alabama	Households	Percent of Alabama	Household Median EBI	Percent of Alabama Median EBI
Birmingham	251,700	5.7%	102,700	6.1%	\$ 25,494	82.0%
Jefferson County	658,100	15.0%	262,700	15.6%	34,216	110.0%
Birmingham MSA	920,200	21.0%	360,900	21.4%	35,885	115.4%
Alabama	4,386,800	100.0%	1,688,400	100.0%	31,098	100.0%
	Total Retail Sales (000s)	Percent of Alabama	Eating and Drinking Sales (000s)	Percent of Alabama	General Merchandise Sales (000s)	Percent of Alabama
Birmingham	\$ 4,116,094	8.8%	\$ 332,710	8.6%	\$ 330,500	4.6%
Jefferson County	9,382,617	20.1%	827,133	21.4%	1,266,626	17.7%
Birmingham MSA	11,274,596	24.2%	1,028,651	26.6%	1,530,437	21.4%
Alabama	46,650,368	100.0%	3,861,550	100.0%	7,164,367	100.0%

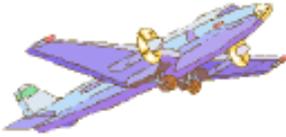
Note: Effective Buying Income ("EBI") is generally known as "disposable personal income" and is equal to personal income less personal taxes (federal, state and local), nontax payments (fines, fees and penalties) and personal contribution to Social Security.

Buying Power Index ("BPI") is weighed index that converts three basic elements – population, EBI, and retail sales – into a measurement of the market's ability to buy, and express it as percentage of the U. S. potential.

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

Jefferson County, Alabama Economic Demographic Information

Transportation



The Birmingham International Airport (the “Airport”), located in the County, is Alabama’s largest airport. There are 160 arrivals and departures to major cities throughout the United States at the Airport. Commercial airline service is provided by eight major carriers (American Airlines, Continental Airlines, Delta Air Lines, Delta Connection/Comair, Northwest Airlines, Southwest Airlines, United Express and US Airways) operating out of 19 gates. Annually, the Airport serves over three million arriving and departing passengers. Nine major commercial services operate air cargo service at the Airport. WEB: www.bhamintlairport.com



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



Birmingham is also the nexus for three interstate highways: I-65 between Huntsville-Decatur to the north, and Montgomery to the south; and I-59 from Gadsden in the northeast and I-20 from Anniston in the east, which merge in Birmingham as I20/59 serving Tuscaloosa to the southeast.



Barge transportation is available through private dock facilities at Port Birmingham in western Jefferson County. These facilities are part of the Warrior-Tombigbee waterway system, which provides access to the Port of Mobile in South Alabama. The area is linked with the Tennessee-Tombigbee waterway system, which connects the County with 16,000 miles of barge routes stretching from the Great Lakes to the Gulf of Mexico.

Jefferson County, Alabama Economic Demographic Information

Health Care

The County's 21 hospitals and numerous specialized health care facilities have turned the County into a major center for health care and biomedical research. The Medical Center of the University of Alabama at Birmingham (UAB), the area's largest employer is home to a world-class patient care and research medical center and is internationally known for its programs in cardiovascular disease and open-heart surgery, as well as cancer, organ transplants, dentistry and diabetes. The University has broken ground on a 12-story biomedical research building that is expected to open 2005. Other major medical centers in the County such as Baptist Medical Center, Carraway Methodist Medical Center, Medical Center East, St. Vincent's Hospital, HealthSouth Hospital and Brookwood Medical Center have all undergone recent multi-million dollar expansions.



Birmingham is Alabama's center for advanced technology, with high-technology firms involved in industries such as telecommunications, engineering, aerospace design and computer services, in addition to health care. In 2000, the University of Alabama at Birmingham ranked 29th in federally financed research and development expenditures for science and engineering and ranked 17th among institutions receiving funding from the National Institutes of Health.



Southern Research Institute (SRI), located in Birmingham's Oxmoor Valley Mixed-Use Development, is the largest non-profit independent research laboratory located in the Southeast. In addition to its cancer and virus research, SRI is nationally noted for its industrial research programs. In addition to its pharmaceutical and biotechnical research, SRI also conducts research in the areas of utilities and manufacturing. Public sector clients include the National Institutes of Health, Department of Energy, Department of Defense, National Aeronautics and Space Administration, United States Army, United States Navy and

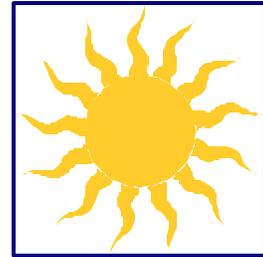
United States Air Force. Over nine percent of the area workforce is employed in health care, exceeding other southeast centers like Orlando, Jacksonville, Miami and Atlanta.

