Comprehensive Annual Financial Report

Jefferson County, Alabama

Fiscal Year Ended
September 30, 2001

Prepared by the Department of Finance
Steve Sayler, Finance Director
JEFFERSON COUNTY
COMMISSION

JEFF GERMANY
District 1
Commissioner
Health & Human Services

STEVESMALL
District 2
Commissioner
Roads & Transportation

MARY M. BUCKELEW
District 3
Commissioner
Finance & General Services

GARYWHITE
Commission President
District 5
Commissioner Finance & General Services

BETTYE FINE COLLINS
District 4
Commissioner
Community & Economic Development
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April 1, 2002

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

The comprehensive annual financial report of the Jefferson County Commission for the fiscal year ended September 30, 2001 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and the Code of Alabama 1975, Section 41-5-14 require that the Jefferson County Commission issue annually a report on its financial position and activity, and that this report be audited by the State of Alabama Department of Examiners of Public Accounts. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the Jefferson County Commission. All disclosures necessary to enable the reader to gain an understanding of the Jefferson County Commission’s activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of Jefferson County, Alabama principal elected and appointed officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditor’s report on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

**Reporting Entity**

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

The financial reporting entity (the government) includes all the funds and account groups of the primary government (i.e., Jefferson County, Alabama as legally defined), as well as all of
its component units. Component units are legally separate entities for which the primary
government is financially accountable. The government provides a full range of services
including police protection; sanitation services; the construction and maintenance of highways,
streets and infrastructure; recreational activities and cultural events.

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

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

Governmental Structure, Local Economic Condition and Outlook

Jefferson County was created by the Alabama Territorial Legislature in 1819 and is
actually older than the State of Alabama. The land was ceded in 1814 from the Creek Indian
Nation in compliance with the Treaty of Fort Jackson. The area was settled by soldiers who had
fought in Alabama with Andrew Jackson in the Creek War of 1813-1814. The County was
named for Thomas Jefferson in honor of his many accomplishments as the author of the
Declaration of Independence, the founder of the University of Virginia, and the third President of
the United States. Jefferson County is Alabama’s most populous county, having a population of
662,047, which represents 15% of Alabama’s total population. It is the principal center of
finance, trade, manufacturing, transportation, health care and education in the State.
Birmingham, the State’s largest city, and 34 other municipalities are located within the County’s
1,141 square miles. The County is the principal center of the four-county Birmingham
Metropolitan Statistical Area (MSA), which covers 3,221 square miles and ranks as the 55th
most populated area among the 316 MSAs in the United States.

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 Gary White and Commissioners Mary M.
Buckelow, Bettye Fine Collins, and Jeff Germany, began on November 10, 1998, and will end in
Steve Small was appointed to serve the remaining term of McNair, which ends in November,
2002. 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, the Department of
Environmental Services, the Department of Health and Human Services, and the Department of
Community and Economic Development.
The County enjoys a broad-based economy in which no single industry dominates. This diversity helps insulate the region from many of the economic fluctuations experienced elsewhere. Major industries, measured by number of jobs, include services – 30%, trade – 24%, government – 14%, manufacturing (durable and non-durable goods) – 10%, finance, insurance and real estate – 8%, construction – 6%, and transportation and public utilities – 6%. With nationally recognized University of Alabama at Birmingham Medical Center, the Oxmoor Valley Research Park, and Southern Research Institute, Jefferson County is a leader in medical and scientific research and development. The County has become the top financial center of the Deep South with the reach of the Alabama-based banks extending to ten states from North Carolina to Texas. Seven of the eight Alabama businesses earning sports on the elite Forbes 500 list of the nation’s top performing public companies are headquartered in Jefferson County. These companies are SouthTrust Bank, Region’s Financial Corporation, AmSouth Bank Corporation, Torchmark Corporation, HealthSouth, Compass Bancshares, and Protective Life Corporation. In addition, seven companies headquartered in the County earned places on Forbes’ list of the nation’s top 500 private companies.

The terrorist attacks of September 11, 2001, along with the overall economic slowdown experienced throughout the country, have affected Jefferson County’s economic condition. Although a significant reduction in the County’s revenue is not expected, the growth the County has enjoyed in recent years is unlikely. Sales taxes are expected to remain relatively stable. However, based on the approximately 10% increase in the County’s unemployment rate, occupational taxes are expected to decrease. Approximately $50 million has been received annually from occupational taxes, which supports general government operations. Although the County’s unemployment rate has increased to 3.4%, it still compares very favorably to the State of Alabama’s 5.0% rate and the national rate of 5.0%.

