Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2004 through September 30, 2005

Filed: January 26, 2007

Department of
Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-14, we submit this report on the Jefferson County Commission for the period October 1, 2004 through September 30, 2005.

SCOPE AND OBJECTIVES

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

CONTENTS OF REPORT

This report includes the following segments:

1. ***Report to the Chief Examiner*** – contains items pertaining to state legal compliance, agency operations and other matters.

2. ***Independent Auditor's Report*** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.

3. ***Management's Discussion and Analysis (MD&A)*** – a component of Required Supplementary Information (RSI) prepared by the management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.

4. ***Financial Section*** – includes basic financial statements (Exhibits 1 through 10), and notes to the financial statements.

5. ***Required Supplementary Information*** – includes Budget to Actual Comparisons (Exhibits 11 through 15) which contain supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.

6. ***Supplementary Information*** – includes combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds (Exhibits 16 through 25), a Schedule of Expenditures of Federal Awards (Exhibit 26), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.

7. ***Additional Information*** – contains basic information related to the Commission (Exhibit 27) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

   Report on 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 (Exhibit 28) – a report on internal control related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

<u>Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133</u> (Exhibit 29) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

<u>Schedule of Findings and Questioned Costs</u> (Exhibit 30) – a report summarizing the results of the audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by OMB Circular A-133.

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

<u>AUDIT COMMENTS</u>

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

The Birmingham Water Works Board (BWWB) and the City of Bessemer, Alabama-Water Service Department (Bessemer Water Service) bill and collect sewer service charges for the Commission. For the fiscal year ended September 30, 2005, Bessemer Water Service had not engaged an auditor to provide a report on the entity's internal controls that may be relevant to the Commission's internal controls.

The Commission has entered into various interest rate swap agreements as discussed in Note 21 of the Notes to the Financial Statements. The following is a history of the Commission's net swap transactions to date.

Fiscal Year	Income	Expense	Net
1997	$ 713,395.89	$	$ 713,395.89
1998	5,434,814.00	1,620,406.12	3,814,407.88
1999			
2000		492,417.62	(492,417.62)
2001	20,410,647.18	9,106,981.48	11,303,665.70
2002	22,539,219.62	22,825,576.70	(286,357.08)
2003	41,843,172.67	66,970,833.38	(25,127,660.71)
2004	76,176,713.02	150,793,614.24	(74,616,901.22)
2005	74,269,303.52	108,819,970.87	(34,550,667.35)
Total	$241,387,265.90	$360,629,800.41	$(119,242,534.51)

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

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

STATUS OF PRIOR AUDIT

Findings contained in the prior audit have not been resolved and are reiterated as follows:

- Procedures were not in place to ensure that all customers who are receiving sewer services are being billed. Although the Commission's Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers, this does not always occur.
- Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- At September 30, 2005, the following funds had deficit fund balances.

Road Fund	$4,167,000.00
Bridge and Public Building Fund	$1,190,000.00
Road Construction Fund	$ 887,000.00

RECOMMENDATIONS

- Procedures should be implemented to ensure that all customers who receive sewer services are billed for the service.
- Procedures should be implemented to assure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- The Commission should eliminate deficit fund balances.

Respectfully submitted,

Sworn to and subscribed before me this
the 19th day of December, 2006.

Gregory M. Key
Notary Public

Gary Kelly
Examiner of Public Accounts

Sworn to and subscribed before me this
the 19th day of December, 2006.

Gregory M. Key
Notary Public

Michael Lambert
Examiner of Public Accounts

Sworn to and subscribed before me this
the 19th day of December, 2006.

Gregory M. Key
Notary Public

Brian Davis
Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission, as of and for the year ended September 30, 2005, 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, 2005, 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, 2005, 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 October 13, 2006 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 15) 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 26) 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 16 through 25) 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

October 13, 2006

Management's Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Jefferson County, Alabama's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2005. 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 $24 million or 2%. Net assets of business-type activities decreased $90 million, or 7%, net assets of governmental activities reflected a $66 million, or 84% 29%, increase.

- $1 billion of the increase in total current and other assets and long-term liabilities is due to the issuance of Limited Obligation School Warrants.

- $116 million of the increase in total current and other assets is reflected in the increase in capital assets, primarily from governmental activities.

- Total revenues increased $164 million, or 31%. However, total program expenses increased $109 million, or 18%.

- Charges for services from business-type activities increased $7 million as a result of the sewer rate going from $5.39 per hundred cubit feet of water used to $5.93.

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 M. 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 $24 million, or 2%, from a year ago, while the previous year showed a $90 million decreased, or 6%. The analysis below focuses on the net assets and changes in net assets, as reflected in the following condensed statements, of the County's governmental and business-type activities.

Net Assets
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets and Liabilities						
Current and Other Assets	$1,489,946	$ 346,421	$ 694,139	$ 843,439	$ 2,184,085	$ 1,189,860
Capital Assets	367,852	353,179	3,409,467	3,378,607	3,777,319	3,731,786
Total Assets	$1,857,798	$ 699,600	$ 4,103,606	$ 4,222,046	$ 5,961,404	$ 4,921,646
Long-term Liabilities	$1,407,158	$ 327,155	$ 2,937,264	$ 2,941,752	$ 4,344,422	$ 3,268,907
Other Liabilities	152,254	140,248	28,694	52,715	180,948	192,963
Total Liabilities	$1,559,412	$ 467,403	$ 2,965,958	$ 2,994,467	$ 4,525,370	$ 3,461,870
Net Assets						
Invested in Capital Assets, net of related debt	$ 43,199	$ 174,787	$ 1,460,000	$ 1,121,098	$ 1,503,199	$ 1,295,885
Restricted	231,399	27,124	5,541	674,765	236,940	701,889
Unrestricted	23,788	30,286	(327,893)	(568,284)	(304,105)	(537,998)
Total Net Assets	$ 298,386	$ 232,197	$ 1,137,648	$ 1,227,579	$ 1,436,034	$ 1,459,776

Net assets of the County's governmental activities increased by approximately $66 million, or 29%. The components of net assets showed a much greater change from the prior year. Long term liabilities increased approximately $1 billion, primarily due to the issuance of the Limited Obligation School Warrants. Net assets invested in capital assets, net of related debt, increased $207 million. Restricted net assets decreased $465 million. 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 increased by $234 million, or 43%.

Changes in Net Assets
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services	$ 61,097	$ 44,341	$ 178,546	$ 171,268	$ 239,643	$ 215,609
Operating grants	63,852	55,796			63,852	55,796
Capital grants		1,128			-	1,128
Indirect Cost Recovery	12,087				12,087	
General revenues:					-	-
Property taxes	83,080	81,986		4,630	83,080	86,616
Sales tax	124,672	67,340			124,672	67,340
Other taxes	8,905	10,059	4,730		13,635	10,059
Occupational license	63,276	58,824			63,276	58,824
Investment earnings	59,276	2,745	44,365	32,600	103,641	35,345
Other general revenues	3,061	2,915	2,667	300	5,728	3,215
Total revenues	479,306	325,134	230,308	208,798	709,614	533,932
Program Expenses						
General Government	158,746	111,829			158,746	111,829
Public Safety	71,754	70,884			71,754	70,884
Highways and Roads	46,414	40,875			46,414	40,875
Welfare	13,077	13,253			13,077	13,253
Environmental Services	502				502	
Culture and Recreation	15,366	15,860			15,366	15,860
Education	233	234			233	234
Interest and Fiscal Charges	48,021	13,614			48,021	13,614
Hospital			77,144	77,952	77,144	77,952
Nursing Operations			18,053	15,965	18,053	15,965
Landfill			6,912	7,022	6,912	7,022
Sanitary Operations			276,882	256,559	276,882	256,559
Parking			252	174	252	174
Total Expenses	354,113	266,549	379,243	357,672	733,356	624,221
Excess (deficiency) before special items and transfers	125,193	58,585	(148,935)	(148,874)	(23,742)	(90,289)
Net transfers	(59,004)	(74,542)	59,004	74,542		
Increase (decrease) in net assets	$ 66,189	$ (15,957)	$ (89,931)	$ (74,332)	$ (23,742)	$ (90,289)

The County's total revenues increased $176 million, or 33% from the previous year. The total costs of all programs and services increased $109 million, or 17%.

Governmental Activities

Total revenue from governmental activities increased $142 million, or 44% from the prior year. The total cost of all programs generally showed an increase from the prior year.

Charges for services increased $17 million, or 38%. $3 million of this increase is due to increased activity related to the 1 cent sales tax and the Limited Obligation School warrants. $8 million of this increase is due to services performed for all jurisdictions relating to the Jefferson County Personnel Board.

Property Taxes for governmental activities increased $1 million from last year. This is primarily due to ongoing annual re-appraisal projects by the Board of Equalization. An increase of $4 million in sales tax (excluding 1% School Warrant Sales Tax) and $4 million increase in occupational licenses reflects the improving economic climate in the County.

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 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General government	$158,746	$ 111,829	$ 61,214	$ 39,955
Public safety	71,754	70,884	61,010	66,189
Highway and Roads	46,414	40,875	31,144	30,291
Welfare	13,077	13,253	(154)	(861)
Culture and recreation	15,366	15,860	15,140	15,860
All others	48,756	13,848	48,723	13,850
Totals	$354,113	$ 266,549	$217,077	$ 165,284

Business-type Activities

Total revenues for business-type activities increased $22 million, or 10%, due predominantly to investment earnings.

Practically the entire $22 million increase in program expenses was from sanitary operations due to increased utilities, depreciation, and interest expense.

THE COUNTY'S FUNDS

The General Fund balance last year showed an increase of $2 million followed by a decrease of $7 million during the current year. Factors contributing to this were as follows:

- An excess of Revenues over Expenditures of $1 million this year built on a $24 million excess last year. Total revenues decreased $11 million while total expenditures increased $12 million. Operating transfers from the Capital Improvements Fund and Debt Service Fund increased $7 million.

- Operating transfers from the General Fund increased $8 million from the prior year. The major beneficiaries of these were the Road Fund ($17.2 million), Office of Senior Citizen's Services ($2 million), Cooper Green Hospital ($2.7 million), Jefferson Rehabilitation & Health Center ($6.7 million), and the Landfill Operations Fund ($1.3 million).

The Road Fund's fund balance had a small increase of $.5 million from FY2004. A $4.4 million increase in FY2005 revenue was offset by a $4.9 million increase in expenditures.

The Limited Obligation School Warrant Fund records sales tax proceeds and debt service payments for the warrants. Due to pending litigation, the fund, with a fund balanced of $1 billion hold the proceeds and interest earned.

The Indigent Care Fund's fund balance decreased $9 million from FY2004. A $2 million increase in Sales Tax, $2 million dollar decrease in expenditures due to discontinuing the Children's Disproportionate Share Fund program, and $15 million increase in transfers out contributed to this decrease.

The Bridge and Public Building Fund's fund balance remained virtually unchanged with a decrease of $1 million.

The Cooper Green Hospital Fund's fund balance increased $5.5 million from FY2004.

The Sanitary Operations Fund's fund balance decreased $92.4 million compared to a $90.5 million decrease FY2005. Although the sanitary operations fund had $6.7 million operating income increase, it was offset by a $3 million increase in total operating expenses and a $5.6 million in non-operating expenses.

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 81 through 85 for the general fund and all major special revenue 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.

CAPITAL ASSET AND DEBT ADMININSTRATION

Capital Assets

At the end of fiscal year 2005, the County had a net $3.7 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 $26 million, or 1%, over the previous year.

Capital Assets, net
($000 omitted)

	Governmental Activities		Net Business-type Activities		Total	
	2005	2004, as Restated	2005	2004	2005	2004, as Restated
Land	$ 15,112	$ 13,429	$ 49,903	$ 46,566	$ 65,015	$ 59,995
Construction in Progress	181,088	196,383	1,026,115	1,040,756	1,207,203	1,237,139
Buildings and Improvement	72,665	49,277	1,175,090	1,095,204	1,247,755	1,144,481
Equipment	32,197	23,753	6,887	9,213	39,084	32,966
Infrastructure	66,790	70,337	1,151,472	1,186,868	1,218,262	1,257,205
	$ 367,852	$ 353,179	$3,409,467	$3,378,607	$ 3,777,319	$3,731,786

Major additions during the year were predominantly in buildings and improvements. Amounts expended on construction projects during the year were $1.4 on Cooper Green Hospital renovations, $2.2 million for Sheriff Department radio system upgrades, and $3.7 million for renovations of the Personnel Board space. The County has budgeted approximately $384 million for construction contracts for fiscal year 2006, principally for building renovations, road construction, and sewer improvements.

Debt

At year end, the County has $4.62 billion in warrants outstanding, which included the $1 billion in Limited Obligation School Warrants issued, versus $3.59 billion last year.

Outstanding Debt
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Warrants (backed by the County)	$ 309,650	$ 330,825	$	$	$ 309,650	$ 330,825
Limited Obligation Warrants (backed by sales tax)	1,050,000				1,050,000	
Revenue Warrants (backed by Sewer fees)			3,264,750	3,269,115	3,264,750	3,269,115
	$ 1,359,650	$ 330,825	$3,264,750	$3,269,115	$ 4,624,400	$ 3,599,940

CURRENTLY KNOWN FACTS AND CONDITIONS

On January 1, 2005, the residential sewer rate increased from $5.93 per hundred cubic feet of water used to $6.35 per hundred cubic feet, or an increase of 7%. 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.

