



State of Alabama  
Department of Examiners of Public Accounts  
Montgomery, Alabama 36130

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JEFFERSON COUNTY COMMISSION  
JEFFERSON COUNTY, ALABAMA  
OCTOBER 1, 1994 THROUGH SEPTEMBER 30, 1995

Filed: APR 18 1996

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Ronald H. Jones  
Chief Examiner

96-237

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STATE OF ALABAMA  
DEPARTMENT OF EXAMINERS OF PUBLIC ACCOUNTS  
MONTGOMERY, ALABAMA 36130

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, 1994 through September 30, 1995.

SCOPE AND OBJECTIVES

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

CONTENTS OF REPORT

This report includes the following segments:

1. Report to the Chief Examiner - contains items pertaining to state legal compliance, agency operations and other matters.
2. Financial Section - includes basic financial statements (Exhibits 1 through 5); Notes to the Financial Statements; financial information supplemental to the basic financial statements (Exhibits 6 through 18); a Schedule of Federal Financial Assistance (Exhibit 19), which details federal assistance received and expended during the audit period; Schedules required by the Alabama Department of Economic and Community Affairs (Exhibits 20 through 22), which provide grant information; and the Independent Auditor's Report, which reports on whether the included financial information constitutes a fair presentation of the financial position and results of financial operations.
3. Additional Information - contains basic information related to the auditee (Exhibit 23) 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-128 for federal compliance audits:

Compliance Report Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Exhibit 24) - a report on whether the auditee has complied with laws and regulations which if not followed could have a material effect on the auditee's financial position and results of operations.

Report on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Exhibit 25) - a report on the internal control structure made as part of a financial statement audit.

Single Audit Opinion on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs (Exhibit 26) - a report which gives an opinion on the entity's compliance with specific requirements that are applicable to each of its major federal financial assistance programs.

Single Audit Report on Compliance with the General Requirements Applicable to Federal Financial Assistance Programs (Exhibit 27) - a report on the general requirements which gives positive assurance on the items tested and negative assurance on the items not tested for federal programs.

Single Audit Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions (Exhibit 28) - a report on compliance with specific requirements applicable to nonmajor program transactions that gives positive assurance on the items tested and negative assurance on items not tested.

Schedule of Findings and Questioned Costs (Exhibit 29) - a report on findings and questioned costs involving federal financial assistance programs.

Single Audit Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs - (Exhibit 30) - a report on internal controls used to administer federal financial assistance programs.

Auditee Response (Exhibit 31) - a response by the auditee on the results of the audit.

#### AUDIT COMMENTS

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

AUDIT FINDING

As of September 30, 1995, the following funds had deficit fund balances/retained earnings:

<u>Special Revenue Funds</u>		<u>Internal Service Funds</u>	
Road Fund	2,169,000	Personnel Board Fund	97,000
Community Development Fund	399,000	Fleet Management Fund	43,000
Home Grant Fund	7,000	Central Laundry Fund	189,000
		Building Services Fund	553,000

STATUS OF PRIOR AUDITS

Management is responsible for establishing and maintaining the internal control structure which provides reasonable assurance that assets are safeguarded from loss or unauthorized use, that all transactions are properly recorded and executed as authorized by management and that transactions are executed in accordance with applicable federal legal requirements. Records should show evidence of the operations of these controls. The following reportable conditions noted in the prior audit reduce the effectiveness of the internal control structure of the Jefferson County Commission. These findings remain unresolved as of the date of this report:

There was inadequate maintenance of deletions to the non-federal fixed asset inventory listing, and a complete physical inventory of non-federal fixed assets had not recently been performed.

Procedures did not exist to assure that Cooper Green Hospital's payroll tax and withholding liability accounts were properly maintained.

Adequate controls did not exist over the maintenance of the accounts receivable subsidiary and follow-up of delinquent accounts in the Sewer Impact/Septic Tank Department. Reconciliation of subsidiary ledgers to control accounts was not performed timely for encumbrances.

SUMMARY OF FEDERAL COMPLIANCE AND INTERNAL CONTROL STRUCTURE

As indicated in Exhibit 26, an immaterial instance of noncompliance was discovered which is disclosed in the Schedule of Findings and Questioned Costs (Exhibit 29). The finding is as follows:

The Community Development Agency's principal accountant's salary was charged 100% to Community Development Grants and not allocated to other federal programs where a portion of her time was spent.