Jefferson County, Alabama
Economic Demographic Information

Climate

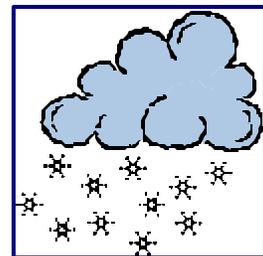
Average Temperatures:

52 Days of exceeding 90°F
53 Days of less than 32° F
Average Annual Temperature of 62°F



Average Rainfall: 52.16 inches (Average 126 days a year)

Average Snowfall: 2.1 inches



**POINT OF INTEREST
BIRMINGHAM-HOOVER MSA and
Surrounding Areas**

**Alabama International Motor Speedway
(Talledega Superspeedway)**

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

Web Site: www.talladegasuperspeedway.com



Alabama Jazz Hall of Fame

The Alabama Jazz Hall of Fame makes its home in the historic Carver Theatre for the Performing Arts. Upon entering the Carver Theatre, the Museum can be seen through the etched window with the famous music and lyrics of Birmingham native Erskine Hawkins "Tuxedo Junction". The museum honors great jazz artists with ties to the State of Alabama. While furnishing educational information, the museum is also a place for entertainment. Exhibits convey the accomplishments of the likes of Nat King Cole, Duke Ellington Lionel Hampton and Erskine Hawkins and the music that made them famous. Within this fine musical collection, visitors travel from the beginnings of boogie woogie with Clarence "Pinetop" Smith to the jazz space journeys of Sun Ra and His Intergalactic Space Arkestra. Web Site: www.jazzhall.com/jazz



Alabama Museum of Health Services

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



Jefferson County, Alabama Economic Demographic Information



Alabama Sports Hall of Fame

Established in 1967 by Legislative Act 255, the Alabama Sports Hall of Fame is dedicated to the celebration and preservation of Alabama's exceptional sports Heritage. Over the last thirty-five years, the ASHOF has become the benchmark for other Sports Museums across the country, with over 5,000 sports artifacts elegantly displayed in the 33,000 square foot building. Out of the ESPN's list of the top 100 athletes of the century, five out of the top fifteen greatest ever are in the ASHOF: Jesse Owens, Hank Aaron, Joe Louis, Willie Mays and

Carl Lewis. Web Site: www.alasports.org



Alabama Theatre

The Alabama Theatre was built in 1927 by Paramount Studios as an Alabama showcase for Paramount films. Big-screen movies, stunning architecture, and a mighty Wurlitzer organ thrill audiences at the beautiful Alabama Theatre, just as they did in the 1920s. Today the theatre, one of the last working movie palaces, features first-run and revival films along with concerts and other special events. The "Showplace of the South" is still among the most elegant and elaborate theatres in the southeast.

Web Site: www.alabamatheatre.com

photo by M. Lewis Kennedy



Alabama Veterans Memorial Park

The Alabama Veterans Memorial is a message from all Alabamians, recognizing the price of freedom and peace. Amid peaceful Alabama woodlands, you can peruse a temple engraved with the names of Alabamians who were lost to war in the 20th century. The Memorial walkway outlines historic events of the 20th century and also has description of Alabama's 23 Medal of Honor recipients of the 20th century. The Regiment of Columns displays stories, letters and art work cast in metal and mounted with other reliefs on a series of columns standing tall and proud atop the

hilltop Memorial complex. Web site: www.alabamaveterans.com

Jefferson County, Alabama Economic Demographic Information

Aldridge Gardens

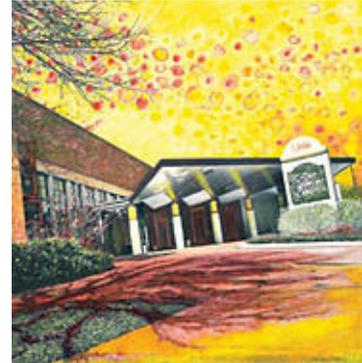
Aldridge Gardens is a 30-acre botanical garden located in the heart of Hoover, Alabama. Complete with a 7 acre lake and walking train, Aldridge Gardens is laden with many varieties of hydrangeas and other native Alabama flowers. The signature flower of Aldridge Gardens is the Snowflake Hydrangea which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