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Statement of Net Assets
September 30, 2005
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Investments	$ 1,305,317	$ 13,977	$ 1,319,294
Accounts Receivable, Net	54	22,182	22,236
Loans Receivable, Net	22,165		22,165
Patient Accounts Receivable, Net		9,660	9,660
Property Taxes Receivable, Net	84,435	4,618	89,053
Interest Receivable	9		9
Due from Other Governments	39,485	809	40,294
Inventories	3,898	2,076	5,974
Prepaid Expenses	68	492	560
Total Current Assets	1,455,431	53,814	1,509,245
Noncurrent Assets:			
Deferred Charges - Issuance Costs	14,192	59,871	74,063
Advances Due from Other Funds	20,323	(20,323)	
Restricted Assets - Noncurrent		600,777	600,777
Capital Assets, Net of Depreciation	367,852	3,409,467	3,777,319
Total Noncurrent Assets	402,367	4,049,792	4,452,159
Total Assets	1,857,798	4,103,606	5,961,404
Liabilities			
Current Liabilities:			
Accounts Payable	5,259	5,544	10,803
Deposits Payable		24	24
Due to Other Governments	6,014		6,014
Deferred Revenue	89,293	4,846	94,139
Accrued Wages and Benefits Payable	11,152	2,291	13,443
Accrued Interest Payable	13,502		13,502
Retainage Payable		8,215	8,215
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	15,980	3,855	19,835
Add: Unamortized Premiums	1,787		1,787
Less: Deferred Loss on Refunding	(256)		(256)
Capital Lease Obligation	1,827		1,827
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,445	3,445
Estimated Liability for Compensated Absences	1,494	474	1,968
Estimated Claims Liability	6,202		6,202
Total Current Liabilities	$ 152,254	$ 28,694	$ 180,948

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

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities:			
Portion Due or Payable After One Year:			
Arbitrage Rebate Payable	$	$ 3,379	$ 3,379
Warrants Payable	1,343,670	3,260,895	4,604,565
Add: Unamortized Premiums	39,123		39,123
Less: Deferred Loss on Refunding	(897)	(333,560)	(334,457)
Capital Lease Obligation	10,260		10,260
Estimated Liability for Compensated Absences	15,002	6,550	21,552
Total Noncurrent Liabilities	1,407,158	2,937,264	4,344,422
Total Liabilities	1,559,412	2,965,958	4,525,370
Net Assets			
Invested in Capital Assets, Net of Related Debt	43,199	1,460,000	1,503,199
Restricted for:			
Debt Service	131,306		131,306
Other Purposes	100,093	5,541	105,634
Unrestricted	23,788	(327,893)	(304,105)
Total Net Assets	$ 298,386	$ 1,137,648	$ 1,436,034

Statement of Activities
For the Year Ended September 30, 2005
(In Thousands)

	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	$ 158,746	$ (7,226)	$ 57,062	$ 33,244
Public Safety	71,754	(3,176)	2,078	5,490
Highways and Roads	46,414	(837)	1,880	12,553
Welfare	13,077	(589)	77	12,565
Environmental Services	502	(23)		
Culture and Recreation	15,366	(226)		
Education	233	(10)		
Interest and Fiscal Charges	48,021			
Total Governmental Activities	354,113	(12,087)	61,097	63,852
Business-Type Activities:				
Hospital	77,144		30,167	
Nursing Operations	18,053		11,343	
Landfill	6,912		3,702	
Sanitary Operations	276,882		132,954	
Parking	252		380	
Total Business-Type Activities	379,243		178,546	
Total Primary Government	$ 733,356	$ (12,087)	$ 239,643	$ 63,852

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 23)

Net Assets - End of Year

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

	Net (Expenses) Revenues and Changes in Net Assets		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
$	$ (61,214)	$	$ (61,214)
	(61,010)		(61,010)
	(31,144)		(31,144)
	154		154
	(479)		(479)
	(15,140)		(15,140)
	(223)		(223)
	(48,021)		(48,021)
	(217,077)		(217,077)
		(46,977)	(46,977)
		(6,710)	(6,710)
		(3,210)	(3,210)
		(143,928)	(143,928)
		128	128
		(200,697)	(200,697)
$	(217,077)	(200,697)	(417,774)
	83,080		83,080
	124,672		124,672
	8,905	4,730	13,635
	63,276		63,276
	59,276	44,365	103,641
	3,061	2,667	5,728
	(59,004)	59,004	
	283,266	110,766	394,032
	66,189	(89,931)	(23,742)
	232,197	1,227,579	1,459,776
	$ 298,386	$ 1,137,648	$ 1,436,034

Balance Sheet - Governmental Funds
September 30, 2005
(In Thousands)

		General Fund		Indigent Care Fund
Assets				
Cash and Investments	$	159	$	147
Accounts Receivable, Net		4		
Loans Receivable, Net		18,536		
Property Taxes Receivable, Net		36,940		
Interest Receivable				
Due From Other Governments		16,031		3,677
Inventories		176		
Prepaid Expenses		32		
Advances Due From Other Funds				
Total Assets		71,878		3,824
Liabilities and Fund Balances				
Liabilities				
Accounts Payable		609		
Due To Other Governments		90		
Deferred Revenue		38,812		
Accrued Wages and Benefits Payable		9,393		
Accrued Interest Payable				
Estimated Liability for Compensated Absences		1,020		
Total Liabilities		49,924		
Fund Balances				
Reserved for:				
Advances				
Inventories		176		
Petty Cash		91		
Mapping and Reappraisal		1,679		
E911		601		
Cooper Green Hospital Foundation				147
Debt Service				
Encumbrances		6,056		
Loans Receivable				
Prepaid Expenses		33		
Unreserved, Reported in:				
General Fund		13,318		
Special Revenue Funds				3,677
Capital Projects Funds				
Total Fund Balances		21,954		3,824
Total Liabilities and Fund Balances	$	71,878	$	3,824

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

Road Fund	Limited Obligation School Fund	Bridge and Public Building Fund	Other Governmental Funds	Total Governmental Funds
$ 1,279	$ 1,159,163	$	$ 129,394	$ 1,290,142
			23	27
			3,629	22,165
13,853		33,642		84,435
			9	9
1,086		475	8,985	30,254
2,532				2,708
7			8	47
			20,323	20,323
18,757	1,159,163	34,117	162,371	1,450,110
1,306	40		2,792	4,747
5,924				6,014
14,539		35,307	635	89,293
709			178	10,280
	8,433		5,069	13,502
446				1,466
22,924	8,473	35,307	8,674	125,302
			20,323	20,323
2,532				2,708
2			1	94
				1,679
				601
				147
			119,416	119,416
431			36,261	42,748
7			3,631	3,638
			3	36
				13,318
(7,139)	1,150,690	(1,190)	(1,776)	1,144,262
			(24,162)	(24,162)
(4,167)	1,150,690	(1,190)	153,697	1,324,808
$ 18,757	$ 1,159,163	$ 34,117	$ 162,371	$ 1,450,110

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2005
(In Thousands)

Total Fund Balances - Governmental Funds (Exhibit 3)			$	1,324,808
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets were added as net capital assets in the following amount:				345,965
Deferred Loss on Early Retirement of Debt is not reported in the funds.				1,153
Deferred charges related to premiums on long-term liabilities are not reported in the funds.				(40,910)
Deferred charges related to discounts and bond issuance cost on long-term liabilities are not reported in the funds.				14,192
Internal service funds are used by management to charge the costs of certain activities and risk management to individual funds. The assets and liabilities of certain internal service funds are included in the statement of net assets.				36,932
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	$	(1,359,650)		
Capital Lease Obligations		(12,088)		
Estimated Liability for Compensated Absences	$	(12,016)		
Total Long-Term Liabilities				(1,383,754)
Total Net Assets - Governmental Activities (Exhibit 1)			$	298,386

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2005
(In Thousands)

	General Fund	Indigent Care Fund
Revenues		
Taxes	$ 73,535	$ 40,145
Licenses and Permits	63,276	
Intergovernmental	21,090	
Charges for Services	26,179	
Miscellaneous	1,714	114
Interest	868	3
Total Revenues	186,662	40,262
Expenditures		
Current:		
General Government	86,139	
Public Safety	64,424	
Highways and Roads		
Welfare	1,046	
Environmental Services	502	
Culture and Recreation	15,366	
Education	233	
Capital Outlay	1,672	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Indirect Costs	16,227	6
Total Expenditures	185,609	6
Excess (Deficiency) of Revenues Over Expenditures	1,053	40,256
Other Financing Sources (Uses)		
Debt Issued		
Premium on Debt Issued		
Sale of Capital Assets	32	
Indirect Cost Recovery	15,269	
Transfers In	13,447	
Transfers Out	(37,152)	(49,544)
Total Other Financing Sources (Uses)	(8,404)	(49,544)
Net Change in Fund Balances	(7,351)	(9,288)
Fund Balances at Beginning of Year	29,305	13,112
Fund Balances at End of Year	$ 21,954	$ 3,824

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

Road Fund	Limited Obligation School Fund	Bridge and Public Building Fund	Other Governmental Funds	Total Governmental Funds
$ 14,872	$ 53,980	$ 34,125	$	$ 216,657
				63,276
12,553		718	29,491	63,852
207			4,254	30,640
33			1,005	2,866
	56,336	280	1,581	59,068
27,665	110,316	35,123	36,331	436,359
			9,471	95,610
			5,587	70,011
39,944				39,944
			11,929	12,975
				502
				15,366
				233
6			34,326	36,004
			22,933	22,933
	33,382		15,783	49,165
	14,441			14,441
4,574		8	582	21,397
44,524	47,823	8	100,611	378,581
(16,859)	62,493	35,115	(64,280)	57,778
	1,050,000		13,846	1,063,846
	38,197			38,197
163				195
				15,269
17,283			68,529	99,259
		(36,265)	(39,696)	(162,657)
17,446	1,088,197	(36,265)	42,679	1,054,109
587	1,150,690	(1,150)	(21,601)	1,111,887
(4,754)		(40)	175,298	212,921
$ (4,167)	$ 1,150,690	$ (1,190)	$ 153,697	$ 1,324,808

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2005 (In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$	1,111,887
Amounts reported for Governmental Activities in the Statement of Activities (Exhibit 2) are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($36,004) exceeded depreciation ($20,144) in the current period.			15,860
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.			
Debt Issued:			
Debt Issued	$ (1,063,846)		
Premium on Warrants Issued	(38,197)		
Repayments:			
Principal	$ 22,933		(1,079,110)
Some expenditures reported in the governmental funds are deferred on the Statement of Net Assets. This includes bond issuance costs.			14,441
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 is the net book value of assets disposed.			426
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.			1,694
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 ($153) exceeded Amortization of Deferred Charges/Credits ($1,144).			991
Change in Net Assets of Governmental Activities (Exhibit 2)		$	66,189

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

Statement of Net Assets
Proprietary Funds
September 30, 2005
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Assets		
Current Assets:		
Cash and Investments	$ 13,671	$
Accounts Receivable, Net	67	21,143
Patient Accounts Receivable, Net	6,991	
Property Taxes Receivable, Net		4,618
Due from Other Governments		809
Inventories	1,092	941
Prepaid Expenses	489	3
Deferred Charges - Issuance Costs		59,731
Total Current Assets	22,310	87,245
Noncurrent Assets:		
Restricted Assets - Noncurrent Cash		600,777
Capital Assets, Net Where Applicable	9,927	3,344,956
Total Noncurrent Assets	9,927	3,945,733
Total Assets	$ 32,237	$ 4,032,978

Jefferson Rehabilitation and Health Center	Other Enterprise Funds	Totals	Internal Service Funds
$ 55	$ 251	$ 13,977	$ 15,175
	972	22,182	27
2,669		9,660	
		4,618	
		809	9,231
43		2,076	1,190
		492	21
	140	59,871	
2,767	1,363	113,685	25,644
		600,777	
8,413	46,171	3,409,467	21,887
8,413	46,171	4,010,244	21,887
$ 11,180	$ 47,534	$ 4,123,929	$ 47,531

Statement of Net Assets
Proprietary Funds
September 30, 2005
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Liabilities		
Current Liabilities:		
Accounts Payable	$ 804	$ 4,470
Deposits Payable		
Deferred Revenue		4,846
Accrued Wages and Benefits Payable	1,069	865
Retainage Payable		8,215
Estimated Liability for Compensated Absences		426
Warrants Payable		3,855
Estimated Liability for Landfill Closure/ Postclosure Care Costs		
Estimated Claims Liability		
Total Current Liabilities	1,873	22,677
Noncurrent Liabilities:		
Advances Due to Other Funds		
Arbitrage Rebate Payable		3,379
Warrants Payable		3,260,895
Less: Deferred Loss on Refunding		(333,560)
Estimated Liability for Compensated Absences	2,378	3,326
Total Noncurrent Liabilities	2,378	2,934,040
Total Liabilities	4,251	2,956,717
Net Assets		
Invested in Capital Assets, Net of Related Debt	9,928	1,415,810
Restricted for:		
Other Purposes	5,541	
Unrestricted	12,517	(339,549)
Total Net Assets - End of Year	$ 27,986	$ 1,076,261

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

Jefferson Rehabilitation and Health Center	Other Enterprise Funds	Totals	Internal Service Funds
$ 270	$	$ 5,544	$ 512
22	2	24	
		4,846	
287	70	2,291	872
		8,215	
3	45	474	28
		3,855	
	3,445	3,445	
			6,202
582	3,562	28,694	7,614
	20,323	20,323	
		3,379	
		3,260,895	
		(333,560)	
492	354	6,550	2,985
492	20,677	2,957,587	2,985
1,074	24,239	2,986,281	10,599
8,413	25,849	1,460,000	21,889
		5,541	
1,693	(2,554)	(327,893)	15,043
$ 10,106	$ 23,295	$ 1,137,648	$ 36,932