*Policies and procedures were not in place to provide for the proper disposal of stale-dated drugs removed from inventory, and partially used drugs returned from the hospital floors to the pharmacy at Cooper Green Hospital. A subsidiary ledger was not retained at year end for Cooper Green Hospital's patient accounts receivable.*

*Procedures were not in place to ensure costs claimed for reimbursement under the federal financial assistance program administered by Cooper Green Hospital were eligible.*

#### RECOMMENDATIONS

*Deficit fund balances should be alleviated.*

*Deletions from the fixed asset inventory listing should be properly recorded.*

*A physical inventory of non-federal fixed assets should be performed.*

*Controls should be established at Cooper Green Hospital to monitor payroll withholding liability balances in a timely manner.*

*Accounts receivable subsidiary ledgers should be retained at year end.*

*Delinquent accounts in the Sewer Impact/Septic Tank Department should be investigated.*

*Encumbrance control accounts should be reconciled to subsidiary ledgers in a timely manner.*

*The salary of the principal accountant at the Community Development Agency should be properly allocated among federal programs.*

*Policies and procedures should be implemented over the disposal of stale-dated drugs removed from inventory, and partially used drugs returned from the hospital floors to the pharmacy at Cooper Green Hospital.*

*A subsidiary ledger should be retained at year end for Cooper Green Hospital's patient accounts receivable.*



Sworn to and subscribed  
before me this the 29<sup>th</sup>  
day of March 1996

Lizli Brady  
Notary Public

Sworn to and subscribed  
before me this the 29<sup>th</sup>  
day of March 1996

Lizli Brady  
Notary Public

Sworn to and subscribed  
before me this the 2<sup>nd</sup>  
day of April 1996

Lisa Kay Melton  
Notary Public

Sworn to and subscribed  
before me this the 29<sup>th</sup>  
day of March 1996

Lizli Brady  
Notary Public

kw

Respectfully submitted,

Linda Barrontine

Linda Barrontine  
Examiner of Public Accounts

Kimberly McPherson

Kimberly McPherson  
Examiner of Public Accounts

Elizabeth Crowson

Elizabeth Crowson  
Examiner of Public Accounts

Larry McPherson

Larry McPherson  
Examiner of Public Accounts

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying primary government financial statements of the Jefferson County Commission as of and for the year ended September 30, 1995, listed in the table of contents as Exhibits 1 through 5. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government, the Jefferson County Commission, as of September 30, 1995, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

However, the primary government financial statements, because they do not include the financial data of component units of Jefferson County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Jefferson County, as of September 30, 1995, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated January 26, 1996, on our consideration of the Jefferson County Commission's internal control structure and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the primary government financial statements referred to above taken as a whole. The accompanying supplemental (Exhibits 6 through 18) and supplementary (Exhibits 19 through 22) information is presented for purposes of additional analysis and is not a required part of the primary government financial statements of the Jefferson County Commission. 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 of the Jefferson County Commission taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

January 26, 1996



Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	Current Year	Prior Year
\$ 346,590	\$	\$	\$ 592,133	\$ 457,452
			6,983	5,819
			5,391	6,132
			4,921	4,692
			11,282	8,284
421			421	409
			15,322	14,728
			4,618	4,142
			344	675
			4,644	4,080
	253,326		649,009	588,045
14,852			14,852	12,571
		19,570	19,570	23,871
		17,901	17,901	16,402
		148,412	148,412	154,993
<u>\$ 361,863</u>	<u>\$ 253,326</u>	<u>\$ 185,883</u>	<u>\$ 1,495,803</u>	<u>\$ 1,302,295</u>
\$ 213	\$	\$	\$ 2,769	\$ 3,371
			17,056	10,022
			3,794	2,725
			4,819	1,354
			6,139	4,347
			220	2
			3,248	624
			65	61
			41	8
			17	49
		7,043	12,443	11,927
		285	1,009	725
			22	20
		178,555	461,215	345,105
				6
14,852			14,852	12,571
<u>15,065</u>		<u>185,883</u>	<u>527,709</u>	<u>392,917</u>
	253,326		253,326	261,250
			194,319	179,082
			6,715	6,123
			56,785	58,391
			19,093	22,072
			1,760	1,752
			17,021	14,840
			58	55
44,943			44,943	42,471
301,855			301,855	273,128
			4,921	4,691
			67,298	45,523
<u>346,798</u>	<u>253,326</u>		<u>968,094</u>	<u>909,378</u>
<u>\$ 361,863</u>	<u>\$ 253,326</u>	<u>\$ 185,883</u>	<u>\$ 1,495,803</u>	<u>\$ 1,302,295</u>