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

**Major Initiatives**

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

The Jefferson County Commission identified several major areas of improvements that were needed to meet citizens’ demands for services and to safeguard the environment in conformity with applicable federal and state standards. These improvements included utilizing the Internet to disseminate information and process transactions; upgrading of wastewater treatment facilities, including the construction of additional sewer lines to serve the needs of rapidly-growing residential subdivisions and commercial industry; 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 development and implementation of a remedial plan that is intended to eliminate bypasses and other discharges of untreated sewage to streams in Jefferson County. The remedial plan requires extensive rehabilitation of lateral and collection sewers throughout the County and construction of additional capacity to the treatment plants in the system. Phases I and II of the remedial plan, involving planning documents and detailed analyses of conditions, respectively, were completed during 2000. Also, Phase III, the implementation phase, has begun and will continue through 2007. The total estimated cost of the remedial plan is approximately $2 billion. As of the fiscal year ended September 30, 2001, approximately $867 million had been expended under the remediation plan. Additionally, the County has an ongoing sewer improvement program whereby approximately $166 million has been spent on non-Consent Decree projects during the three fiscal years ended September 30, 2001. It is estimated that the County will spend an additional $736 million on this portion of the capital improvement program during the current fiscal year and the following four fiscal years.

During the year, the Commission demonstrated its efforts to construct and improve local roadways by spending approximately $46 million for construction and maintenance of highways and bridges within the County.

The Jefferson County Department of Environmental Protection continues to be a leader in the fight to control air pollution in the area. Along with partners the Jefferson County Department of Health and the Birmingham Area Chamber of Commerce, the Department is coordinating an extensive ozone action campaign targeted at area citizens, businesses and local governments. Reducing ozone pollution is made difficult by the fact that the County's citizens each drive an average of approximately 32 miles per day, which is the second highest per capita in the nation. An additional contributing factor is the area's inadequate public transportation system, with its limited routes and low rate of citizen utilization. However, it is believed that voluntary pollution reduction measures, combined with mandated emissions controls for area industries and coal-burning power plants, will enable the County to come into compliance with federal ozone standards.

In 1967, Alabama Act No. 67-406 was enacted which authorized Jefferson County, Alabama to levy a business license on business entities and a privilege license/occupational tax on natural persons who were not required by state law to pay state privilege license tax. In about 1968, the County partially implemented the authority granted in Act 67-406 to enact a business license code on business entities. In 1987, Jefferson County implemented the remainder of the authority granted in Act 67-406 by enactment of an occupational tax ordinance that levied an occupational tax on all natural persons who earn wages in the County and who are not required to pay privilege license tax to the State of Alabama. The County occupational tax went into effect January 1, 1988.

On April 12, 1992, a class action lawsuit was filed in Jefferson County Circuit Court by various plaintiffs claiming that the exemption of those persons required to pay state license tax from the County tax violated the equal protection and due process clauses of the United States Constitution. In 1998, the trial court entered a judgment declaring that the exemptions contained in Act 67-406 (i.e. on those who are required to pay state license tax) were unconstitutional. In June 1999, the trial court ordered the County to either collect the tax from all persons who work in the County or from no one. The County chose to collect the tax from all persons who earn wages in Jefferson County. However, the County escrowed all monies
collected since June 17, 1999 from the previously exempt persons, pending the outcome of the County’s appeal to the Alabama Supreme Court.

On June 22, 2001, the Alabama Supreme Court ruled Jefferson County’s Occupational Tax constitutional. Those individuals initially exempt from the tax will regain their exemption. The Court ordered the County to refund to those professionals all occupational taxes collected from them and escrowed.

The plaintiffs petitioned the United States Supreme Court to overturn the State court’s ruling. However, on November 13, 2001, the Court declined to hear any additional arguments related to the case.

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

In October 2001, the Commission approved a $250,000 grant to the Jefferson County Economic and Industrial Development Authority. The Commission has worked closely with the Authority in conjunction with the recent opening of the Jefferson Metropolitan Park industrial park located in western Jefferson County. In July, 2001 Office Max, Inc., became the Park’s first tenant, locating a 600,000 square foot, $45 million distribution center in the park and will be employing approximately 400 people.