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2005
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Operating Revenues		
Taxes	$	$ 4,730
Intergovernmental		99
Charges for Services	30,167	132,954
Other Operating Revenue	85	2,332
Total Operating Revenues	30,252	140,115
Operating Expenses		
Salaries	29,240	21,287
Employee Benefits and Payroll Taxes	5,910	5,964
Materials and Supplies	11,395	1,417
Utilities	1,231	7,414
Outside Services	10,500	6,385
Services from Other Hospitals	5,921	
Jefferson Clinic	6,891	
Office Expense	2,666	2,317
Depreciation	1,376	88,242
Landfill Closure and Postclosure Care Costs		
Miscellaneous	176	8
Total Operating Expenses	75,306	133,034
Operating Income (Loss)	(45,054)	7,081
Nonoperating Revenues (Expenses)		
Interest Expense	(1)	(126,729)
Interest Revenue	107	44,256
Miscellaneous	82	
Amortization of Bond Issue Costs		(12,372)
Indirect Costs	(1,837)	(4,747)
Gain/(Loss) on Sale of Capital Assets		22
Indirect Cost Recovery		
Total Nonoperating Revenues (Expenses)	(1,649)	(99,570)
Operating Transfers		
Transfers In	52,244	
Transfers Out		
Total Operating Transfers	52,244	
Change in Net Assets	5,541	(92,489)
Total Net Assets - Beginning of Year	22,445	1,168,750
Total Net Assets - End of Year	$ 27,986	$ 1,076,261

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

Jefferson Rehabilitation and Health Center	Other Enterprise Funds	Totals	Internal Service Funds
$	$	$ 4,730	$
36		135	
11,343	4,082	178,546	32,555
		2,417	
11,379	4,082	185,828	32,555
7,506	1,701	59,734	20,424
1,973	525	14,372	5,580
1,598	188	14,598	3,234
683	362	9,690	3,508
3,324	361	20,570	16,662
		5,921	
		6,891	
1,115	196	6,294	1,753
292	2,526	92,436	2,516
	186	186	
		184	
16,491	6,045	230,876	53,677
(5,112)	(1,963)	(45,048)	(21,122)
	(395)	(127,125)	
	1	44,364	208
		82	8
	(9)	(12,381)	
		(6,584)	(954)
	10	32	(3)
(1,561)	(714)	(2,275)	19,167
(1,561)	(1,107)	(103,887)	18,426
6,702	1,326	60,272	6,115
(2)	(1,266)	(1,268)	(1,725)
6,700	60	59,004	4,390
27	(3,010)	(89,931)	1,694
10,079	26,305	1,227,579	35,238
$ 10,106	$ 23,295	$ 1,137,648	$ 36,932

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 31,681	$ 131,987
Other Operating Revenues		6,951
Cash Payments to Employees	(34,848)	(27,033)
Cash Payments for Goods and Services	(39,513)	(27,887)
Net Cash Provided (Used) by Operating Activities	(42,680)	84,018
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out		
Operating Transfers In	52,244	
Miscellaneous	82	
Indirect Cost	(1,837)	(4,747)
Indirect Cost Recovery		
Net Cash Provided (Used) by Non-Capital Financing Activities	50,489	(4,747)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(198)	(123,052)
Sale of Capital Assets		22
Interest Paid	(1)	(159,485)
Proceeds from Issuance of Warrants		3,260,895
Principal Payments on Warrants		(3,265,260)
Retainage Payments		(4,793)
Arbitrage Payments		2,120
Net Cash Provided (Used) by Capital and Related Financing Activities	(199)	(289,553)
Cash Flows from Investing Activities		
Interest Received	106	44,256
Net Cash Flows Provided by Investing Activities	106	44,256
Net Increase/(Decrease) in Cash	7,716	(166,026)
Cash and Investments - Beginning of Year	5,955	766,803
Cash and Investments - End of Year	13,671	600,777
Displayed as:		
Cash and Investments	13,671	
Restricted Assets - Noncurrent Cash		600,777
	$ 13,671	$ 600,777

Jefferson Rehabilitation and Health Center	Other Enterprise Funds	Totals	Internal Service Funds
$ 10,847	$ 4,169	$ 178,684	$ 32,568
36	419	7,406	(428)
(9,524)	(2,312)	(73,717)	(26,081)
(6,598)	(1,171)	(75,169)	(26,349)
(5,239)	1,105	37,204	(20,290)
(2)	(1,266)	(1,268)	6,115
6,702	1,326	60,272	(1,725)
		82	
(1,561)	(716)	(8,861)	(956)
			19,168
5,139	(656)	50,225	22,602
(48)		(123,298)	(1,188)
	9	31	(3)
	(395)	(159,881)	
		3,260,895	
		(3,265,260)	
		(4,793)	
		2,120	
(48)	(386)	(290,186)	(1,191)
	4	44,366	218
	4	44,366	218
(148)	67	(158,391)	1,339
203	184	773,145	13,836
55	251	614,754	15,175
55	251	13,977	15,175
		600,777	
$ 55	$ 251	$ 614,754	$ 15,175

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (45,054)	$ 7,081
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	1,376	88,242
(Increase)/Decrease in Prepaid Expenses	47	8
(Increase)/Decrease in Accounts Receivable	248	(1,210)
(increase)/Decrease in Patient Receivables	1,181	
(Increase)/Decrease in Due from Other Governments		34
(Increase)/Decrease in Property Taxes Receivable		(244)
(Increase)/Decrease in Inventories	62	(55)
Increase/(Decrease) in Accounts Payable	(842)	(10,299)
Increase/(Decrease) in Deferred Revenue		243
Increase/(Decrease) in Due to Other Funds		
Increase/(Decrease) in Deposits Payable		
Increase/(Decrease) in Accrued Wages Payable	122	102
Increase/(Decrease) in Estimated Liability for Compensated Absences	180	116
Increase/(Decrease) in Estimated Claims Liability		
Increase/(Decrease) in Landfill Postclosure Costs		
Total Adjustments	2,374	76,937
Net Cash Provided (Used) by Operating Activities	$ (42,680)	$ 84,018

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

Jefferson Rehabilitation and Health Center	Other Enterprise Funds	Totals	Internal Service Funds
$ (5,112)	$ (1,963)	$ (45,048)	$ (21,122)
292	2,528	92,438	2,516
3	87	145	3
		(962)	13
(496)		685	
		34	(433)
		(244)	
11		18	(1,129)
111	(21)	(11,051)	
		243	
	417	417	
(4)		(4)	
11	(3)	232	(3)
(55)	(85)	156	(74)
			(61)
	145	145	
(127)	3,068	82,252	832
$ (5,239)	$ 1,105	$ 37,204	$ (20,290)

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005
(In Thousands)

		Agency Funds
Assets		
Cash and Investments	$	2,620
Loans Receivable, Net		181
Total Assets		2,801
Liabilities		
Due to External Organizations		1,938
Due to Other Governments		863
Total Liabilities	$	2,801

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Jefferson County Commission (the "Commission"), except for the exclusion of the component units discussed below, have been prepared in conformity with 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.

A. Reporting Entity

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

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

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.

Additionally, the Jefferson County Employee Benefit Trust is a component unit of the Jefferson County Commission. In April 2003, the Jefferson Commission sponsored the formation of the Jefferson County Employee Benefit Trust. 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ***General Fund*** – The general fund is the primary operating fund of the Commission. It is used to account for financial resources except those required to be accounted for in another fund. The Commission primarily receives 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 Commission'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.

- ***Limited Obligation School Fund*** – This fund is used to account for the sales tax collected for the payment of principal and interest on the Limited Obligation School Warrants.

- ***Bridge and Public Building Fund*** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.

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 Fund*** – This fund is used to account for the accumulation of resources for, and the payment of, the Commission's principal and interest on governmental bonds.

- ***Capital Improvements Fund*** – This fund is used to account for the financial resources used in the improvement of major capital facilities.

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

The Commission reports the following major enterprise funds:

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

- ***Sanitary Operations Fund*** – This fund is used to account for the operations of the Commission's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated ad valorem taxes.

- ***Jefferson County Rehabilitation and Health 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.

Other non-major enterprise funds are as follows:

- ***Landfill Operations Fund*** – This fund is used to account for the operations of the Commission'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 and 8 are internal service funds. These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis and for a governmental entity's risk financing activities. These funds are as follows:

- ***Risk Management Fund*** – This fund is used to account for resources to provide insurance needs to county departments.

- ***Personnel Board Fund*** – This fund is used to account for resources for providing personnel to county departments and other governmental units by the Jefferson County Personnel Board.

- ***Elections Fund*** – This fund is used to account for resources for holding county elections.

- ***Information Services Fund*** – This fund is used to account for resources for providing data processing, microfilming and related services to the various county departments.

- ***Fleet Management Fund*** – This fund is used to account for resources for providing and maintaining vehicles to county departments.

- ***Central Laundry Fund*** – This fund is used to account for resources for providing laundry services to county departments.

- ***Printing Fund*** – This fund is used to account for resources for providing printing, postage and related services to county departments.

- ***Building Services Fund*** – This fund is used to account for resources for providing building maintenance and other related services for the Commission.

The Commission also reports the following fiduciary fund type:

Agency Funds

- ***Storm Water Management Authority Fund*** – This fund is used to account for resources held by the Commission in a custodial capacity for Storm Water Management Authority, Inc.

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

The Commission reports the following fund types:

Proprietary Fund Types

- ***Enterprise Funds*** – These funds report the activities for which fees are charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

- ***Internal Service Funds*** – These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis and for a governmental entity's risk financing activities.

Fiduciary Fund Type

- ***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.

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

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

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

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

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

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.

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

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

2. Receivables

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

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

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

	(In Thousands) Enterprise Funds
Patient Receivables	$ 37,027
Allowance Accounts	(27,367)
Net Patient	$ 9,660

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 of an allowance account) totaled $3,629,000 at September 30, 2005.

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, 2005, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled $181,000.

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

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

3. Inventories

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

4. Prepaid Items

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

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 market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

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

The Commission began retroactively reporting its major general infrastructure assets (assets that were acquired between October 1, 1980 to September 30, 2001 or that received major renovations, restorations, or improvements during that period) as of the fiscal year ending September 30, 2005.

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 sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

As of September 30, 2005, bond discounts, premiums and issuance cost and their corresponding unamortized balance is presented on the following schedule:

	(In Thousands)		
Issue	Premium and Deferred Charges	Discount and Deferred Charges	Balance of Unamortized (Premium) Discount
Series 2003-C, Sewer Revenue Refunding Warrants	$	$34,787	$ 33,225
Series 2003-B, Sewer Revenue Refunding Warrants		10,824	10,149
Series 2003-A, Sewer Revenue Refunding Warrants		27	22
Series 2002-C, Sewer Revenue Refunding Warrants		13,346	12,303
Series 2002-A, Sewer Revenue Warrants		1,607	1,462
Series 2001-A, Sewer Revenue Warrants		583	551
Series 1997-A, Sewer Revenue Refunding Warrants		2,176	2,019
Series 2004-A, General Obligation Capital Improvement Warrants	99		(77)
Series 2003-A, General Obligation Refunding Warrants	4,764		(3,717)
Series 2002-A, General Obligation Warrants	589		(174)
Series 2001-A, General Obligation Warrants	682		(375)
Series 2001-B, General Obligation Warrants		558	438
Series 2004-A, Limited Obligation School Warrants	32,456		(31,109)
Series 2005 A&B, Limited Obligation School Warrants	8,702		(8,437)

8. Compensated Absences

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

Vacation Leave

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

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

Sick Leave

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

Compensatory Leave

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

Maximum limitations of accumulated compensatory time are as follows:

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

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

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

As of September 30, 2005, the liability for accrued vacation and compensatory leave is approximately $14,561,091. Of this amount $10,264,943 is reported in the governmental activities, and $4,296,148 is reported in the business-type activities.

As of September 30, 2005, the liability for accrued sick leave is approximately $8,957,604. Of this amount, $6,230,314 is reported in the governmental activities, and $2,727,290 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 Revenues, Expenditures and Changes in Fund Balances of Governmental Funds and the Statement of Activities of Governmental Activities

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

	(In Thousands)
Revenues:	
Charges for Services	$32,555
Interest	216
Transfers In	6,115
Total Revenues	38,886
Expenses:	
General Government	28,958
Highways and Roads	4,820
Health and Welfare	1,689
Transfers Out	1,725
Total Expenses	37,192
Total Revenues Over Expenses	$ 1,694

Note 3 – Stewardship, Compliance, and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. 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, 2005, the following governmental funds had a deficit fund balance:

	(In Thousands)
Road Fund	$4,167
Bridge and Public Building Fund	$1,190
Road Construction Fund	$ 887

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

Investments

As of September 30, 2005, the County had the following investments:

	(In Thousands)	
	Fair Value	Weighted Average Maturity (Years)
U. S. Government Securities	$ 945,571	1.661
Repurchase Agreements	942,364	0.003
Certificate of Deposit	5,000	2.200
Total Investments	$1,892,935	3.864

Interest Rate Risk – In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Concentration of Credit Risk – The Commission's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the total investments.