Web Site: www.aldridgegardens.com

Alys Stephens Center

The Alys Robinson Stephens Performing Arts Center, located on the campus of the University of Alabama at Birmingham, has become a community-gather place. The state-of-the-art facility houses four performance venues including the acoustically perfect 1,330 seat *Jemison Concert Hall*, the 350-seat, proscenium-style *Sirote Theatre*, the intimate 170-seat *Reynolds-Kirschbaum Recital Hall*, and the flexible black-box *Odessa Theatre*. The ASC has become the center for entertainment and education in Birmingham.



American Village

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

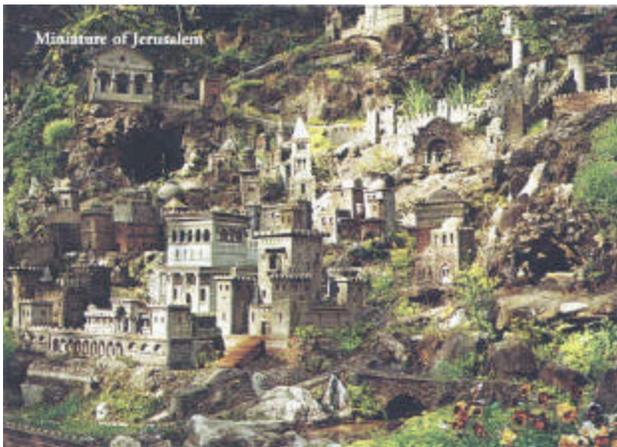


Jefferson County, Alabama Economic Demographic Information



Arlington Antebellum Home & Gardens

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



Ava Maria Grotto

For half a century, Brother Joseph Zoettl used stones, bricks, marbles, tiles, pipe, shells and more to create more than 125 miniature replicas of world-famous buildings and sacred sites such as the ancient city of Jerusalem, St. Peter's Basilica, the leaning tower of Pisa, and the hanging gardens of Babylon. The Grotto is located in a 4-acre landscaped park on the grounds of Alabama's only Benedictine Abbey with church and monastery and is listed in the National Register of Historic Sites. Web Site: www.avamariagrotto.com



Barber Vintage Motorsports Museum

The largest motorcycle museum in North America, the Barber Museum showcases over 900 vintage and modern motorcycles and 45 cars from 17 nations with 125 manufacturers represented. The Barber Motorsports Park is also the home of a world-class 2.3 mile road course which is host to motorcycle and car races throughout the year.

Web Site: www.barbermuseum.org

Jefferson County, Alabama Economic Demographic Information

Bessemer Hall of History

The Bessemer Hall of History is a museum dedicated to preserving the area's past as well as educating the youth and others on what the city was like years ago. Located in the renovated Southern Railway Depot, the Hall of History displays historic photographs and articles, Civil War Memorabilia, Indian artifacts, furnishings from the 1800s and other items from the area. The museum has monthly exhibitions and is listed in the National Registry of Historical Places. Web Site: www.bhamrails.info/Bess_Hall_Hist/bess_hall_hist_02



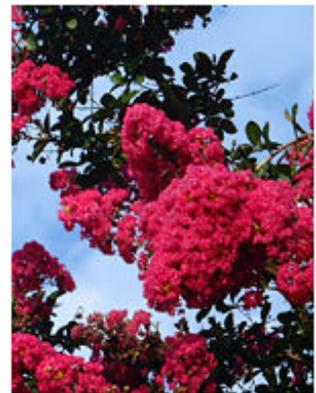
Birmingham Barons

The history of the Birmingham Barons traces back to 1885 when the Barons (originally named the Coal Barons) played in the many Southern Leagues during the early years of baseball. In 1887 the team played at the Slag Pile (West End Park) then moved their games to the newly constructed Rickwood Field in 1910. In 1988 the Birmingham Barons moved to the Hoover Metropolitan Stadium. Web Site: www.barons.com