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 2001-2002:

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<th>Category</th>
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<tr>
<td>Building Renovation Projects</td>
<td>$15,631</td>
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<td>Road Construction Projects</td>
<td>$1,835</td>
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<td>Landfill Improvements Projects</td>
<td>$2,634</td>
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<td>Sewer Improvements Projects</td>
<td>$168,532</td>
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<td><strong>Total</strong></td>
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Additionally, construction contracts and other significant commitments at September 30, 2001 totaled approximately $319 million.

Department Focus. Each year Jefferson County focuses attention on the efforts and accomplishments of a selected department. This year, the focus is on the Investor Relations Division of the Finance Department.

The investment community is becoming more sophisticated, wanting and needing more information related to bonds available for purchase. Local governments have an obligation to
provide investors with full and accurate disclosure. The Municipal Securities Rulemaking Board (MSRB) recently issued new municipal disclosure guidelines that place the burden of disclosure on the issuer. In addition, the Securities and Exchange Commission (SEC) has been increasing its activities in the public finance area in terms of enforcement, rulemaking, and the issuance of interpretive guidance on the obligation of state and local governments under the federal securities laws. With these changes in effect, the need for an investor relations program became evident.

Jefferson County began by researching an issuer’s legal requirements to the financial community. Even though the SEC is becoming more involved in the public finance area, its authority is still less than that in the private sector. So the issuer has added responsibility to ensure that investors have the information needed to make informed decisions. The County also investigated the needs of the bond rating agencies, bond insurers, and underwriters regarding their requirements to comply with SEC and MSRB rules.

In an effort to further disseminate information to the investment community, the County added an investor relations site to the County’s web page. In addition, a quarterly investor relations newsletter was initiated.

During 2001, the County Commission officially established an Investor Relations Department, making it a division of the Finance Department. The Commission determined that a properly administered program of voluntary disclosure had many benefits, few drawbacks and could provide both legal and non-legal benefits. Specifically, by providing information more frequently to the financial community, it would improve investor relations and possibly result in improved ratings from rating agencies. In addition, investor interest in the County’s debt issuance would be heightened, increasing demand for the County’s bonds and lowering interest rates.

The future holds many opportunities to grow, while at the same time, helping other municipal issuers establish investor relations programs. The County Commission believes that with voluntary disclosure policies, there will be no need for laws to mandate procedures. Future plans under consideration are hosting an Inaugural Investor Relations Forum, designing formal policies for disclosure and debt management, web casting, and designing and implementing many of GFOA’s “best practices” to provide easy-to-understand reports on information needed by the financial community.

Prior to the publication of this report, the Investor Relations Division received from the Governmental Finance Officers Association of Alabama two of the 2002 “Awards for Innovations in Government Finance” for the projects entitled “Investor Relations Website Policies and Procedures” and “Creative Uses of Debt Finance.”

**Financial Information**

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

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

As a part of the County’s single audit, which is required in conformity with provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine if the County has complied with applicable laws and regulations. The results of the County’s single audit for the fiscal year ended September 30, 2001, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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

The County’s budget for fiscal year ending September 31, 2001 was awarded the Government Finance Officers Association Award for Distinguished Budget Presentation. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. The County believes its current budget meets the above criteria, and it has been submitted to GFOA for consideration for the award.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues meeting its responsibility for sound financial management. As with the financial section, all dollar amounts presented in the remainder of this letter are expressed in thousands.

**General Government Functions.** The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects funds for the fiscal years ended September 30, 2001 and 2000.
Sales tax and ad valorem tax revenues encompass more than 95% of total tax revenues. Jefferson County’s retail economy has remained stable, resulting in an increase of $1.5 million in sales taxes. Ad valorem tax revenues increased by $3.9 million as a result of property revaluations and assessments.

The County’s employment market continues strong, resulting in an increase in occupational licenses of $1.3 million.

During 2001, the State of Alabama replaced its franchise tax and shares tax with a new Business Privilege Tax. The Business Privilege Tax provides for an annual growth of .75% above each prior year’s receipt of taxes. Additionally, Jefferson County is now responsible for receipting and distributing portions of the Business Privilege Tax to various other local governments, school districts and other taxing authorities. During 2001, Jefferson County receipted and distributed to other taxing authorities approximately $6.5 million of Business Privilege Taxes, thereby significantly increasing the recorded Intergovernmental Revenues. This increase in revenues was offset by a corresponding increase in expenditures relating to the distribution to other taxing authorities.