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

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

	(In Thousands)		
	Category 1	Reported Amounts	Fair Value
U. S. Government Securities	$ 945,571	$ 945,571	$ 945,571
Repurchase Agreements	942,364	942,364	942,364
Certificate of Deposit	5,000	5,000	5,000
Total Investments	$1,892,935	$1,892,935	$1,892,935

The County has entered into contracts for construction of various facilities within Jefferson County. Amounts were provided by some contractors that were used to purchase certificates of deposits and U. S. Government securities to be held by designated financial institutions in the name of the contractors and the Jefferson County Commission in lieu of retainage. These securities totaling $1,278,000 are included as part of Cash and Investments on the financial statements, but are not included in deposits and investments discussed above. They are not covered by collateral agreements between financial institutions and the Jefferson County Commission and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

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

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

	(In Thousands)			
	Balance 10/01/2004, as Restated (*)	Additions	Deletions	Balance 9/30/2005
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	$ 13,429	$ 2,484	$ (801)	$ 15,112
Construction in Progress	172,446	12,682	(32,747)	152,381
General Infrastructure - CIP	23,937	4,770		28,707
Total Capital Assets, not Being Depreciated	209,812	19,936	(33,548)	196,200
Capital Assets Being Depreciated:				
Buildings	197,884	30,735		228,619
Improvements Other than Land/Building	8,431	1,147		9,578
Maintenance Equipment	4,850	150	(22)	4,978
Motor Vehicle (Non Fleet)	19,122	5	(83)	19,044
Office Furniture and Fixtures	4,483	250	(2)	4,731
Motor Vehicle (Fleet)	35,749	1,289	(1,219)	35,819
General Infrastructure	104,766			104,766
Equipment Under Capital Lease		13,846		13,846
Miscellaneous Equipment	40,541	2,864	(2,195)	41,210
Total Capital Assets Being Depreciated	415,826	50,286	(3,521)	462,591
Less Accumulated Depreciation for:				
Buildings	(151,895)	(7,885)		(159,780)
Improvements Other than Land/Building	(5,143)	(609)		(5,752)
Maintenance Equipment	(4,568)	(127)	22	(4,673)
Motor Vehicle (Non Fleet)	(12,977)	(1,296)	71	(14,202)
Office Furniture and Fixtures	(2,868)	(284)	2	(3,150)
Motor Vehicle (Fleet)	(29,200)	(2,774)	1,207	(30,767)
General Infrastructure	(34,429)	(3,547)		(37,976)
Miscellaneous Equipment	(31,379)	(3,622)	362	(34,639)
Total Accumulated Depreciation	(272,459)	(20,144)	1,664	(290,939)
Total Capital Assets, Being Depreciated, Net	143,367	30,142	(1,857)	171,652
Governmental Activities Capital Assets, Net	$ 353,179	$ 50,078	$(35,405)	$ 367,852

(*) Restated to record retroactive infrastructure and related accumulated depreciation totaling $70,337,000.

	(In Thousands)				
	Balance 10/01/2004	Additions	Deletions	Reclassification	Balance 9/30/2005
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	$ 46,566	$ 3,550	$(217)	$ 4	$ 49,903
Construction in Progress	1,040,756	119,547		(134,188)	1,026,115
Total Capital Assets, not Being Depreciated	1,087,322	123,097	(217)	(134,184)	1,076,018
Capital Assets Being Depreciated:					
Buildings	519,062			66,019	585,081
Improvements Other than Land/Building	1,039,087			67,932	1,107,019
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,971	61	(3)		6,029
Motor Vehicle (Non Fleet)	8,898				8,898
Office Furniture and Equipment	10,042				10,042
Motor Vehicle Fleet	11,096		(194)		10,902
Miscellaneous Equipment	14,614	497	(242)	233	15,102
Total Capital Assets Being Depreciated	3,024,580	558	(439)	134,184	3,158,883
Less Accumulated Depreciation for:					
Buildings	(157,719)	(15,238)	2		(172,955)
Improvements Other than Land/Building	(305,226)	(38,829)			(344,055)
Infrastructure North	(83,950)	(13,333)			(97,283)
Infrastructure South	(144,992)	(22,063)			(167,055)
Maintenance Equipment	(5,757)	(72)	3		(5,826)
Motor Vehicle (Non Fleet)	(5,186)	(716)			(5,902)
Office Furniture and Fixtures	(9,622)	(246)	153		(9,715)
Motor Vehicle Fleet	(9,463)	(650)	38		(10,075)
Miscellaneous Equipment	(11,380)	(1,291)	103		(12,568)
Total Accumulated Depreciation	(733,295)	(92,438)	299		(825,434)
Total Capital Assets, Being Depreciated, Net	2,291,285	(91,880)	(140)	134,184	2,333,449
Business-Type Activities Capital Assets, Net	$3,378,607	$ 31,217	$(357)	$	$3,409,467

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

	(In Thousands)
Governmental Activities:	
General Government	$11,829
Public Safety	1,743
Highways and Roads	6,470
Health and Welfare	102
Total Depreciation Expense – Governmental Activities	$20,144

	(In Thousands)
Business-Type Activities:	
Hospital	$ 1,376
Nursing Operations	292
Landfill	2,526
Sanitary Operations	88,242
Parking Services	2
Total Depreciation Expense – Business-Type Activities	$92,438

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 (the "Plan") covering substantially all employees of Jefferson County, Alabama. The Retirement System was established by Act Number 497, Acts of Alabama 1965, page 717, and provides guidelines for benefits to retired and disabled employees of the County.

The Plan's financial statements are publicly available in the annual report of the General Retirement System for Employees of Jefferson County for the year ended September 30, 2005. 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.

C. Annual Pension Cost

For the year ended September 30, 2005, the Commission's annual pension contribution of $8,991,827 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, 2005, 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, 2005 was 15 years.

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

(In Thousands)			
Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2005	$8,992	100%	$0
9/30/2004	$9,258	100%	$0
9/30/2003	$8,580	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]
9/30/2003	$720,939	$651,635	$(69,303)	110.6%	$151,206	(45.8%)
9/30/2004	$769,274	$689,976	$(79,298)	111.5%	$151,337	(52.4%)
9/30/2005	$819,835	$727,744	$(92,091)	112.7%	$151,393	(60.8%)

Note 7 – Other Postemployment Benefits (OPEB)

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

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

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

Currently 437 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 $15.31 to $864 per month, and total insurance premiums range from $299 to $864. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $1,675,881 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

Nature of Commitment	(In Thousands) Amount
7th Avenue Brighton	$ 1,210
AS Built Drawings	1,394
Bessemer Courthouse Expansion	2,889
Cahaba Heights Pump Station	635
Cahaba River Sewer Improvements	1,146
Consent Decree Improvements	5,814
Consulting Services	1,596
Cooper Green Hospital Renovations	6,382
Derby Parkway Pump	517
East Village Creek Sewer Improvements	4,735
Employee Salary Costs	744
Five Mile Creek Sewer Improvements	66,721
Highlands School Pump	1,458
Home Buyer Assistance	700
HOME Grant Projects	980
Hopewell Pump Station	10,291
Infiltration Improvement	708
Integrated Tax System	735
Kilgore Memorial Parkway	5,335
Lower Valley Creek Sewer Improvements	11,817
Miscellaneous Sewer Rehabilitation	578
McShan Road Improvements	2,563
Overton Road Replacement	2,557
Probate Information Management System	1,407
Purchase of Land for Construction Project	675
Purdes Creek Sewer Improvements	649
Rental Housing	1,479
Shades Creek Sewer Improvements	16,034
Survey Sewer Force	1,639
Turkey Creek Sewer Improvements	2,789
Upper Valley Creek Sewer Improvements	1,299
Valley Creek Sewer Improvements	7,949
Village Creek Sewer Improvements	5,453
Warrior River Sewer Improvements	5,604
Youth Services Grant	3,057
Total	$179,539

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 Sheriffs total contribution which at September 30, 2005 amounted to $15,000.

Various lawsuits are pending against the County Commission. In addition, claims have been filed which have not yet resulted in lawsuits. In the opinion of the Commission Attorney, the potential adverse impact of all these claims, individually or in the aggregate, would not be material to the financial statements of the Commission.

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of grants. Commission management believes such disallowances, if any, will be immaterial.

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, 2005, the various components of deferred revenue and unearned revenue reported in the governmental funds and proprietary funds were as follows:

	(In Thousands)	
	Unavailable	Unearned
Ad Valorem Taxes Receivable	$88,655	$4,849
Grant Drawdowns Prior to Meeting all Eligibility Requirements		635
Total Deferred/Unearned Revenue	$88,655	$5,484

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, 2005, total costs paid by the Commission were $1,115,538 for governmental activities and $637,176 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2005, were as follows:

	(In Thousands)		
Fiscal Year Ending	Facilities	Equipment	Total
September 30, 2006	$ 379,391	$708,689	$1,088,079
2007	365,621	129,127	494,748
2008	359,124	48,563	407,687
2009	361,155	2,143	363,298
2010	363,207		363,207
2011-2015	1,756,266		1,756,266
2016-2020	559,000		559,000
Total	$4,143,764	$888,521	$5,032,285

Capital Lease Obligation

On July 1, 2004, Commission entered into a lease agreement to acquire communications equipment and systems at a cost of $13,846,597. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the minimum lease payments as of the inception date in the Governmental Fund (Capital Improvement Fund). Under the terms of the lease the Commission is required to make seven (7) equal annual payments of $2,298,458, with the first payment due July 1, 2005.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005:

Year Ending	(In Thousands)
September 30, 2006	$ 2,298
2007	2,298
2008	2,298
2009	2,298
2010	2,298
2011	2,298
Total Minimum Lease Payments	13,791
Less: Amount Representing Interest	1,703
Present Value of Minimum Lease Payments	$12,088

Note 12 – County Appropriation Agreement

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

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

Note 13 – Long-Term Debt

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

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

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

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

The 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 refunding portions of 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 Series 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 Series 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 Refunding Warrants, the 2001-A Sewer Revenue Warrants, the 2002-B Sewer Revenue Warrants, and the 2002-D Sewer Revenue Warrants.

The Limited Obligation School Warrants Series 2004-A, were issued for the purpose of making grants to the various school boards operating in Jefferson County for capital improvements and for debt retirement.

The Limited Obligation School Warrants 2005-A and 2005-B, were issued for the purpose of making grants to the various school boards operating in Jefferson County for capital improvements and for debt retirement.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2005.

	(In Thousands)				
	Debt Outstanding October 1, 2004	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2005	Amounts Due Within One Year
Governmental Activities:					
General Obligation Warrants	$ 330,825	$	$21,175	$ 309,650	$15,980
Limited Obligation Warrants		1,050,000		1,050,000	
Add: Unamortized Premiums	4,645	37,914	1,649	40,910	1,787
Less: Deferred Loss on Refunding	(1,409)		(256)	(1,153)	(256)
Capital Lease Obligations		13,846	1,758	12,088	1,827
Estimated Claims Liability	6,263	140	201	6,202	6,202
Estimated Liability for Compensated Absences	16,510	1,926	1,940	16,496	1,494
Governmental Activities Long-Term Liabilities	356,834	1,103,826	26,467	1,434,193	27,034
Business-Type Activities:					
Arbitrage Rebate Payable	1,260	3,379	1,260	3,379	
Revenue Warrants	3,269,115		4,365	3,264,750	3,855
Less: Deferred Loss on Refunding	(344,308)	10,748		(333,560)	
Estimated Liability for Landfill Postclosure Costs	3,300	145		3,445	3,445
Estimated Liability for Compensated Absences	6,867	981	824	7,024	
Business-Type Activities Long-Term Liabilities	$2,936,234	$ 15,253	$ 6,449	$2,945,038	$ 7,300

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:

	(In Thousands)				
	Governmental Activities		Business-Type Activities		
	General Obligation Warrants, Limited Obligation Warrants and Capital Lease Obligation		Revenue Warrants		Total Principal and Interest Requirements
Fiscal Year Ending	Principal	Interest	Principal	Interest	to Maturity
September 30, 2006	$ 17,807	$ 63,310	$ 3,855	$ 125,610	$ 210,582
2007	55,643	60,510	6,430	125,412	247,995
2008	48,518	58,139	6,685	123,760	237,102
2009	50,699	55,909	15,150	123,318	245,076
2010	49,954	53,621	23,970	122,676	250,221
2011-2015	268,717	233,927	176,055	592,047	1,270,746
2016-2020	334,070	165,078	227,145	557,556	1,283,849
2021-2025	398,480	78,233	354,350	500,279	1,331,342
2026-2030	147,850	7,283	468,760	416,514	1,040,407
2031-2035			535,900	324,804	860,704
2036-2040			953,500	191,886	1,145,386
2041-2045			492,950	17,739	510,689
Totals	$1,371,738	$776,010	$3,264,750	$3,221,601	$8,634,099

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 activities are as follows:

	(In Thousands)		
	Issuance Costs	Deferred Charges on Refunding	Premium
Total Deferred Charges on Refunding and Premiums	$	$1,793	$ 5,856
Amount Amortized Prior Years		(384)	(1,210)
Balance Deferred Charges on Refunding and Premiums		1,409	4,646
Current Year Additions	14,441		37,914
Current Amount Amortized	(249)	(256)	(1,650)
Balance Deferred Charges on Refunding and Premiums	$14,192	$1,153	$40,910

The balance 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	$74,359	$360,618
Amount Amortized Prior Years	12,855	16,310
Balance Issuance Costs, Deferred Charges on Refunding	61,504	344,308
Current Amount Amortized	1,633	10,748
Balance Issuance Costs, Deferred Charges on Refunding	$59,871	$333,560

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, 2005, the total of $2,709,740,000 of warrants outstanding are considered defeased.

Note 14 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $3,264,750,000 at September 30, 2005. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 2001-A Sewer Revenue Capital Improvement 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 or surety policies are 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.