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

Totals	
(Memorandum Only)	
Current Year	Prior Year
\$ 109,555	\$ 95,679
45,131	42,248
29,492	26,929
15,852	15,384
	1,822
15,283	8,704
<hr/>	<hr/>
215,313	190,766
<hr/>	<hr/>
53,035	50,115
35,815	35,388
26,856	29,804
118	182
9,186	5,123
16,106	13,970
199	363
6,459	3,979
9,890	8,285
5,387	4,153
	128
<hr/>	<hr/>
163,051	151,490
<hr/>	<hr/>
52,262	39,276
<hr/>	<hr/>
51,106	34,197
(83,716)	(75,574)
453	283
1,114	71
<hr/>	<hr/>
(31,043)	(41,023)
<hr/>	<hr/>
21,219	(1,747)
<hr/>	<hr/>
88,933	82,920
	7,760
<hr/>	<hr/>
\$ 110,152	\$ 88,933
<hr/>	<hr/>

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

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 57,866	\$ 59,337	\$ 1,471
19,463	15,553	(3,910)
365	459	94
494	7,355	6,861
<b>78,188</b>	<b>82,704</b>	<b>4,516</b>
13,015	12,560	455
344	221	123
25,532	24,057	1,475
7,660	3,694	3,966
2,584	2,454	130
4,785		4,785
<b>53,920</b>	<b>42,986</b>	<b>10,934</b>
24,268	39,718	15,450
13,840	15,185	1,345
(40,698)	(50,370)	(9,672)
(26,858)	(35,185)	(8,327)
(2,590)	4,533	7,123
\$ 11,565	\$ 11,565	\$
\$ 8,975	\$ 16,098	\$ 7,123

Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 674	\$ 674	\$
1,402	815	(587)
26	2,429	2,403
<u>2,102</u>	<u>3,918</u>	<u>1,816</u>
3,170	3,170	
3,375	2,799	576
118	118	
81	83	(2)
3,088	3,088	
3,196	3,190	6
<u>13,028</u>	<u>12,448</u>	<u>580</u>
<u>(10,926)</u>	<u>(8,530)</u>	<u>2,396</u>
3,174	7,885	4,711
	(5,000)	(5,000)
	452	452
	1,114	1,114
<u>3,174</u>	<u>4,451</u>	<u>1,277</u>
<u>(7,752)</u>	<u>(4,079)</u>	<u>3,673</u>
\$ 46,985	\$ 46,985	\$
\$ 39,233	\$ 42,906	\$ 3,673

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



Totals			
(Memorandum Only)			
	Current Year		Prior Year
\$	2,696	\$	2,327
	10		11
	2,174		2,116
	75,096		77,532
	1,152		2,213
	25,553		23,089
	8,854		4,420
	5,575		5,678
	5,574		5,678
	13,781		13,662
	3,983		3,474
	12,220		8,378
	823		286
	<u>157,491</u>		<u>148,864</u>
	52,513		52,526
	14,171		15,118
	2,959		2,677
	7,347		7,204
	19,818		19,495
	12,058		8,652
	4,686		4,840
	10,069		9,951
	1,857		1,801
	15,082		15,269
	2,642		9,547
	780		770
	7,639		6,763
	1,457		1,278
	196		106
	<u>153,274</u>		<u>155,997</u>
	<u>4,217</u>		<u>(7,133)</u>
\$	2,200	\$	2,264
			8
			(1,693)
	(895)		(25)
			5
	1,472		1,374
	(9,420)		(7,667)
	<u>(6,643)</u>		<u>(5,734)</u>
	<u>(2,426)</u>		<u>(12,867)</u>
	54,702		44,874
	(22,092)		(3,498)
	<u>30,184</u>		<u>28,509</u>
	380,114		359,365
			(7,760)
\$	<u>410,298</u>	\$	<u>380,114</u>