As number of new or greatly increased items of intergovernmental revenue were received in 2001. These included Workplace Investment Act ($1,331,630), Title XIX Medicaid Waiver ($1,298,638), Hazard Mitigation ($960,738), and Disaster Recovery ($833,827).

More funds were available for investment during the year as a result of issuance of the 2001-A General Obligation Warrants in the amount of $82,000,000.

An increase of $1,823,000 was received related to the County’s contract with Children’s Hospital for the care of indigent pediatric patients.

The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects funds expenditures for the fiscal years ended September 30, 2001 and 2000.
General government expenditures experienced a large increase during the year, mainly from two items that were new for 2001. The State of Alabama Business Privilege Tax (see general government revenues on previous page) distributed to local municipalities totaled $6,471,719. In addition, a criminal justice grant for Treatment Alternatives for Street Crime in the amount of $1,478,375 is included as a general government expenditure.

A number of new programs resulted in an increase in health and welfare expenditures of over $5 million. These programs included Workplace Investment Act ($1,298,037), Hazard Mitigation ($1,241,609), Youth Opportunities ($1,074,917), Disaster Recovery ($668,860), Welfare-to-Work ($541,563), and Homeless Veterans ($192,243).

In addition to the amounts above for fiscal year 2001 debt service expenditures, $100,000,000 was expended during the year related to refunding of the 1999 General Obligation Warrants and the issuance of the 2001-A and 2001-B General Obligation Warrants.

Transfers from governmental fund types are required to help support various proprietary fund types. Net operating transfers of $57.8 million for 2001 and $69.1 million for 2000 primarily represent cash transfers from the Indigent Care Fund special revenue fund to the Cooper Green Hospital Fund enterprise fund. The Indigent Care Fund is used to account for the collection of sales and beverage taxes designated for indigent county residents. The Cooper Green Hospital Fund is used to account for the operations of the County-owned Cooper Green Hospital, which serves a large portion of the County indigent resident population.

**Enterprise Operations.** Retained earnings of the enterprise operations decreased by $38.6 million in 2001. The most significant decrease in retained earnings relates to the decrease of $36.2 million in the sanitary operations fund, although operating income for the fund was $7.7 million. As noted previously, the operating cost increases and debt service requirement increases relating to investments in major capital improvements for wastewater treatment plants and sewer lines were anticipated. The Commission has made a conscious effort to minimize the impact on current customers by limiting user charges. It should be noted
that depreciation and amortization expense for the sanitary operations fund was $32.5 million, thereby resulting in a net positive cash flow for the fund ignoring the effects of fixed asset acquisitions and debt payments for sewer warrant issues.

The beginning retained earnings balance in the sanitary operations fund was increased by $1,415,810,266 for the value of municipal sewers which were taken over by the County in 1998 as part of the consent decree related to alleged violations of the Clean Water Act by the County. Of the $1.578 billion enterprise operations’ retained earnings balance at September 30, 2001, $1.523 billion related to the sanitary operations fund.

**Pension Trust Fund Operations.** The General Retirement System for Employees of Jefferson County continues to be strongly funded, comparing the actuarial value of assets to the actuarial accrued liability. Accordingly, based upon the two most recent actuarial valuations, the pension trust funded ratio was 117% at September 30, 2001 and 115% at September 30, 2000.

**Debt Administration.** At September 30, 2001 Jefferson County had a number of debt issues outstanding. The principal forms of indebtedness that the County is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, special or limited obligation warrants, and various revenue anticipation bonds and warrants relating to enterprises. Under existing law, the County may issue general obligation bonds only after a favorable vote of the electorate of the County. General and special obligation warrants issued for certain specified purposes may be issued without voter approval.

The County had general obligation warrants and sewer revenue warrants outstanding at year-end. The general obligation debt of the County at September 30, 2001 was $288,865,000. Sewer revenue warrants outstanding at September 30, 2001 totaled $1,796,250,000. This long-term liability is represented by (1) the 1997-A Sewer Revenue Warrants ($211,040,000); (2) the 1997-B Taxable Sewer Revenue Refunding Warrants ($16,905,000); (3) the 1997-C AWPCA Refunding Warrant ($44,215,000); (4) the 1997-D Sewer Revenue Warrants ($296,395,000); (5) the 1999-A Sewer Revenue Capital Improvement Warrants ($952,695,000); and (6) the 2001-A Sewer Revenue Capital Improvement Warrants ($275,000,000).