The balances as of September 30, 2005, exceeded the bond indenture requirements and were as follows:

	(In Thousands)
Sewer Reserve Fund	$ 7,187
Sewer Rate Stabilization Fund	$28,377
Depreciation Fund	$48,455

Note 15 – Continuing Disclosure

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

Fiscal Year Ending September 30,	2005	2004	2003	2002
Active Accounts	143,818	145,099	143,056	143,038
Average Daily Treatment Volume				
(millions of gallons treated)	126	100	120	116
Sewer Charges	$123,980,100	$118,809,266	$110,834,738	$83,929,394
% Revenue - Largest Customer	1.06%	3.23%	3.98%	2.74%
% Revenue - Top Ten Customers	6.03%	11.40%	12.66%	11.13%

Customer	Consumption	Amount
UAB	394,171	$2,277,842
U. S. Steele	531,330	2,041,085
Barber's Pure Milk	230,295	882,396
Golden Flake	136,736	778,791
Birmingham Housing Authority	127,068	739,635
PEMCO Aeroplex, Inc.	124,873	727,571
Brookwood Hospital	117,257	681,550
SMI Steele	114,099	661,496
The Rime Companies	107,882	626,223
BMC-MONT Maintenance	91,985	531,602
Total	1,975,696	$9,948,191

Effective March 1, 1999, January 1, 2000, January 1, 2001, January 1, 2002, January 1, 2003, January 1, 2004 and January 1, 2005, the County implemented sewer rate increases. The rate increases were implemented in accordance with the Commission's resolutions and the Indenture with the trustee for the Sewer Revenue Warrants.

Note 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 amount of the landfills used during the year.

The estimated liability for landfill closure and postclosure care costs had a balance of $3,445,000 as of September 30, 2005. This estimate was based on 62% usage (filled) of the Jefferson County Landfill Number 1, and 86% usage (filled) of the Jefferson County Landfill Number 2, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed October 1997.

This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2005. 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, 2005, the principal amount outstanding was $37,950,000.

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.

- ***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:

	(In Thousands)							
	General Liability		Auto Liability		Workers Compensation		Totals	
	2005	2004	2005	2004	2005	2004	2005	2004
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal year	$1,834	$1,690	$611	$620	$3,818	$3,720	$6,263	$6,030
Incurred Claims and Claim Adjustment Expenses:								
Provision for Insured Events of Current Fiscal Year	148	239	59	150	2,113	1,798	2,320	2,187
Increases/Decreases (0) in Provision for Insured Events of Prior Fiscal years								
Total Incurred Claims and Claim Adjustment Expenses	148	239	59	150	2,113	1,798	2,320	2,187
Payments:								
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	148	95	59	159	2,174	1,700	2,381	1,954
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal years								
Total Payments	148	95	59	159	2,174	1,700	2,381	1,954
Total Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	$1,834	$1,834	$611	$611	$3,757	$3,818	$6,202	$6,263

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 estimated health claims information for the fiscal year ended September 30, 2005:

(In Thousands)			
Balance 10/01/2004	Claims Incurred	Claims Paid	Balance 9/30/2005
$3,650	$26,281	$(24,110)	$5,821

Note 19 – Advances to Other Funds

The amounts due to/from other funds at September 30, 2005, were as follows:

	(In Thousands)
	Advances from Other Funds
	Sanitary Landfill Operations Fund
Advances To Other Funds	
Debt Service Fund	$20,323

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2005, were as follows:

	(In Thousands)							
	Transfers In							
	General Fund	Road Fund	Cooper Green Hospital	Jefferson Rehabilitation Health Center Funds	Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds	Totals
Transfers Out								
General Fund	$	$17,250	$ 2,700	$6,701	$ 6,654	$2,521	$1,326	$ 37,152
Indigent Care Fund			49,544					49,544
Bridge and Public Building Fund					36,265			36,265
Jefferson Rehabilitation Health Center Funds						2		2
Nonmajor Governmental Funds	13,448	36			23,867	2,345		39,696
Internal Service Funds				1	477	1,247		1,725
Nonmajor Proprietary Funds					1,266			1,266
Totals	$13,448	$17,286	$52,244	$6,702	$68,529	$6,115	$1,326	$165,650

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 – Franchise Taxes

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

Note 21 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

Objective of the Swaps – 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 swaps was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms – The swaps were executed with JPMorgan Chase Bank, Lehman Brothers Special Financing and Bank of America, NA with notional amounts of $539,446,000, $190,054,000 and $110,000,000 respectively. The swaps commenced on October 25, 2002 and mature on February 1, 2040. Under the swaps, the County pays a fixed rate of 3.92% and receives a variable rate computed as 67% 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 bonds have a $839,500,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.9200%
Variable Payment from Counterparty	67% of LIBOR	2.5887%
Net Interest Rate Swap Payments		1.3313%
Variable-Rate Bond Payments		2.7047%
Synthetic Interest Rate on Bonds		3.6317%

Fair Value **–** As of September 30, 2005, the swaps had a negative fair value of $67,283,595.85. 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 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, 2005, 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 obligations 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 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, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$	$ 22,706	$ 11,176	$ 33,882
2007	611	22,695	11,171	34,477
2008	2,723	22,640	11,144	36,507
2009	2,845	22,564	11,107	36,516
2010-2014	16,459	111,548	54,906	182,913
2015-2019	20,403	109,043	53,673	183,119
2020-2024	86,086	103,763	51,074	240,923
2025-2029	139,704	84,263	41,476	265,443
2030-2034	45,291	74,720	36,778	156,789
2035-2039	452,746	38,337	18,870	509,953
2040	72,632	1,145	564	74,341
Totals	$839,500	$613,424	$301,939	$1,754,863

2003-B1 – B7 Sewer Refunding Warrants

Objective of the Swap – In May of 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 $1,035,800,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.6780%
Variable Payment from Counterparty	67% of LIBOR	2.5887%
Net Interest Rate Swap Payments		1.0893%
Variable-Rate Bond Payments		2.6856%
Synthetic Interest Rate on Bonds		3.7749%

Fair Value **–** As of September 30, 2005, the swap had a negative fair value of $46,851,485. 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 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, 2005, 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 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 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 LIBOR and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt – As of September 30, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$	$ 27,817	$ 11,283	$ 39,100
2007		27,817	11,283	39,100
2008		27,817	11,283	39,100
2009	5,000	27,728	11,247	43,975
2010-2014	30,650	136,260	55,268	222,178
2015-2019	57,925	131,380	53,289	242,594
2020-2024	134,425	115,590	46,884	296,899
2025-2029	210,825	96,273	59,049	366,147
2030-2034	160,750	70,428	28,566	259,744
2035-2039	189,250	52,969	21,079	263,298
2040-2042	246,975	8,919	3,618	259,512
Totals	$1,035,800	$722,998	$312,849	$2,071,647

2003-C Sewer Refunding Warrants

Objective of the Swaps – 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 swaps 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 $789,018,750 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.

	Terms	Rates
Interest Rate Swap (up to 2/1/2005):		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	BMA	2.7500%
Net Interest Rate Swap Payments		0.8460%
Variable-Rate Bond Payments		2.6039%
Synthetic Interest Rate on Bonds		3.4499%

	Terms	Rates
Interest Rate Swap (after 2/1/2005):		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	67% of LIBOR	2.5887%
Net Interest Rate Swap Payments		1.0073%
Variable-Rate Bond Payments		2.6039%
Synthetic Interest Rate on Bonds		3.6112%

Fair Value – As of September 30, 2005, the swaps had a negative fair value of $37,559,590. 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 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, 2005, 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 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 obligations 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 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 BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt – As of September 30, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$	$ 27,394	$ 10,597	$ 37,991
2007		27,394	10,597	37,991
2008		27,394	10,597	37,991
2009	2,700	27,347	10,579	40,626
2010-2014	15,150	135,596	52,454	203,200
2015-2019	75,975	130,397	50,443	256,815
2020-2024	49,125	122,601	47,727	219,453
2025-2029	100,775	111,460	43,117	255,352
2030-2034	247,750	83,024	32,117	362,891
2035-2039	259,600	61,118	23,643	344,361
2040-2042	300,950	9,837	3,805	314,592
Totals	$1,052,025	$763,562	$295,676	$2,111,263

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. JP Morgan Chase has the right to cancel the swap on or after April 1, 2008.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.2950%
Variable Payment from Counterparty	BMA	2.7500%
Net Interest Rate Swap Payments		1.5450%
Variable-Rate Bond Payments		2.8000%
Synthetic Interest Rate on Bonds		4.3450%

Fair Value – As of September 30, 2005, the swap had a negative fair value of $5,795,763. 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 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2005, 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 general obligation 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 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. 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, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$	$ 3,360	$ 1,854	$ 5,214
2007		3,360	1,854	5,214
2008		3,360	1,854	5,214
2009		3,360	1,854	5,214
2010		3,360	1,854	5,214
2011	120,000	1,680	927	122,607
Totals	$120,000	$18,480	$10,197	$148,677

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 $110,000,000 variable rate revenue warrants. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms – The swap was executed with JPMorgan Chase Bank. The swap commenced on February 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 bonds have an $110,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	5.0600%
Variable Payment from Counterparty	BMA	2.7500%
Net Interest Rate Swap Payments		2.3100%
Variable-Rate Bond Payments		2.7600%
Synthetic Interest Rate on Bonds		5.0700%

Fair Value – As of September 30, 2005, the swap had a negative fair value of $17,146,527. 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 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, 2005, 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 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 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, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$	$ 3,036	$ 2,541	$ 5,577
2007		3,036	2,541	5,577
2008		3,036	2,541	5,577
2009		3,036	2,541	5,577
2010-2014		15,180	12,705	27,885
2015-2019		15,180	12,705	27,885
2020-2024		15,180	12,705	27,885
2025-2029		15,180	12,705	27,885
2030-2034		15,180	12,705	27,885
2035-2039		15,180	12,705	27,885
2040-2042	110,000	7,084	5,929	123,013
Totals	$110,000	$110,308	$92,323	$312,631

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 historical average, 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 of 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 received 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, 2005, the swap had a negative fair value of $3,479,176. The fair value of the option was estimated using the Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2005, the County is not exposed to counterparty credit risk because the swap has been cancelled and cannot 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 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 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 rate received on the swap was higher than the BMA historical average, 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 received 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, 2005, the swap and short-term interim reversal had a negative fair value of $3,044,279. The fair value of the option was estimated using the Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2005, the County is not exposed to counterparty credit risk because the swap has been cancelled and cannot 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 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 County has contingent variable rate exposure that on or after February 1, 2009 the counterparty will exercise its option to reinstate the swap.

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 historical average, the County decided to synthetically create variable rate debt. In February of 2001, the County entered into a fixed-to-variable interest rate swap for $70 million 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, 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.

Rates applicable until February 1, 2007

	Terms	Rates
Interest Rate Swap:		
Swap #1: Fixed Payment to Counterparty		3.9450%
Swap #2: Fixed Payment from Counterparty		5.1700%
Net Fixed Swap Payments		(1.2250%)
Swap #1: Variable Payment from Counterparty	BMA	2.7500%
Swap #2: Variable Payment from Counterparty	BMA	2.7500%
Net Variable Swap Payments		0.0000%
Net Interest Rate Swap Payments		(1.2550%)
Variable-Rate Bond Payments		2.7600%
Synthetic Interest Rate on Bonds		1.5050%

Rates applicable after February 1, 2007

	Terms	Rates
Interest Rate Swap:		
Variable Payment to Counterparty	BMA	2.7500%
Fixed Payment from Counterparty		5.1700%
Net Interest Rate Swap Payments		(2.7200%)
Variable-Rate Bond Payments		2.7600%
Synthetic Interest Rate on Bonds		0.0400%

Fair Value – As of September 30, 2005, the swap and short term interim reversal had a negative fair value of $764,817. 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2005, 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 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 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. 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, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$	$1,932	$ (879)	$ 1,053
2007		1,932	(1,904)	28
2008		1,932	(1,904)	28
2009		1,932	(1,904)	28
2010-2014		9,660	(9,520)	140
2015-2019		9,660	(9,520)	140
2020-2024		9,660	(9,520)	140
2025-2029		9,660	(9,520)	140
2030-2031	70,000	3,864	(3,808)	70,056
Totals	$70,000	$50,232	$(48,479)	$71,753

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 historical average, 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 $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	2.7500%
Fixed Payment from Counterparty	Fixed	4.8150%
Net Interest Rate Swap Payments		(2.0650%)
Variable-Rate Bond Payments		2.7600%
Synthetic Interest Rate on Bonds		0.6950%

Fair Value – As of September 30, 2005, the swap had a negative fair value of $704,054. 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks – As of September 30, 2005, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an 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 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, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$	$ 3,036	$ (2,272)	$ 764
2007		3,036	(2,272)	764
2008		3,036	(2,272)	764
2009		3,036	(2,272)	764
2910-2014		15,180	(11,358)	3,822
2015-2019		15,180	(11,358)	3,822
2020-2024		15,180	(11,358)	3,822
2025-2029		15,180	(11,358)	3,822
2030-2034		15,180	(11,358)	3,822
2035-2039		15,180	(11,358)	3,822
2040-2042	110,000	7,084	(5,300)	111,784
Totals	$110,000	$110,308	$(82,536)	$137,772

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 higher than the BMA historical average, 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 JP Morgan Chase Bank. Under the swap, the County pays a variable rate equivalent 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, 2024. JPMorgan Chase Bank has the option to cancel this swap on or after November 1, 2005.

	Terms	Rates
Interest Rate Swap:		
Variable Payment to Counterparty	BMA	2.7500%
Fixed Payment from Counterparty	Fixed	4.3250%
Net Interest Rate Swap Payments		(1.5750)%
Variable-Rate Bond Payments		5.2067%
Synthetic Interest Rate on Bonds		4.0817%

Fair Value **–** As of September 30, 2005, the swap had a negative fair value of $1,103,590. 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 Black, Derman and Toy (BDT) model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks **–** As of September 30, 2005, 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 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 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, 2005, 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)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2006	$ 3,855	$ 4,536	$ (1,652)	$ 6,739
2007	3,730	4,373	(1,593)	6,510
2008	3,885	4,208	(1,532)	6,561
2009	4,050	4,035	(1,469)	6,616
2010-2014	22,980	17,315	(6,305)	33,990
2015-2019	16,645	12,982	(4,727)	24,900
2020-2024	25,405	8,619	(2,856)	31,168
2025-2027	26,910	1,666		28,576
Totals	$107,460	$57,734	$(20,134)	$145,060

Restructuring of 2002A, 2002C and 2003B Swaps

Objective of the Swap – The County is always looking for ways to manage potential negative carry or 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 can compress in a 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 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 $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 London Interbank Offered Rate (LIBOR) 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 0.49%. 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.