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

Totals (Memorandum Only)	
9-30-95	9-30-94
4,217	(7,133)
19,578	19,263
2,959	
(209)	29
(1,235)	(4,712)
(1,963)	(740)
4	(1)
(661)	(316)
(469)	148
7,111	(3,151)
3,175	
231	1,343
	175
33	4
	(3)
2,774	(60)
1,156	(366)
(6)	(94)
222	157
	(174)
	(21)
(12,220)	(8,239)
196	107
(17,764)	(17,136)
-----	-----
2,912	(13,787)
-----	-----
7,129	(20,920)
-----	-----
54,702	44,874
(22,093)	(3,498)
	(1,830)
	1,399
(12)	(5,062)
2,200	2,264
	(1,685)
-----	-----
34,797	36,462
-----	-----
15,238	1,724
	(7,760)
(9,420)	(7,667)
(89,362)	(43,647)
(4,000)	(3,935)
(803)	
240	232
130,000	
-----	-----
41,893	(61,053)
-----	-----
19,236	18,510
(248,822)	(41,721)
143,582	54,304
(196)	(106)
-----	-----
(86,200)	30,987
(2,381)	(14,524)
42,406	56,930
-----	-----
\$40,025	\$42,406
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The accompanying Notes to the Financial Statements are an integral part of this statement.

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

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

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of general long-term debt (Debt Service Funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

#### General Fund

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

#### Special Revenue Funds

The Jefferson County Commission used the following Special Revenue Funds:

Indigent Care Fund - This fund accounts for the expenditure of beverage and sales taxes designated for indigent county residents.

Road Fund - This fund is used to account for the County's share of the following taxes: 7 cent and 4 cent per gallon gasoline tax, the 5 cent per gallon supplemental excise tax, the 2 cent per gallon inspection fee, motor vehicle and truck license taxes and fees, and drivers' license revenue. Revenues are earmarked for building and maintaining county roads and bridges.

Senior Citizens' Activities Fund - This fund is used to account for the expenditure of federal and county funds to provide social, nutritional, transportation, and other services to elderly residents of Jefferson County.

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

Community Development Fund - This fund is used to account for the expenditure of federal block grant funds.

Cooper Green Hospital Fund - accounts for the operations of the Cooper Green Hospital. Operating revenues are derived from net patient charges and reimbursements from third parties including Medicare and Medicaid.

County Home Fund - accounts for the operations of in-patient nursing facilities. Net revenues are received from patient charges and reimbursements from third parties, principally Medicaid.

Landfill Operations Fund - accounts for the operations of the County's landfill systems. Revenues are generated primarily through user charges.

Sanitary Operations Fund - accounts for the operations of the County's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated ad valorem taxes.

Parking Deck Fund - accounts for the operations of the County parking deck. Revenues are generated through user charges.

#### Internal Service Funds

These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis. For fiscal year 1995, the Jefferson County Commission had eight Internal Service Funds:

Risk Management Fund - accounts for the accumulation and allocation of costs to provide insurance needs to County departments.

Personnel Board Fund - accounts for the accumulation and allocation of costs for providing personnel to County departments and other governmental units by the Jefferson County Personnel Board.

Elections Fund - accounts for the accumulation and allocation of costs for holding County elections.

Information Services Fund - accounts for the accumulation and allocation of costs for providing data processing, microfilming and related services to the various County departments.

Fleet Management Fund - accounts for the accumulation and allocation of costs for providing and maintaining vehicles to County departments.

Central Laundry Fund - accounts for the accumulation and allocation of costs for providing laundry services to County departments.

Printing Fund - accounts for the accumulation and allocation of costs for providing printing, postage and related services to County departments.

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

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

The modified accrual basis of accounting is used by all governmental funds and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year.

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

The accrual basis of accounting is utilized by Proprietary Funds and the Pension Trust Fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

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

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

#### I. Other Debits

The general long-term debt account group reflects accounts entitled "Amounts Available in Debt Service Fund" and "Amount to be Provided for Retirement of General Long-Term Debt." These accounts have debit balances and are off-sets to the general obligation payable. They do not constitute assets of the County.

#### J. Accounts Payable

A liability of \$758,335 is included in Accounts Payable in the Cooper Green Hospital Enterprise Fund. This liability is in dispute with the Hospital's former computer vendor, McAuto Company. The McAuto Company promised that their system would perform certain functions which the Hospital says it did not do. As a result, the Hospital refused to pay the remainder of the contract and McAuto has refused to release the Hospital from the liability.

#### K. Compensated Absences

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

#### L. Compensatory Time Payable

Eligible county employees covered by provisions of the Fair Labor Standards Act are offered the option of receiving compensation for overtime hours worked at the rate of time-and-one half, either through compensatory time or pay.