**DEBT RATIOS**

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Amount of net bonded debt</td>
<td>$135,832,000</td>
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<tr>
<td>Ratio of net bonded debt to assessed value of taxable property</td>
<td>2.31%</td>
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<tr>
<td>Per capita net bonded debt</td>
<td>$205</td>
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</table>
CREDIT RATING

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

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Agency</th>
<th>Rating</th>
<th>Agency</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation</td>
<td>Moody's Investor Service, Inc.</td>
<td>Aa3</td>
<td>Standard &amp; Poor's Corporation</td>
<td>AA-</td>
</tr>
<tr>
<td>Sewer Revenue</td>
<td>Moody's Investors Service, Inc.</td>
<td>Aaa</td>
<td>VMIG 1</td>
<td>A-1+</td>
</tr>
<tr>
<td></td>
<td>Standard &amp; Poor's Corporation</td>
<td>AAA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

(1) Direct obligations of the Department of the Treasury of the United States of America;
(2) Obligations of certain federal agencies, which obligations represent the full faith and credit of the United States of America;
(3) U.S. dollar denominated deposited accounts and certificates of deposit with banks or savings institutions organized under the laws of the United States or any state thereof, and as further described in paragraph 11-81-21 of the Code of Alabama.
(4) Pre-funded public obligations (municipal bonds) as further defined by paragraph 11-81-21 of the Code of Alabama;
(5) Common Trust Funds as defined by paragraph 11-81-21 of the Code of Alabama;
(6) Repurchase Agreements (Repos) are authorized subject to certain restrictions:

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

1. CMOs (Collateralized Mortgage Obligations)
2. Inverse Floaters
3. IOs (interest only securities)
4. POs (principal only securities)
5. Z-Tranche Securities
6. Futures
7. Options
8. Options on Futures
9. Margin Buying
10. Leveraging
11. Commodities
The County’s deposits at September 30, 2001 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 both general and auto liability and for workers compensation, with a retention of $350,000 and third party excess coverage for statutory amounts above the retention amount. Third party insurance coverage is maintained for property coverage and medical malpractice coverage. At September 30, 2001, the Risk Management Fund maintained a $5 million reserve for contingencies in excess of the actuarially determined self-insurance liabilities.

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

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

**Awards.** Jefferson County was awarded the Government Finance Officers Association Award for Distinguished Budget Presentation for its fiscal year ended September 30, 2001. In order to qualify for the Distinguished Budget Presentation Award, the governmental organization budget document must meet stringent program criteria as a policy document, an operating guide, a financial plan, and a communication device. The award is valid for a period of one year only. This achievement represented Jefferson County’s eighth consecutive year to receive the award. We believe our current budget continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

Jefferson County was recently recognized as the recipient of four “Awards for Innovation in Government Finance” presented by the Government Finance Officers Association of Alabama. These awards are designed to recognize documented innovations in government finance that exemplify leadership to the profession and promote improved public finance. Jefferson County received an award for each of the following programs: Creative Use of Debt Finance, Investor Relations Web Site Policies and Procedures, Popular Annual Financial Report, and Revenue Guide.
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,

[Signature]

Steve Sayler
Finance Director
Jefferson County, Alabama  
County Officials  
September 30, 2001  

Jefferson County Board of Commissioners  

Gary White, President  
Jeff Germany, President Pro Tempore  

Mary M. Buckelew  
Bettye Fine Collins  
Steve Small  

**Administrative**

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

**Appointed**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elwood Odom</td>
<td>Emergency Management Agency, EMA Coordinator</td>
</tr>
<tr>
<td>Cathy Crumley</td>
<td>Pension Board, Pension Coordinator</td>
</tr>
<tr>
<td>Ben Payton</td>
<td>Personnel Board, Director</td>
</tr>
<tr>
<td>Agnes Miller</td>
<td>State Courts, Court Administrator</td>
</tr>
</tbody>
</table>