	Terms	Rates
Interest Rate Swap (BMA Basis Swap):		
Variable Payment to Counterparty	BMA	2.7500%
Variable Payment from Counterparty	56% of LIBOR + 0.49%	2.6537%
Net Interest Rate Swap Payments		0.0963%

Fair Value – As of September 30, 2005, the swaps had a negative fair value of $26,118,134. 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, 2005, 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 Markets & Bank of America, NA., each 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 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 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 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 were used to structure the swaps.

Note 22 – Jointly Governed Organization

The Jefferson County Commission, along with numerous municipalities and other counties, participate 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 into an agreement to act in a custodial capacity relating to receipts and disbursements of funds for the Authority.

Note 23 – Restatements

The beginning nets assets of the Governmental Activities on the Government-Wide Financial Statements have been restated for the effects of adjustments to record capital assets related to Infrastructure and the related depreciation expense for the prior fiscal year. The net effect of the adjustment is to increase capital assets and net assets by $70,337,000.

Note 24 – Subsequent Events

In December 2005, the Commission entered into a 60 year lease agreement with Santek Environmental to lease two county-owned landfills and a transfer station. Santek Environmental will pay $100 million over the life of the agreement, including $55 million to lease the properties. The County would retain its rights to sell methane gas produced naturally at the landfills. The landfills have been previously accounted for the County's enterprise fund - Landfill Operations Fund.

The Jefferson County Public Building Authority (the "Authority") issued Lease Revenue Warrants, Series 2006 dated August 17, 2006 in the amount of $86,745,000 for the purpose of constructing and renovating courthouses, a jail, E911 project, and related costs. The Commission will make lease payments to the Authority in the amount of the debt service for the warrants.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 121,809	$ 122,192	$ 73,535	$ 73,535
Licenses and Permits	67,285	67,284	63,276	63,276
Intergovernmental	18,132	21,966	21,090	21,090
Charges for Services	40,089	25,878	26,179	26,179
Miscellaneous	3,957	19,379	1,714	1,714
Interest			868	868
Total Revenues	251,272	256,699	186,662	186,662
Expenditures				
Current:				
General Government	170,342	157,197	86,139	86,139
Public Safety	64,256	65,160	64,424	64,424
Welfare	350	844	1,046	1,046
Environmental Services	564	706	502	502
Culture and Recreation			15,366	15,366
Education		235	233	233
Capital Outlay			1,672	1,672
Indirect Costs		16,226	16,227	16,227
Total Expenditures	235,512	240,368	185,609	185,609
Excess (Deficiency) of Revenues Over Expenditures	15,760	16,331	1,053	1,053
Other Financing Sources (Uses)				
Sale of Capital Assets			32	32
Indirect Cost Recovery			15,269	15,269
Transfers In	15,000	13,447	13,447	13,447
Transfers Out	(30,724)	(35,234)	(37,152)	(37,152)
Total Other Financing Sources (Uses)	(15,724)	(21,787)	(8,404)	(8,404)
Change in Net Assets	36	(5,456)	(7,351)	(7,351)
Fund Balances at Beginning of Year	29,305	29,305	29,305	29,305
Fund Balances at End of Year	$ 29,341	$ 23,849	$ 21,954	$ 21,954

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Indigent Care Fund For the Year Ended September 30, 2005 (In Thousands)

	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 42,671	$ 42,671	$ 40,145	$ 40,145
Miscellaneous	335	335	114	114
Interest	4	4	3	3
Total Revenues	43,010	43,010	40,262	40,262
Expenditures				
Current:				
General Government				
Health and Public Welfare				
Indirect Costs	6	6	6	6
Total Expenditures	6	6	6	6
Excess (Deficiency) of Revenues Over Expenditures	43,004	43,004	40,256	40,256
Other Financing Sources (Uses)				
Transfers Out	(49,544)	(49,544)	(49,544)	(49,544)
Total Other Financing Sources (Uses)	(49,544)	(49,544)	(49,544)	(49,544)
Change in Net Assets	(6,540)	(6,540)	(9,288)	(9,288)
Fund Balances at Beginning of Year	13,112	13,112	13,112	13,112
Fund Balances at End of Year	$ 6,572	$ 6,572	$ 3,824	$ 3,824

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Fund
For the Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 15,297	$ 15,297	$ 14,872	$ 14,872
Intergovernmental	7,512	7,512	12,553	12,553
Charges for Services	260	269	207	207
Miscellaneous	71	71	33	33
Total Revenues	23,140	23,149	27,665	27,665
Expenditures				
Current:				
Highways and Roads	34,062	34,062	39,944	39,944
Capital Outlays			6	6
Indirect Costs	4,574	4,574	4,574	4,574
Total Expenditures	38,636	38,636	44,524	44,524
Excess (Deficiency) of Revenues Over Expenditures	(15,496)	(15,487)	(16,859)	(16,859)
Other Financing Sources (Uses)				
Sale of Capital Assets	144	144	163	163
Transfers In	17,134	17,134	17,283	17,283
Total Other Financing Sources (Uses)	17,278	17,278	17,446	17,446
Change in Net Assets	1,782	1,791	587	587
Fund Balances at Beginning of Year			(4,754)	(4,754)
Fund Balances at End of Year	$ 1,782	$ 1,791	$ (4,167)	$ (4,167)

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Limited Obligation School Warrant Fund For the Year Ended September 30, 2005 (In Thousands)

	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 90,000	$ 90,000	$ 53,980	$ 53,980
Interest			56,336	56,336
Total Revenues	90,000	90,000	110,316	110,316
Expenditures				
Current:				
Interest and Fiscal Charges	5,275	5,275	33,382	33,382
Issuance Cost	1,447	1,447	14,441	14,441
Total Expenditures	6,722	6,722	47,823	47,823
Excess (Deficiency) of Revenues Over Expenditures	83,278	83,278	62,493	62,493
Other Financing Sources (Uses)				
Debt Issued			1,050,000	1,050,000
Premiums on Debt Issue			38,197	38,197
Total Other Financing Sources (Uses)			1,088,197	1,088,197
Change in Net Assets	83,278	83,278	1,150,690	1,150,690
Fund Balances at Beginning of Year				
Fund Balances at End of Year	$ 83,278	$ 83,278	$ 1,150,690	$ 1,150,690

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Bridge and Public Building Fund
For the Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
Revenues				
Taxes	$ 34,998	$ 35,156	$ 34,125	$ 34,125
Intergovernmental	718	713	718	718
Miscellaneous	80	80	280	280
Total Revenues	35,796	35,949	35,123	35,123
Expenditures				
Current:				
Indirect Costs	8	9	8	8
Total Expenditures	8	9	8	8
Excess (Deficiency) of Revenues Over Expenditures	35,788	35,940	35,115	35,115
Other Financing Sources (Uses)				
Transfers Out	(36,265)	(35,910)	(36,265)	(36,265)
Total Other Financing Sources (Uses)	(36,265)	(35,910)	(36,265)	(36,265)
Change in Net Assets	(477)	30	(1,150)	(1,150)
Fund Balances at Beginning of Year			(40)	(40)
Fund Balances at End of Year	$ (477)	$ 30	$ (1,190)	$ (1,190)

Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005
(In Thousands)

	Senior Citizens' Activities Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Assets			
Cash and Investments	$ 543	$	$ 1,871
Accounts Receivable, Net			
Loans Receivable, Net		135	1,509
Interest Receivable		9	
Due from Other Governments	1,006	2,894	
Prepaid Expenses	2	3	
Advances Due from Other Funds			
Total Assets	1,551	3,041	3,380
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	218	284	
Deferred Revenue			
Accrued Wages and Benefits Payable	29	132	
Accrued Interest Payable			
Total Liabilities	247	416	
Fund Balances			
Reserved for:			
Advances Due to Other Funds			
Petty Cash			
Debt Service			
Encumbrances	391	6,492	
Loans Receivable	2	135	1,509
Prepaid Expenses			
Unreserved Reported in:			
Special Revenue Funds	911	(4,002)	1,871
Capital Projects Funds			
Total Fund Balances	1,304	2,625	3,380
Total Liabilities and Fund Balances	$ 1,551	$ 3,041	$ 3,380

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ (176)	$ 519	$ 124,485	$ 2,526	$ (374)	$ 129,394
				23	23
1,985					3,629
					9
2,125	2		2,720	238	8,985
	3				8
		20,323			20,323
3,934	524	144,808	5,246	(113)	162,371
358	8		1,150	774	2,792
635					635
3	14				178
		5,069			5,069
996	22	5,069	1,150	774	8,674
		20,323			20,323
	1				1
		119,416			119,416
	2,007		16,537	10,834	36,261
1,985					3,631
	3				3
953	(1,509)				(1,776)
			(12,441)	(11,721)	(24,162)
2,938	502	139,739	4,096	(887)	153,697
$ 3,934	$ 524	$ 144,808	$ 5,246	$ (113)	$ 162,371

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2005
(In Thousands)

	Senior Citizens' Activities Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Revenues			
Intergovernmental	$ 7,249	$ 10,682	$
Charges for Services	35		
Miscellaneous	415		4
Interest	10	5	64
Total Revenues	7,709	10,687	68
Expenditures			
Current:			
General Government	7,695	1,586	(14)
Public Safety			
Health and Welfare	1,991	7,268	141
Capital Outlay	6	64	
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Indirect Costs		355	10
Total Expenditures	9,692	9,273	137
Excess (Deficiency) of Revenues Over Expenditures	(1,983)	1,414	(69)
Other Financing Sources (Uses)			
Proceeds from Capital Lease			
Transfers In	4,043	742	10
Transfers Out			
Total Other Financing Sources (Uses)	4,043	742	10
Net Change in Fund Balances	2,060	2,156	(59)
Fund Balances at Beginning of Year	(756)	469	3,439
Fund Balances at End of Year	$ 1,304	$ 2,625	$ 3,380

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ 2,302	$ 5,099	$ 1,303	$ 2,856	$	$ 29,491
		2,592	25	1,602	4,254
263	323				1,005
32	5	1,463		2	1,581
2,597	5,427	5,358	2,881	1,604	36,331
204					9,471
	5,587				5,587
2,529					11,929
	20		28,466	5,770	34,326
		22,933			22,933
		15,783			15,783
21	113	83			582
2,754	5,720	38,799	28,466	5,770	100,611
(157)	(293)	(33,441)	(25,585)	(4,166)	(64,280)
			13,846		13,846
185	115	37,531	22,803	3,100	68,529
		(33,100)	(6,596)		(39,696)
185	115	4,431	30,053	3,100	42,679
28	(178)	(29,010)	4,468	(1,066)	(21,601)
2,910	680	168,749	(372)	179	175,298
$ 2,938	$ 502	$ 139,739	$ 4,096	$ (887)	$ 153,697

Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2005
(In Thousands)

	Landfill Operations Fund	Parking Deck Fund	Totals
Assets			
Current Assets:			
Cash and Investments	$	$ 251	$ 251
Accounts Receivable, Net	972		972
Deferred Charges - Issuance Costs	140		140
Total Current Assets	1,112	251	1,363
Noncurrent Assets:			
Capital Assets, Net Where Applicable	46,167	4	46,171
Total Noncurrent Assets	46,167	4	46,171
Total Assets	47,279	255	47,534
Liabilities			
Current Liabilities:			
Accounts Payable	2		2
Accrued Wages and Benefits Payable	69	1	70
Estimated Liability for Compensated Absences	44	1	45
Estimated Liability for Landfill Closure/ Postclosure Care Costs	3,445		3,445
Total Current Liabilities	3,560	2	3,562
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	352	2	354
Advances Due to Other Funds	20,323		20,323
Total Noncurrent Liabilities	20,675	2	20,677
Total Liabilities	24,235	4	24,239
Net Assets			
Invested in Capital Assets, Net of Related Debt	25,845	4	25,849
Unrestricted	(2,801)	247	(2,554)
Total Net Assets	$ 23,044	$ 251	$ 23,295

Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended September 30, 2005
(In Thousands)

	Landfill Operations Fund	Parking Deck Fund	Totals
Operating Revenues			
Charges for Services	$ 3,702	$ 380	$ 4,082
Total Revenues	3,702	380	4,082
Operating Expenses			
Salaries	1,679	22	1,701
Employee Benefits and Payroll Taxes	519	6	525
Materials and Supplies	188		188
Utilities	332	30	362
Outside Services	361		361
Office Expense	17	179	196
Depreciation	2,524	2	2,526
Closure and Postclosure Care Costs	186		186
Total Operating Expenses	5,806	239	6,045
Operating Income (Loss)	(2,104)	141	(1,963)
Nonoperating Revenues (Expenses)			
Interest Expense	(395)		(395)
Interest Revenue		1	1
Amortization of Bond Issue Costs	(9)		(9)
Indirect Costs	(701)	(13)	(714)
Gain/(Loss) on Sale of Capital Assets	10		10
Total Nonoperating Revenues (Expenses)	(1,095)	(12)	(1,107)
Operating Transfers			
Transfers In	1,326		1,326
Transfers Out	(1,266)		(1,266)
Total Operating Transfers	60		60
Changes in Net Assets	(3,139)	129	(3,010)
Total Net Assets - Beginning of Year	26,183	122	26,305
Total Net Assets - End of Year	$ 23,044	$ 251	$ 23,295