Birmingham's Botanical Gardens

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

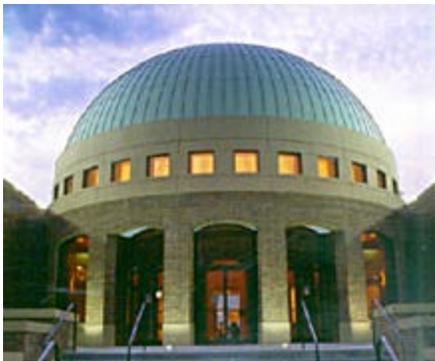


Jefferson County, Alabama Economic Demographic Information



Birmingham Children's Theatre

As one of the premiere theatres for youth and family audiences in the United States, Birmingham Children's Theatre prides itself on setting the standard for quality professional productions that are enjoyed by thousands of patrons each year. The mission of Birmingham Children's Theatre is to serve the community as an educational resource while increasing students' exposure to quality theatrical arts. The theatre offers more than 600 performances and reaches an average of 75 Alabama cities each year. Approximately 450,000 children and family audiences experience BCT's educational arts opportunities annually through family performances, tours, school performances, summer workshops and guest artists' presentations. Web Site: www.bct123.org



Birmingham Civil Rights Institute

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



Birmingham-Jefferson Convention Complex

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

Jefferson County, Alabama Economic Demographic Information

The Birmingham Museum of Art

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



Birmingham Race Track

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

Web Site: www.birminghamracecourse.com



Birmingham Zoo

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



Jefferson County, Alabama Economic Demographic Information



Brierfield Ironworks Historical State Park

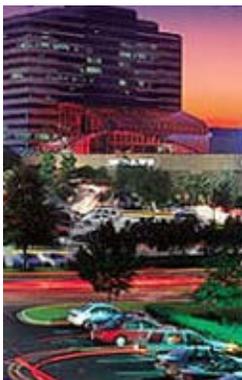
Crumbling brick ruins are all that remains of the Brierfield Ironworks, which were destroyed in a raid by Union army cavalry in March 1865. This historic park is listed in the National Register of Historical Places. The park hosts many special events which include a reenactment of the Civil War raid,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

E-mail Address: www.brierfieldironworks.com

Five Points South



Located in the heart of Jefferson County, this historic site has become a nucleus for dining and entertainment. Shopping for antiques in nearby Cobb Lane, people watching, dancing to live music, and great food fill this restored district. In the background of the photo is the Highlands United Methodist Church, which was founded in 1903. Stroll along the tree-shaded streets, or stop and admire the artistry of the Frank Fleming sculpture, "The Storyteller", at the famous fountain.



Galleria

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

E-mail address: www.thegalleria.com

Jefferson County, Alabama Economic Demographic Information

Golf Opportunities

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



Heart of Dixie Railroad Museum

Located near Jefferson County, the Heart of Dixie Railroad Museum is the official railroad museum of the State of Alabama. The museum features operating standard gauge and narrow gauge trains, two restored depots, an indoor collection of railroad artifacts and memorabilia, and an outdoor collection of railroad cars, locomotives, and cabooses. The museum is dedicated to the preservation, restoration, and operation of historically significant railway equipment. The exhibits, operating railroads, and educational programs function as both a unique means of tourism and recreation, and as a way to preserve the rich history of Alabama and our nation. Web Site: www.heartofdixiemuseum.org



International Motorsports Hall of Fame & Museum

Located near the Alabama International Motor Speedway, the International Motorsports Hall of Fame & Museum was founded to preserve the history of motor sports and honor the legends of the global motorsports community for their accomplishments. It has experienced tremendous growth, with its collection of racing vehicles and memorabilia valued at more than \$15 million, and increasing every year. Since the facility opened on 35 acres of land, more than half a dozen different Halls of Fame have become a part of the display. Web Site: www.motorsportshalloffame.com



Jefferson County, Alabama Economic Demographic Information



Legion Field

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



McWane Center

Adventures in learning surround you at the McWane Center. The museum offers a hands-on, creative examination of the worlds around us in a renovated department store housing 150,000 square feet of education science equipment, and a 42,000-square-foot IMAX theater. The energy that fuels the McWane Center is as exciting and engaging as the human imagination. Dedicated to hands-on learning, exhibits such as *Tutankhamen: Wonderful Things from the Pharaoh's Tomb* are currently on display. Web Site: www.mcwane.org



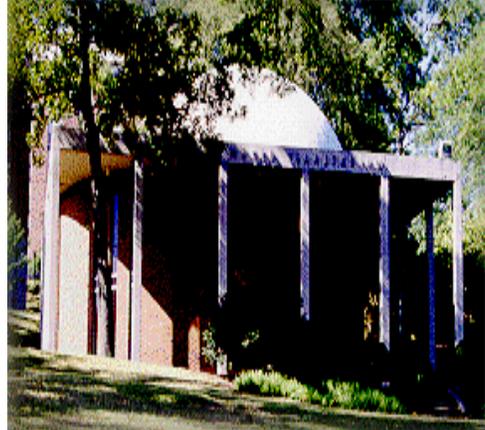
Mercedes-Benz US International, Inc.