**Elected**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samuel Russell</td>
<td>District Attorney, Bessemer District</td>
</tr>
<tr>
<td>David Barber</td>
<td>District Attorney, Birmingham District</td>
</tr>
<tr>
<td>George Reynolds</td>
<td>Probate Court, Probate Judge 1</td>
</tr>
<tr>
<td>Jim Woodward</td>
<td>Sheriff Department, Sheriff</td>
</tr>
<tr>
<td>Charles Crim</td>
<td>Tax Assessor’s Office, Tax Assessor</td>
</tr>
<tr>
<td>Jack Williams</td>
<td>Tax Collector’s Office, Tax Collector</td>
</tr>
<tr>
<td>Barry Stephenson</td>
<td>Treasurer’s Office, Treasurer</td>
</tr>
</tbody>
</table>
JEFFERSON COUNTY, ALABAMA

Commissioner
Roads & Transportation
Commissioner
Health & Human Services
President
Finance and General Services
Commissioner
Environmental Services
Commissioner
Community & Economic Development

THE COUNTY COMMISSION

Finance
Youth Detention
Commission Support
Family Court
Risk Management

Sanitation Administration
Sanitation Engineering & Construction
Environmental Protection
Wastewater Treatment Plants
Landfill Operations
Board of Registrars
Barton Laboratory

Community Development
Office of Senior Citizens Services
Inspection Services
Land Development

Elected by Popular Vote
Budget, Payroll and Administrative Supervision
Budget Approval and Payroll Administration
Payroll Administration and/or Financial Support

District Attorney
Birmingham
District Attorney
Bessemer
District Attorney
Birmingham
Probate Court
Sheriff
Treasurer
Tax Assessor
Tax Collector

State Court Judges
Law Library
Personnel Board
Pension Board
Cooperative Extension Service
Emergency Management Agency
Storm Water Management Agency

Cooperative Extension Service
Emergency Management Agency
Storm Water Management Agency

In the diagram, arrows indicate the direction of authority and responsibility. The electorate section is at the top, followed by the commissioner roles, and then various departments and services distributed throughout the diagram. Each role and service is interconnected, showing the network of governance and administration in Jefferson County, Alabama.
RESPONSIBILITIES OF JEFFERSON COUNTY

The Jefferson County Commission

The governing body of the County is the County Commission. The five commissioners are elected from five districts within the County for four-year terms. The present commissioners are President Gary White, and Commissioners Mary M. Buckelew, Bettye Fine Collins, Jeff Germany and Steve Small, Jr.

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 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, 2001 the County employed approximately 4,170 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 Community and Economic 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, the management of the public buildings of the County and the maintenance of the accounting records of the County. 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 General Fund of the County. The President of the County Commission, Gary White, has been assigned the responsibility of the Department of Finance and General Services.

The Department of Roads and Transportation

The Department of Roads and Transportation is responsible for the construction and maintenance within the unincorporated area of the County of public highways, streets and bridges. Commissioner Mary M. Buckelew has been assigned the responsibility of this department. The various divisions of this department, which include the Administrative Division, the Design Division, the Right-of-Way Division, the Highway Engineering Division, the Highway Maintenance Divisions, the Traffic Division and the Fleet Management Division, are supported with monies from the Road Fund and the General Fund.
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 Steve Small has been assigned the responsibility of this department. Its activities are financed through 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 Jeff Germany, supervises certain health care institutions and agencies of the County. Two of the institutions subject to the supervision of the department are the Jefferson Rehabilitation and Health Center in Ketona, Alabama and Cooper Green Hospital, which provides medical care for indigent residents of the County. Cooper Green Hospital and the Jefferson Rehabilitation and Health Center are supported from the Indigent Care Fund of the County, with deficiencies being supported from the General Fund of the County.

The Department of Community and Economic Development

The Department of Community and Economic Development is responsible for the activities of the County in a number of different areas related to the growth and development of the County. Commissioner Bettye Fine Collins has been assigned the responsibility for this department, which includes the County’s offices for Land Development and Inspection Services. The department also supervises the Office of Community Development, which administers federal community development funds for capital improvements in the County, and the Office of Senior Citizens’ Services, which is responsible for the development and implementation of programs to provide services for the elderly residents of the County. The department is also responsible for ensuring that certain housing facilities for persons of low or moderate income are operated in compliance with the requirements of the Internal Revenue Code applicable to private activity bonds issued to finance the costs of such facilities.
GOVERNMENT FINANCE OFFICERS ASSOCIATION

AWARD FOR

DISTINGUISHED BUDGET PRESENTATION

For the Fiscal Year Beginning October 1, 2000

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, 2000.

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, 1999

Anne Gregory Kinsey
President

Jeffrey D. Evers
Executive Director