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2005
(In Thousands)

	Landfill Operations Fund	Parking Deck Fund	Totals
Cash Flows from Operating Activities			
Cash Received for Services	$ 3,789	$ 380	$ 4,169
Other Revenues	419		419
Cash Payments to Employees	(2,288)	(24)	(2,312)
Cash Payments for Goods and Services	(960)	(211)	(1,171)
Net Cash Provided (Used) by Operating Activities	960	145	1,105
Cash Flows from Non-Capital Financing Activities			
Operating Transfers Out	(1,266)		(1,266)
Operating Transfers In	1,326		1,326
Indirect Cost	(701)	(15)	(716)
Net Cash Provided (Used) by Non-Capital Financing Activities	(641)	(15)	(656)
Cash Flows from Capital and Related Financing Activities			
Sale of Capital Assets	8	1	9
Interest Paid	(395)		(395)
Net Cash Provided (Used) by Capital and Related Financing Activities	(387)	1	(386)
Cash Flows from Investing Activities			
Interest Received	2	2	4
Net Cash Flows Provided by Investing Activities	2	2	4
Net Increase/(Decrease) in Cash	(66)	133	67
Cash and Investments - Beginning of Year	66	118	184
Cash and Investments - End of Year	$	$ 251	$ 251

	Landfill Operations Fund	Parking Deck Fund	Totals
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	$ (2,104)	$ 141	$ (1,963)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation Expense	2,524	4	2,528
(Increase)/Decrease in Accounts Receivable	87		87
Increase/(Decrease) in Accounts Payable	(19)	(2)	(21)
Increase/(Decrease) in Due to Other Funds	417		417
Increase/(Decrease) in Accrued Wages and Benefits Payable	(3)		(3)
Increase/(Decrease) in Estimated Liability for Compensated Absences	(87)	2	(85)
Increase/(Decrease) in Landfill Postclosure Costs	145		145
Total Adjustments	3,064	4	3,068
Net Cash Provided (Used) by Operating Activities	$ 960	$ 145	$ 1,105

Combining Statement of Net Assets
Internal Service Funds
September 30, 2005
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Assets			
Current Assets:			
Cash and Investments	$ 8,529	$ (9,674)	$ 1
Accounts Receivable, Net			
Due from Other Governments		9,098	72
Inventories			
Prepaid Expenses	19		
Total Current Assets	8,548	(576)	73
Noncurrent Assets:			
Capital Assets, Net Where Applicable	50	1,285	729
Total Noncurrent Assets	50	1,285	729
Total Assets	8,598	709	802
Liabilities			
Current Liabilities:			
Accounts Payable	11	185	
Accrued Wages and Benefits Payable	42	172	9
Estimated Liability for Compensated Absences	3	15	
Estimated Claims Liability	6,202		
Total Current Liabilities	6,258	372	9
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	98	337	39
Total Noncurrent Liabilities	98	337	39
Total Liabilities	6,356	709	48
Net Assets			
Invested in Capital Assets, Net of Related Debt	50	1,286	729
Unrestricted	2,192	(1,286)	25
Total Net Assets	$ 2,242	$	$ 754

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 1,202	$ 1,499	$ 261	$ 142	$ 13,215	$ 15,175
21				6	27
	11		15	35	9,231
	243	5	221	721	1,190
1	1				21
1,224	1,754	266	378	13,977	25,644
3,301	1,647	7,759	26	7,090	21,887
3,301	1,647	7,759	26	7,090	21,887
4,525	3,401	8,025	404	21,067	47,531
15	103		43	155	512
165	112	15	12	345	872
6	2	2			28
					6,202
186	217	17	55	500	7,614
568	414	41	42	1,446	2,985
568	414	41	42	1,446	2,985
754	631	58	97	1,946	10,599
3,301	1,647	7,760	26	7,090	21,889
470	1,123	207	281	12,031	15,043
$ 3,771	$ 2,770	$ 7,967	$ 307	$ 19,121	$ 36,932

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended September 30, 2005
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Revenues			
Charges for Services	$ 1,881	$ 7,763	$ 225
Total Revenues	1,881	7,763	225
Operating Expenses			
Salaries	843	3,721	644
Employee Benefits and Payroll Taxes	266	888	52
Materials and Supplies	18	112	74
Utilities			12
Outside Services	489	5,813	87
Office Expense	59	608	28
Depreciation	14	274	75
Total Operating Expenses	1,689	11,416	972
Operating Income (Loss)	192	(3,653)	(747)
Nonoperating Revenues (Expenses)			
Interest Revenue	79		
Miscellaneous			
Indirect Costs		(363)	(150)
Gain/(Loss) on Sale of Capital Assets			2
Indirect Cost Recovery		2,144	
Total Nonoperating Revenues (Expenses)	79	1,781	(148)
Operating Transfers			
Transfers In	24	1,896	468
Transfers Out			
Total Operating Transfers	24	1,896	468
Changes in Net Assets	295	24	(427)
Total Net Assets - Beginning of Year	1,947	(24)	1,181
Total Net Assets - End of Year	$ 2,242	$	$ 754

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 605	$ 1,147	$ 750	$ 738	$ 19,446	$ 32,555
605	1,147	750	738	19,446	32,555
3,804	2,617	353	268	8,174	20,424
875	772	129	64	2,534	5,580
177	1,238	34	305	1,276	3,234
2	60	3		3,431	3,508
3,979	768	353	122	5,051	16,662
463	58	1	2	534	1,753
1,587	178	8	9	371	2,516
10,887	5,691	881	770	21,371	53,677
(10,282)	(4,544)	(131)	(32)	(1,925)	(21,122)
5	8	1	1	114	208
	8				8
(441)					(954)
(32)	26			1	(3)
9,828	4,820	294		2,081	19,167
9,360	4,862	295	1	2,196	18,426
1,525	957		9	1,236	6,115
(1,247)				(478)	(1,725)
278	957		9	758	4,390
(644)	1,275	164	(22)	1,029	1,694
4,415	1,495	7,803	329	18,092	35,238
$ 3,771	$ 2,770	$ 7,967	$ 307	$ 19,121	$ 36,932

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2005
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Cash Flows from Operating Activities			
Cash Received for Services	$ 1,881	$ 7,763	$ 225
Other Revenues		(800)	352
Cash Payments to Employees	(1,073)	(4,618)	(694)
Cash Payments for Goods and Services	(618)	(7,191)	(201)
Net Cash Provided (Used) by Operating Activities	190	(4,846)	(318)
Cash Flows from Non-Capital Financing Activities			
Operating Transfers Out			
Operating Transfers In	24	1,896	468
Indirect Cost		(363)	(151)
Indirect Cost Recovery		2,145	
Net Cash Provided (Used) by Non-Capital Financing Activities	24	3,678	317
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(31)	(654)	(22)
Proceeds from Sale of Capital Assets			2
Net Cash Provided (Used) by Capital and Related Financing Activities	(31)	(654)	(20)
Cash Flows from Investing Activities			
Interest Received	79		
Net Cash Flows Provided by Investing Activities	79		
Net Increase/(Decrease) in Cash	262	(1,822)	(21)
Cash and Investments - Beginning of Year	8,267	(7,852)	22
Cash and Investments - End of Year	$ 8,529	$ (9,674)	$ 1

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 618	$ 1,147	$ 750	$ 737	$ 19,447	$ 32,568
	(5)		25		(428)
(4,615)	(3,420)	(480)	(328)	(10,853)	(26,081)
(4,837)	(2,291)	(391)	(412)	(10,408)	(26,349)
(8,834)	(4,569)	(121)	22	(1,814)	(20,290)
(1,247)				(478)	(1,725)
1,525	956		10	1,236	6,115
(442)					(956)
9,828	4,820	294		2,081	19,168
9,664	5,776	294	10	2,839	22,602
(343)	(52)		(12)	(74)	(1,188)
(32)	26			1	(3)
(375)	(26)		(12)	(73)	(1,191)
5	16	2	2	114	218
5	16	2	2	114	218
460	1,197	175	22	1,066	1,339
742	302	86	120	12,149	13,836
$ 1,202	$ 1,499	$ 261	$ 142	$ 13,215	$ 15,175

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2005
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income/(Loss)	$ 192	$ (3,653)	$ (747)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	14	274	75
(Increase)/Decrease in Prepaid Expenses	2	2	
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due from Other Governments		(800)	352
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	7	(660)	
Increase/(Decrease) in Accrued Wages Payable	16	30	(1)
Increase/(Decrease) in Estimated Liability for Compensated Absences	20	(39)	3
Increase/(Decrease) in Estimated Claims Liability	(61)		
Total Adjustments	(2)	(1,193)	429
Net Cash Provided (Used) by Operating Activities	$ 190	$ (4,846)	$ (318)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ (10,282)	$ (4,544)	$ (131)	$ (32)	$ (1,925)	$ (21,122)
1,587	178	8	9	371	2,516
	(1)				3
12				1	13
	(5)		25	(5)	(433)
	(23)	1	1	21	
(216)	(143)		16	(133)	(1,129)
24	6	(2)	1	(77)	(3)
41	(37)	3	2	(67)	(74)
					(61)
1,448	(25)	10	54	111	832
$ (8,834)	$ (4,569)	$ (121)	$ 22	$ (1,814)	$ (20,290)

Combining Statement of Fiduciary Net Assets
Agency Funds
September 30, 2005
(In Thousands)

	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals
Assets			
Cash and Investments	$ 1,938	$ 682	$ 2,620
Loans Receivable, Net		181	181
Total Assets	1,938	863	2,801
Liabilities			
Due to External Organizations	1,938		1,938
Due to Other Governments		863	863
Total Liabilities	$ 1,938	$ 863	$ 2,801

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended September 30, 2005
(In Thousands)

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005
Storm Water Management Authority Fund				
Assets				
Cash and Investments	$ 2,262	$	$ 324	$ 1,938
Total Assets	2,262		324	1,938
Liabilities				
Due to External Organizations	2,262		324	1,938
Total Liabilities	2,262		324	1,938
City of Birmingham Revolving Loan Fund				
Assets				
Cash and Investments	733		51	682
Loans Receivable, Net	387		206	181
Total Assets	1,120		257	863
Liabilities				
Due to Other Governments	1,120		257	863
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Investments	2,995		375	2,620
Loans Receivable, Net	387		206	181
Total Assets	3,382		581	2,801
Liabilities				
Due to External Organizations	2,262		324	1,938
Due to Other Governments	1,120		257	863
Total Liabilities	$ 3,382	$	$ 581	$ 2,801

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Agriculture		
Passed Through Alabama Department of Education		
Food Donation (N)	10.550	
Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Nutrition Cluster		
Sub-Total Passed Through Alabama Department of Education		
Total U. S. Department of Agriculture		
U. S. Department of Commerce		
Direct Program		
Economic Development - Technical Assistance	11.303	04-39-3391.02
Total U. S. Department of Commerce		
U. S. Department of Housing and Urban Development		
Direct Programs		
Community Development Block Grants/Entitlement Grants	14.218	B01-UC-01-0001
	14.218	B02-UC-01-0001
	14.218	B03-UC-01-0001
	14.218	B04-UC-01-0001
Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants (M)		
HOME Investment Partnerships Program	14.239	M97-UC-01-0202
	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
	14.239	M01-UC-01-0202
	14.239	M02-UC-01-0202
	14.239	M03-UC-01-0202
	14.239	M04-UC-01-0202
Sub-Total HOME Investment Partnerships Program (M)		
Emergency Shelter Grants Program	14.231	S04-UC-01-0006
Passed Through Alabama Department of Economic and Community Affairs		
Emergency Shelter Grants Program	14.231	ESG-03-009
	14.231	ESG-05-011
Sub-Total Emergency Shelter Grants Program (Passed Through)		
Total Emergency Shelter Grants Program		
Sub-Total Passed Through Alabama Department of Economic and Community Affairs		
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10/01/2004 - 09/30/2005	$ 6,446.86	$ 6,446.86	$ 6,446.89	$ 6,446.86
10/01/2004 - 09/30/2005	39,854.20	39,854.20	39,854.20	39,854.20
10/01/2004 - 09/30/2005	63,513.00	63,513.00	63,513.00	63,513.00
	103,367.20	103,367.20	103,367.20	103,367.20
	109,814.06	109,814.06	109,814.09	109,814.06
	109,814.06	109,814.06	109,814.09	109,814.06
07/25/1986 - 09/30/2005				259,240.07
				259,240.07
10/01/2001 - 09/30/2005	2,809,000.00	2,809,000.00		74,500.94
10/01/2002 - 09/30/2005	2,773,000.00	2,773,000.00		250,637.22
10/01/2003 - 09/30/2005	2,596,000.00	2,596,000.00	1,907,905.10	504,054.64
10/01/2004 - 09/30/2005	2,556,000.00	2,556,000.00		1,199,986.05
10/01/2003 - 09/30/2005				1,066,011.45
	10,734,000.00	10,734,000.00	1,907,905.10	3,095,190.30
10/01/1997 - 09/30/2005	1,118,750.00	895,000.00	111,631.00	111,631.00
10/01/1999 - 09/30/2005	1,272,500.00	1,018,000.00	279,682.11	279,682.11
10/01/2000 - 09/30/2005	1,240,675.00	1,023,000.00	253,288.63	253,288.63
10/01/2001 - 09/30/2005	1,274,331.00	1,051,000.00	408,039.55	408,039.55
10/01/2002 - 09/30/2005	1,308,750.00	1,047,000.00	330,968.64	330,966.64
10/01/2003 - 09/30/2005	1,340,824.00	1,072,659.00	775,040.15	775,040.15
10/01/2004 - 09/30/2005	1,508,305.00	1,206,644.00	354,380.80	354,380.80
	9,064,135.00	7,313,303.00	2,513,030.88	2,513,028.88
10/01/2001 - 09/30/2005	96,000.00	96,000.00	71,812.83	71,812.83
05/27/2003 - 05/26/2005	200,000.00	200,000.00	43,556.80	43,556.80
05/12/2005 - 05/11/2007	126,853.00	126,853.00	11,013.55	11,013.55
	326,853.00	326,853.00	54,570.35	54,570.35
	422,853.00	422,853.00	126,383.18	126,383.18
	422,853.00	422,853.00	126,383.18	126,383.18
	20,220,988.00	18,470,156.00	4,547,319.16	5,734,602.36
	$ 20,330,802.06	$ 18,579,970.06	$ 4,657,133.25	$ 6,103,656.49