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

Jefferson County, Alabama Economic Demographic Information

Meyer Planetarium

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



Moss Rock Preserve

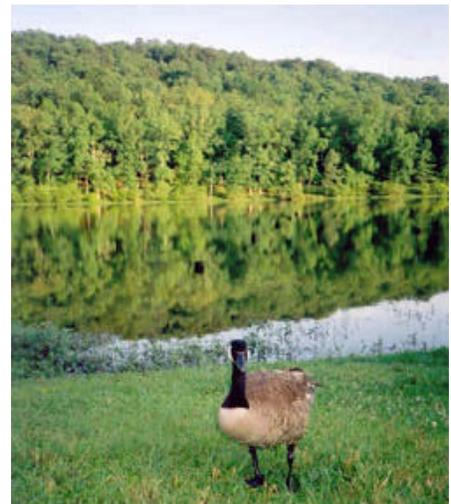
A perfect balance of nature and community, Moss Rock Preserve is a beautiful 250 acre nature preserve abundant with trees and plants, rock outcroppings, streams, waterfalls, wildlife and other unique natural features. Currently, Moss rock Preserve is home to four rare species of plants and a rare variant of Little River Canyon Sandstone Glade – one of only 35 occurrences know around the world. With numerous technical formations, these boulders appeal to climbers of all skill levels while the 10 miles of footpaths appeal to hikers and nature enthusiasts. Web Site: www.hooveral.org



Oak Mountain State Park

Alabama's largest state park, with almost 10,000 acres, features golf, mountain bike trails (said to be among the finest in the nation), swimming, fishing, boating, horseback riding, hiking, overnight accommodations, a petting zoo for the kids and a lakeside beach.

Web Site: www.oakmountainstatepark.org

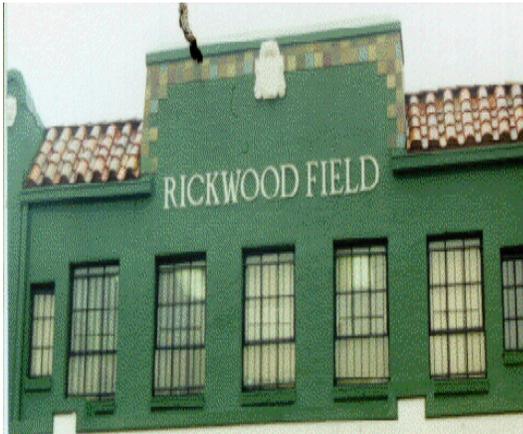


Jefferson County, Alabama Economic Demographic Information



Pioneer Homes

The West Jefferson County Historical Society owns and maintains three historic properties (the McAdory Plantation House, Owen Plantation House and Sadler Plantation House) on Eastern Valley Road in McCalla, Alabama. Each is listed on the National Register of Historic Places and was constructed by influential settlers. All three are excellent examples of architectural styles prevalent in the rural deep south during the 19th century. Web Site: www.sharehistory.com/westjefferson/



Rickwood Field

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



Ruffner Mountain Nature Center

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

Jefferson County, Alabama Economic Demographic Information

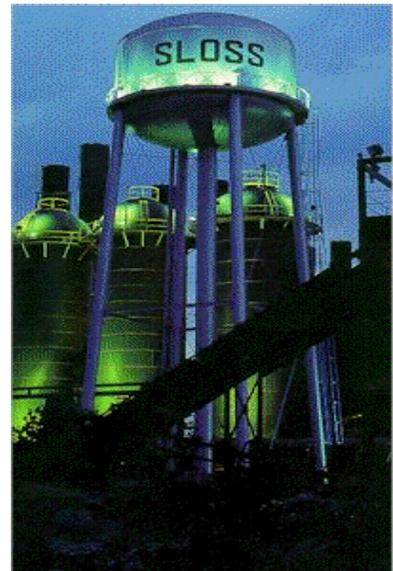
Sixteenth Street Baptist Church

Located in the center of the historic civil rights district is the site of the most horrific occurrence of the American Civil Rights Movement (a bomb shattered the quiet of a Sunday morning and took the lives of four young girls), the Sixteenth Street Baptist Church is a landmark to both man's humanity and capacity for love and forgiveness. The congregation is vibrant and the sanctuary quite beautiful with its stained-glass window, a gift from the people of Wales.