Compensatory time shall be earned for work performed by a classified employee exceeding the normal work week called for in the pay plan, when such work is assigned by an authorized superior. Maximum limitations of accumulated compensatory time are as follows:

1. Regular, Non-Exempt employees may accrue a maximum of 240 hours (or 160 hours of overtime actually worked at the one and one-half premium rate);
2. Public Safety, Non-Exempt employees may accrue a maximum of 480 hours (or 320 hours of overtime actually worked at the one and one-half premium rate);
3. Exempt-Straight Time employees may accrue a maximum of 160 hours (i.e., 160 hours of overtime actually worked at the regular hourly rate).

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.

As of September 30, 1995, the liability for accrued compensatory time is approximately \$1,009,514. The amounts applicable to the Proprietary Funds of \$174,914 have been recorded in those funds. Only the current portion of \$550,000 has been reported as a liability in the Governmental Funds. The remainder of \$284,600 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

#### M. Long-term Obligations

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

#### N. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

T. Proprietary Activities

The Jefferson County Commission, in accounting for its proprietary activities, follows all applicable GASB pronouncements as well as the following pronouncements unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's).

Note 2 - Budgets and Appropriations

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

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

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

Note 3 - Deposits and Investments

As of September 30, 1995, the carrying amount of the County's deposits, including Cooper Green Hospital and the General Retirement System, was \$582,724,169 and the bank balance was \$586,223,583. Of the bank balance, \$300,000 was covered by federal depository insurance; \$585,923,583 was covered by collateral held by the pledging financial institution's trust department or agent in the institution's name and pledged to the County.

Investments

State statutes authorize the County to invest in obligations of the U.S. Treasury, federal agency securities and certificates of deposit. The county'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 County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counter party or its trust department or agent but not in the County's name.



Note 5 - Receivables

Account Receivables

Amounts recorded as accounts receivable for governmental fund types and proprietary fund types consist primarily of amounts due from individuals less an allowance account for amounts estimated to be uncollectible. The balances for accounts receivable at September 30, 1995, are listed as follows:

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>		<u>Grand Total</u>
	<u>General Revenue</u>	<u>Special Capital Projects</u>		<u>Enterprise</u>	<u>Internal Service</u>	
Accounts Receivable	\$25,000	\$75,000	\$152,000	\$7,822,000	\$25,000	\$8,099,000
Allowance Account				(1,116,000)		(1,116,000)
Net Accounts Receivable	<u>\$25,000</u>	<u>\$75,000</u>	<u>\$152,000</u>	<u>\$6,706,000</u>	<u>\$25,000</u>	<u>\$6,983,000</u>

Patient Receivables

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

	<u>Enterprise Funds</u>
Patient Receivables	\$17,487,000
Allowance Account	<u>(12,096,000)</u>
Net Patient Receivables	<u>\$5,391,000</u>

Loan Receivables

Jefferson County issues long-term loans through the Community Development Office for (1) house repairs of low and moderate income homeowners and (2) for firms that may not have access to sufficient long-term capital financing. These loans (net an allowance account) totaled \$4,621,000 at September 30, 1995.

Note 6 - Changes in Fixed Assets

Adjustments were made to correct errors that occurred while recording prior year fixed asset adjustments in the Capital Improvements Fund. These corrections are noted as "adjustments to prior year" in the Proprietary Fund sections.

	<u>Enterprise Funds</u>	
	<u>Reductions</u>	<u>Balance 9/30/95</u>
Land	\$ (36,000)	\$ 6,462,000
Buildings	(332,000)	206,588,000
Improvements Other Than Buildings	(4,763,000)	214,385,000
Equipment and Furniture	(1,877,000)	29,180,000
Construction in Progress	(25,052,000)	133,870,000
	<u>\$(32,060,000)</u>	<u>\$590,485,000</u>
Accumulated Depreciation	1,681,000	(198,519,000)
Net Assets	<u>\$(30,379,000)</u>	<u>\$391,966,000</u>

	<u>Internal Service Funds</u>			<u>Balance 9/30/95</u>
	<u>Balance 10/1/94</u>	<u>Additions</u>	<u>Reductions</u>	
Land	\$	\$ 54,000	\$	\$ 54,000
Buildings		500,000		500,000
Improvements Other Than Buildings	65,000		(15,000)	50,000
Equipment and Furniture	6,101,000	731,000	(101,000)	6,731,000
	<u>\$ 6,166,000</u>	<u>\$1,285,000</u>	<u>\$ (116,000)</u>	<u>\$ 7,335,000</u>
Accumulated Depreciation	(3,108,000)	(573,000)	63,000	(3,618,000)
Net Assets	<u>\$ 3,058,000</u>	<u>\$ 712,000</u>	<u>\$ (53,000)</u>	<u>\$ 3,717,000</u>