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Justice		
Passed Through Alabama Department of Homeland Security		
Homeland Security Exercise Grants	16.007	3EP2
	16.007	3DE1
Total Homeland Security Exercise Grants		
Direct Programs		
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	2004-DNBX-0187
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2003-DD-BX-0248
	16.580	2002-DD-BX-0027
Sub-Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		
Grants to Encourage Arrest Policies and Enforcement Grant Program	16.590	2004-WE-AX-0062
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1083
Public Safety Partnership and Community Policing Grants	16.710	2003-CK-WX-0276
	16.710	2003-CK-WX-0038
	16.710	2003-UL-WX-0016
	16.710	2002-SH-WX-0654
	16.710	1999-SH-WX-0529
	16.710	2004-CK-WX-0177
Sub-Total Public Safety Partnership and Community Policing Grants		
Gang Resistance Education and Training	16.737	2004-JVFX-0100
Victims of Child Abuse	16.547	AL355-2003-E
Passed Through Alabama Department of Economic and Community Affairs		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	03-JF-C3-012
	16.540	03-JF-C3-011
Sub-Total Juvenile Justice and Delinquency Prevention - Allocation to States		
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 20,330,802.06	$ 18,579,970.06	$ 4,657,133.25	$ 6,103,656.49
10/01/2003 - 02/28/2006	800,000.00	800,000.00	277,153.00	277,153.00
10/01/2003 - 02/28/2006	758,400.00	758,400.00	434,953.00	434,953.00
	1,558,400.00	1,558,400.00	712,106.00	712,106.00
09/01/2004 - 08/30/2005	40,234.00	40,234.00	40,234.00	40,234.00
07/01/2003 - 06/30/2005	496,750.00	496,750.00	457,570.10	457,570.10
05/01/2002 - 03/31/2005	1,490,160.00	1,490,160.00	204,819.19	203,204.00
	1,986,910.00	1,986,910.00	662,389.29	660,774.10
09/01/2004 - 08/31/2006	486,050.00	486,050.00	156,766.26	156,766.26
10/13/2004 - 10/12/2006	150,570.00	135,513.00	64,535.82	72,603.00
02/20/2003 - 12/31/2005	496,750.00	496,750.00	180,153.79	180,153.79
01/23/2004 - 01/22/2006	98,948.00	98,948.00	30,893.80	30,893.80
06/01/2003 - 05/31/2006	750,000.00	750,000.00	257,848.00	257,848.00
09/01/2002 - 02/28/2007	517,870.00	517,870.00	177,748.00	177,748.00
09/01/1999 - 08/31/2003	1,035,670.00	1,035,670.00	45,283.00	45,283.00
01/23/2004 - 01/22/2006	494,739.00	494,739.00	251,546.96	251,546.96
	3,393,977.00	3,393,977.00	943,473.55	943,473.55
01/01/2004 - 06/30/2006	84,192.00	84,192.00	35,642.92	35,642.92
07/01/2003 - 06/30/2005	75,000.00	75,000.00	75,000.00	76,491.35
11/01/2004 - 09/30/2005	54,250.72	54,250.72	54,250.72	54,250.72
10/16/2004 - 09/30/2005	34,733.84	34,733.84	34,733.84	34,733.84
	88,984.56	88,984.56	88,984.56	88,984.56
	7,864,317.56	7,849,260.56	2,779,132.40	2,787,075.74
	$ 28,195,119.62	$ 26,429,230.62	$ 7,436,265.65	$ 8,890,732.23

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Labor		
Direct Program		
Youth Opportunity Grants	17.263	AZ-10126-00-60
Passed Through Senior Service America, Inc.		
Senior Community Service Employment Program	17.235	AD-10530-00-55
Passed Through Alabama Department of Senior Services		
Senior Community Service Employment Program	17.235	05-502-99-3A
Total Senior Community Service Employment Program		
Passed Through Alabama Department of Economic and Community Affairs		
WIA Adult Program	17.258	32
WIA Adult Program	17.258	42
WIA Adult Program	17.258	52
Sub-Total WIA Adult Program		
WIA Youth Activities	17.259	32
WIA Youth Activities	17.259	42
WIA Youth Activities	17.259	52
Sub-Total WIA Youth Activities		
WIA Dislocated Workers	17.260	32
WIA Dislocated Workers	17.260	42
WIA Dislocated Workers	17.260	52
Sub-Total WIA Dislocated Workers		
Total WIA Cluster		
Total U. S. Department of Labor		
Environmental Protection Agency		
Direct Program		
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA83119001
Total U. S. Environmental Protection Agency		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 28,195,119.62	$ 26,429,230.62	$ 7,436,265.65	$ 8,890,732.23
03/20/2000 - 06/30/2006	19,804,385.00	19,804,385.00	3,280,956.82	3,280,956.82
07/01/2003 - 06/30/2005	352,688.00	352,688.00	346,072.00	347,906.00
07/01/2003 - 06/30/2005	174,670.00	174,670.00	161,366.00	169,241.00
	527,358.00	527,358.00	507,438.00	517,147.00
07/01/2003 - 06/30/2005	1,133,160.00	1,476,317.00	483,791.75	483,791.75
07/01/2004 - 06/30/2006	1,363,868.00	196,965.00	1,216,117.48	1,216,117.48
07/01/2004 - 06/30/2006	311,607.00	311,607.00	18,423.00	18,423.00
	2,808,635.00	1,984,889.00	1,718,332.23	1,718,332.23
07/01/2003 - 06/30/2005	275,000.00	275,000.00	240,907.80	240,907.80
07/01/2004 - 06/30/2006	860,753.00	860,753.00	522,347.84	522,347.84
07/01/2004 - 06/30/2006	902,787.00	902,787.00	326,073.33	326,073.33
	2,038,540.00	2,038,540.00	1,089,328.97	1,089,328.97
07/01/2002 - 06/30/2004	621,992.00	621,992.00	389,573.88	389,573.88
07/01/2003 - 06/30/2005	647,442.00	647,442.00	187,064.85	187,064.85
07/01/2004 - 06/30/2006	155,680.00	155,680.00	28,305.00	28,305.00
	1,425,114.00	1,425,114.00	604,943.73	604,943.73
	6,272,289.00	5,448,543.00	3,412,604.93	3,412,604.93
	26,604,032.00	25,780,286.00	7,200,999.75	7,210,708.75
10/01/2003 - 09/30/2006	5,000.00	5,000.00	2,968.17	2,968.17
	5,000.00	5,000.00	2,968.17	2,968.17
	$ 54,804,151.62	$ 52,214,516.62	$ 14,640,233.57	$ 16,104,409.15

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Health and Human Services		
Direct Programs		
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	US2MPOWH10-01-0
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	H57/CCH423134-01
Heart and Vascular Disease Research	93.837	UHL079153A
Health Care and Other Facilities	93.887	4C76HF00183-01-01
	93.887	C76HF03636A0
Sub-Total Health Care and Other Facilities		
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6H76HA00098-11-00
Total Direct Programs		
Passed Through Alabama Department of Senior Services		
Special Programs for the Aging		
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	03-01-04-03a
Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042	03-01-04-03a
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-04-03a
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-04-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-04-03a
Sub-Total Title III, Part B		
Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-04-03a
Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-04-03a
Sub-Total Title III, Part C		
Total Aging Cluster		
Alzheimer's Disease Demonstration Grants to States	93.051	03-01-01-03a
National Family Caregiver Support	93.052	03-01-04-03a
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	SHIP-01-03-3A
Child Support Enforcement	93.563	01-0000-43156
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 54,804,151.62	$ 52,214,516.62	$ 14,640,233.57	$ 16,104,409.15
09/30/2002 - 09/29/2007	310,000.00	310,000.00	152,267.00	152,267.00
09/15/2003 - 09/14/2007	241,198.00	241,198.00	81,406.00	81,406.00
09/30/2004 - 08/31/2009	578,079.00	578,079.00	497,559.00	497,559.00
09/20/2004 - 09/19/2005	957,381.00	957,381.00	77,381.00	77,381.00
09/01/2004 - 08/31/2005	196,832.00	196,832.00	196,832.00	196,832.00
	1,154,213.00	1,154,213.00	274,213.00	274,213.00
01/01/2005 - 12/31/2005	965,345.00	965,345.00	991,650.00	991,650.00
	3,248,835.00	3,248,835.00	1,997,095.00	1,997,095.00
10/01/2004 - 09/30/2005	10,530.00	10,530.00	12,161.10	12,139.00
10/01/2004 - 09/30/2005	98,758.00	98,758.00	27,853.00	27,853.00
10/01/2004 - 09/30/2005	42,476.00	42,476.00	42,996.02	49,833.00
10/01/2004 - 09/30/2005	112,883.00	112,883.00	105,664.03	149,665.00
10/01/2004 - 09/30/2005	497,247.00	497,247.00	467,644.00	631,845.00
	610,130.00	610,130.00	573,308.03	781,510.00
10/01/2004 - 09/30/2005	827,115.00	827,115.00	817,230.00	1,169,701.00
10/01/2003 - 09/30/2004	652,927.00	652,927.00	655,898.29	1,078,908.00
	1,480,042.00	1,480,042.00	1,473,128.29	2,248,609.00
	2,090,172.00	2,090,172.00	2,046,436.32	3,030,119.00
07/01/2004 - 07/30/2005	10,000.00	10,000.00	10,000.00	8,689.00
10/01/2004 - 09/30/2005	521,411.00	521,411.00	265,777.44	265,777.44
10/01/2004 - 09/30/2005	44,573.00	44,573.00	48,782.00	67,244.00
10/01/2004 - 09/30/2005	601,515.59	362,358.79	234,163.60	234,163.60
	6,668,270.59	6,429,113.79	4,685,264.48	5,692,913.04
	$ 61,472,422.21	$ 58,643,630.41	$ 19,325,498.05	$ 21,797,322.19

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Homeland Security		
Direct Program		
Public Assistance Grants (M)	97.036	1549-DR-AL
Passed Through Alabama Department of Homeland Security		
Pre-Disaster Mitigation	97.047	SAFE-1442-1
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.

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 61,472,422.21	$ 58,643,630.41	$ 19,325,498.05	$ 21,797,322.19
09/15/2004 - 11/09/2004	5,980,168.01	4,784,134.41	4,768,538.77	4,784,134.41
06/01/2004 - 05/31/2006	33,310.00	33,310.00	3,750.00	3,750.00
	33,310.00	33,310.00	3,750.00	3,750.00
	$ 67,485,900.22	$ 63,461,074.82	$ 24,097,786.82	$ 26,585,206.60

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 basic financial statements.

Note 2 – Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant – Entitlement Grants	14.218	$ 44,894.25
Emergency Shelter Grants Program	14.231	$ 67,112.83
Workforce Investment Act:		
WIA Cluster:		
WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Workers	17.260	
Total Workforce Investment Act		$2,563,792.35
Youth Opportunity Grant	17.263	$3,203,528.47

Note 3 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2005:

	CFDA Number	Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Economic Development Technical Assistance	11.303	$ 134,604.63	$	$ 134,604.63
Community Development Block Grants/Entitlement Grants	14.218	$1,587,027.34	($ 77,820.89)	$1,509,206.45
HOME Investment Partnership Program	14.239	$2,242,552.87	($258,000.00)	$1,984,552.87

Additional Information

Commission Members and Administrative Personnel
October 1, 2004 through September 30, 2005

Commission Members			**Term Expires**
Hon. Larry P. Langford	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 Sayler	Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263

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 of the Jefferson County Commission as of and for the year ended September 30, 2005, which collectively comprise the Jefferson County Commission's basic financial statements and have issued our report thereon dated October 13, 2006. 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 an opinion 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 reportable 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.

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

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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under ***Government Auditing Standards***. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Jefferson County Commission in the Report to the Chief Examiner.

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

October 13, 2006

Report on Compliance With Requirements Applicable to Each Major Program and on 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, 2005. The Jefferson County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on the Jefferson County Commission's compliance based on our audit.

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

In our opinion, the Jefferson County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

October 13, 2006

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 Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
97.036	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$797,556	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
99-1	Internal Control	**Finding:** Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services. **Recommendation:** Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.	
2003-1	Internal Control	**Finding:** 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. **Recommendation:** Procedures should be implemented to ensure that all customers who receive sewer service are billed for the service.	

Section III – Federal Awards Findings and Questioned Costs

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

Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION

BETTYE FINE COLLINS - PRESIDENT
JIM CARNS
BOBBY HUMPHRYES
LARRY P. LANGFORD
SHELIA SMOOT

BETTYE FINE COLLINS–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

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, 2005

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, 2005.

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, 2005, the following funds had deficit fund balances:

Road Fund	$ 4,167,000.00
Bridge and Public Building Fund	$ 1,190,000.00
Road Construction Fund	$ 887,000.00

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

Steve Sayler, Director of Finance of County Commission