Sloss Furnaces National Historical Landmark

Sloss Furnaces National Historic Landmark is a 32-acre blast furnace plant where iron was made for nearly 100 years. Now a museum of history and industry, the site preserves an extraordinary collection of buildings, industrial structures, and machinery. These industrial artifacts typify the first 100 years of Birmingham's history and the technology that drove America's rise to world industrial dominance. Sloss is the only 20th century blast furnace in the county that is being preserved and interpreted as a museum. Sloss is also an unusual community gathering place and hosts a wide variety of concerts, festivals and conference. Sloss even has a ghost – Theophouls Calvin Jowers, who swore that as long as there was a furnace in Jefferson County, he'd be there. Web Site: www.slossfurnaces.com



Southern Environmental Center

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



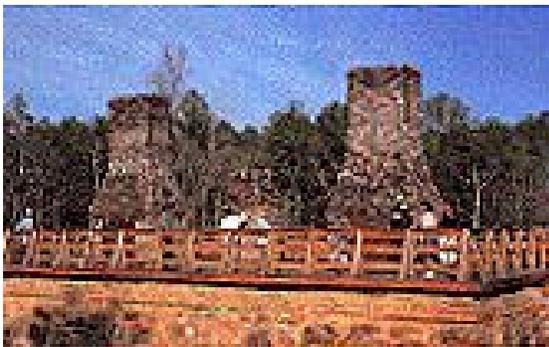
Web Site: www.bsc.edu/sec

Jefferson County, Alabama Economic Demographic Information



Southern Museum of Flight

Located near the Birmingham International Airport, the Southern Museum of Flight is the home to eight decades of aviation history. Among the displays are full-scale memorabilia from World War II, an aviation library, and one of Delta Airlines first airplanes. Included among hundreds of historic photos are Birmingham's first flying fields, the Alabama Air National Guard, women in aviation, and the famed Tuskegee Airmen. In addition, the Museum is the home of the Aviation Hall of Fame, which honors those who have made outstanding contributions to aviation in Alabama. Educational programs include the Kids Hangar, which offers an opportunity for even the youngest pilot to try his wings. Web Site: www.southernmuseumofflight.org



Tannehill Ironworks Historical State Park

The grounds of the park hold fully restored furnaces, which at the height of production turned out as many as 20 tons of iron per day during the Civil War. In 1865 three companies of the Union's Eighth Iowa Cavalry swept through the area and destroyed the furnaces as part of General James Wilson's raid on Alabama. Iron is still extracted by the old processes on special occasions. Also within the park is a large collection of 19th century cabins and bridges that give visitors a glimpse into life in early Alabama. Web Site: www.tannehill.org



The Summit

The area enjoys the shopping advantages of major malls, such as The Summit, with over 65 stores and specialty shops that are surrounded by 15 or more restaurants and a 16 screen theater. The Summit is conveniently located off of Highway 280, close to other shopping and dining venues. Web Site: www.thesummitonline.com

Jefferson County, Alabama Economic Demographic Information

Veterans' Day Parade

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

Web Site: www.nationalveteransday.org



Visionland Theme Park

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



Vulcan Park

A popular tourist attraction located atop Red Mountain, Vulcan is the largest cast iron statue in the world, second in the United States only to the Statue of Liberty in height. Designed by the famous Italian sculptor Giuseppe Moretti as an exhibit for Alabama in the 1904 World's Fair in St. Louis, Vulcan is one of only a few monuments

ever erected to commemorate an industry. Named for the Roman mythical god of the forge, it has stood on Red Mountain since the 1930's. Holding a torch that changes colors to indicate traffic fatalities, the statue also serves as the world's largest traffic safety reminder. The statue just recently has been dismantled and restored and has now been reinstalled upon its pedestal. The park has a new visitor education center which will house interpretive exhibits outlining the history of Vulcan and the City of Birmingham. The outdoor interpretive exhibits examine site history and geology. Web Site: www.vulcanpark.org