Note 7 - Operating Leases

The Jefferson County Commission has entered into lease agreements for facilities and equipment. The leases are considered for accounting purposes to be operating leases. Rent expense for fiscal year 1995 was \$995,000. All of the leases with the exception of a copier used by the personnel board are renewed annually. Future minimum lease payments the copier are as follows:

1995-96	14,000
1996-97	14,000
1997-98	14,000
1998-99	14,000
1999-00	<u>12,000</u>
Total	<u>68,000</u>

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 County is obligated to refund the Sheriff's total contribution which at September 30, 1995, amounted to \$65,000.

Note 11 - Arbitrage Rebate Payable

Under the 1986 Tax Reform Act, government entities that issue tax exempt bonds and warrants are subject to rebate excess interest earnings on deposits of bonds and warrant proceeds. Net interest earnings consist of interest income on proceeds less interest payments to bondholders under debt service requirements.

Because of possible changes in Treasury regulations, the current estimate of interest rebate liability may change and, accordingly, the actual rebate due the IRS may change. The arbitrage rebate payable at September 30, 1995 is estimated as follows:

1988 General Obligation Warrants	\$22,000
----------------------------------	----------

Note 12 - Risk Management Activities

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County 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:

Property Insurance - Commercial insurance coverage purchased in the amount of \$50 million per occurrence including earthquake and flood exposures, provided that coverage for property located in a flood zone is limited to \$2 million.

Boiler and Machinery Insurance - Commercial insurance coverage purchased in the amount of \$30 million per occurrence.

Workers Compensation - Self-insured with a self-insured retention of \$350,000 and excess coverage for statutory amounts above the retention.

General, Auto, Public Officials and Law Liability - Self-insured with an established internal service fund to finance losses.

Hospital and Nursing Home Medical Malpractice and General Liability - Insured through the County's participation in the Alabama Hospital Association Trust Fund with limits of \$1 million per occurrence with a \$1 million per report year aggregate.

On April 12, 1992, a class action was filed in Jefferson County Circuit Court by two sets of plaintiffs that are subject to the Special County License (Occupational) Tax. They contend that this tax violates the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution because of exemptions allowed to certain occupations. In addition, those plaintiffs who are federal employees claim that the Special County License Tax violates their rights under provision of the Buck Act which allows state and local taxation of compensation of federal officers and employees because of the source of compensation. The plaintiffs seek damages in the amount of taxes collected since January 1, 1988, costs, interest and attorneys' fees and an injunction against the collection of the Special County License Tax in its current form with respect to all taxpayers. In reaction to an opinion issued by the Alabama Supreme Court upholding the validity of the Special County License Tax, the plaintiffs filed a petition with the United States Supreme Court which was granted on November 22, 1995. Oral argument of this matter before the United States Supreme Court is scheduled for late March of 1996, and an opinion could be issued prior to the Court's summer adjournment. The County estimates a possible liability of \$108 million in refunds plus the additional loss of future revenues.

Note 15 - Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Jefferson County Commission for the year ended September 30, 1995:

	General Obligation Warrants	Revenue Warrants	Capital Leases
Debt Outstanding at October 1, 1994	\$188,445,000	\$156,660,000	\$6,000
Warrants Issued		130,000,000	
Warrants Retired	(9,890,000)	( 4,000,000)	
Lease Principal Repaid			(6,000)
Increase/(Decrease) in Estimated Liabilities for Compensated Absences			
Increase in Accrued Compensatory Leave			
Debt Outstanding at September 30, 1995	<u>\$178,555,000</u>	<u>\$282,660,000</u>	<u>\$</u>

	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund
Operating Revenues	\$34,926,625	\$ 8,338,340	\$4,911,394
Depreciation and Amortization Expense	1,615,025	195,147	147,301
Operating Income or (Loss)	(24,657,987)	(4,714,703)	1,415,385
Operating Grants, Entitlements and Shared Revenues	9,374,269		
Operating Transfers:			
In	23,168,333	4,414,595	6,864,961
Out (-)	(1,541,138)	(548,014)	(8,341,800)
Tax Revenues			
Net Income or (Loss)	(707,720)	(684,807)	4,461
Current Capital:			
Transfers	5,418,000	7,853,000	1,314,000
Property, Plant & Equipment:			
Additions	7,262,101	7,979,000	13,288,475
Deletions	(1,797,101)	(94,000)	(2,634,475)
Net Working Capital	3,406,567	723,021	3,620,815
Bonds and Other Long-Term Liabilities:			
Payable from Operating Revenues	1,445,275	359,404	284,032
Total Equity	<u>17,149,427</u>	<u>8,372,791</u>	<u>25,180,123</u>

	Sanitary Operations Fund	Parking Deck Fund	Total Enterprise Fund
Operating Revenues	\$49,271,745	\$167,604	\$97,615,708
Depreciation and Amortization Expense	17,287,468		19,244,941
Operating Income or (Loss)	10,274,586	(5,056)	(17,687,775)
Operating Grants, Entitlements and Shared Revenues			9,374,269
Operating Transfers:			
In	6,864,961		41,312,850
Out (-)	(7,923,791)	(29,349)	(18,384,092)
Tax Revenues	2,695,800		2,695,800
Net Income or (Loss)	(24,210)	(32,528)	(1,444,804)
Current Capital:			
Transfers	31,000		14,616,000
Property, Plant & Equipment:			
Additions	89,963,061		118,492,637
Deletions	(25,854,061)		(30,379,637)
Net Working Capital	130,450,413	168,643	138,369,459
Bonds and Other Long-Term Liabilities:			
Payable from Operating Revenues	284,221,206	3,414	286,313,331
Total Equity	<u>197,798,929</u>	<u>165,229</u>	<u>248,666,499</u>

Disability Benefits - Disability benefits are available to all members regardless of age and accumulated service if injury is work-related. Members are eligible for non-service connected disability benefits if they have completed a minimum of ten years of paid service time. Work-related disability benefits are computed at sixty percent of the monthly salary the member was receiving at the time disability occurred. If the member is partially disabled, the benefit is reduced according to the percent of disability. Non work-related benefits are based on service and earnings up to the time of disability. Benefits are reduced in accordance with age if member is under sixty years old, but not below fifty percent.

Funding - The Plan is funded by payroll deductions equal to six percent of the participants' gross salaries, with the County contributing amounts equal to participants' contributions. The Plan also receives from the County a percentage of the proceeds from the sale of pistol permits.

#### B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The accrual basis of accounting is followed in all material respects. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Investments - Equity securities are presented at amortized cost, subject to adjustment for market declines that are determined to be other than temporary. Debt securities are presented at amortized cost as of the balance sheet date, with the discount and premium being amortized using the effective interest rate method, subject to adjustment for market declines determined to be other than temporary. Investment income is recognized as earned. Accrued interest purchased on the acquisition of debt securities is charged to investment income at date of acquisition. Gains and losses on sales and exchanges of securities are recognized on the transaction trade date. The Retirement System has agreements with various investment advisors who have authority to purchase and sell securities. The securities are held by various banks which serve as custodians. Federal insurance coverage is provided to each participant to the maximum amount allowed by law.

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

#### C. Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value

Analysis of Funding Progress  
(In Millions of Dollars)

Fiscal Year Ended September 30	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Assets in Excess of Pension Benefit Obligation (1) - (2)	(5) Annual Covered Payroll	(6) Assets in Excess of Pension Benefit Obligation as a Percentage of Covered Payroll (4)/(5)
1987	\$138.3	\$105.1	132.0%	\$33.2	\$52.0	64.0%
1988	158.3	123.6	128.0	34.7	62.6	55.0
1989	182.9	136.7	134.0	46.2	68.3	68.0
1990	205.3	161.7	129.0	43.6	77.7	56.0
1991	224.2	178.8	125.0	45.4	82.1	55.0
1992	257.3	201.2	128.0	56.1	86.8	65.0
1993	287.6	219.0	131.0	68.6	87.9	78.0
1994	315.6	235.5	134.0	80.1	93.9	85.0
1995	353.4	255.0	138.6	98.4	92.2	107.0

\*actuarial value

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system.

Revenues by Source and Expenses by Type

Fiscal Year Ended September 30	Revenues by Source				
	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total
1984	2,861,888	2,862,636	9,418,302	213,066	15,355,892
1985	2,996,455	2,995,973	11,726,254	232,818	17,951,500
1986	3,021,412	3,021,412	20,314,957	217,278	26,575,059
1987	3,113,172	3,112,746	25,232,552	218,709	31,677,179
1988	3,505,451	3,505,308	15,123,782	259,910	22,394,451
1989	3,841,155	3,840,652	16,285,363	230,061	24,197,231
1990	4,268,801	4,268,635	19,994,864	248,756	28,781,056
1991	4,703,747	4,715,854	19,200,274	240,844	28,860,719
1992	5,049,077	5,056,227	19,197,401	266,112	29,568,817
1993	5,123,620	5,124,831	25,543,653	252,243	36,044,347
1994	5,677,829	5,678,149	24,743,412	285,811	36,385,201
1995	5,574,023	5,575,038	29,203,916	302,617	40,655,594

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 190 retirees meet eligibility requirements. The County subsidizes a portion of the retirees health care insurance premiums based on the total years of County service and age at retirement. The County's subsidy for each covered retired employee ranges from \$8 to \$388 per month and total insurance premiums range from \$154 to \$456. Expenditures for postretirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$290,000 were recognized for postretirement health benefits.

Note 21 - Deferred Compensation

The County offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer Federal income taxation on a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plan), subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant. The plan assets and liabilities are accounted for in the Deferred Compensation Fund and reported as an Agency Fund.

Note 22 - Restatements

Fund balances/retained earnings were restated in the funds listed below:



**SUPPLEMENTAL INFORMATION**

Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals	
				Current Year	Prior Year
\$	\$ 1,764	\$	\$ 212	\$ 10,997	\$ 6,110
				75	1
220	4,401			4,621	4,392
12				12	12
346	38	80	2	4,602	5,366
				1,487	1,575
				236	575
<u>\$ 578</u>	<u>\$ 6,203</u>	<u>\$ 80</u>	<u>\$ 214</u>	<u>\$ 22,030</u>	<u>\$ 18,031</u>
\$ 823	\$	\$ 40	\$	\$ 917	\$ 1,922
124		47	4	4,218	3,756
30			4	596	582
				51	56
				150	150
<u>977</u>		<u>87</u>	<u>8</u>	<u>5,932</u>	<u>6,466</u>
803			1	3,534	10,738
220	4,401			1,487	1,575
(1,422)	1,802	(7)	205	4,621	4,392
				6,456	(5,140)
<u>(399)</u>	<u>6,203</u>	<u>(7)</u>	<u>206</u>	<u>16,098</u>	<u>11,565</u>
<u>\$ 578</u>	<u>\$ 6,203</u>	<u>\$ 80</u>	<u>\$ 214</u>	<u>\$ 22,030</u>	<u>\$ 18,031</u>

Exhibit #7

Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals	
				Current Year	Prior Year
\$ 3,500	\$ 403	\$ 485	\$ 78	\$ 59,337	\$ 53,352
1			224	15,553	16,628
12	246	70	12	459	1,513
				7,355	1,667
<u>3,601</u>	<u>649</u>	<u>555</u>	<u>314</u>	<u>82,704</u>	<u>73,160</u>
979	66	83		12,560	7,199
			221	221	238
2,647		1,047		24,057	24,868
23		2	39	3,694	4,387
				2,454	1,744
					127
<u>3,649</u>	<u>66</u>	<u>1,132</u>	<u>260</u>	<u>42,986</u>	<u>38,563</u>
(48)	583	(577)	54	39,718	34,597
(145)	(12)	549	61	15,185	11,902
		(10)	(1)	(50,370)	(36,826)
					71
<u>(145)</u>	<u>(12)</u>	<u>539</u>	<u>60</u>	<u>(35,185)</u>	<u>(24,853)</u>
(193)	571	(38)	114	4,533	9,744
(206)	5,632	31	92	11,565	1,821
<u>\$ (399)</u>	<u>\$ 6,203</u>	<u>\$ (7)</u>	<u>\$ 206</u>	<u>\$ 16,098</u>	<u>\$ 11,565</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL CAPITAL PROJECTS FUNDS  
For the Fiscal Year Ended September 30, 1995  
(In Thousands)**

	Capital Improvements Fund	Road Construction Fund	Totals Current Year	Prior Year
<b>REVENUES</b>				
Intergovernmental	\$ 46	\$ 628	\$ 674	\$ 137
Charges for Services		815	815	31
Miscellaneous	2,428	1	2,429	3,943
<b>TOTAL REVENUES</b>	<b>2,474</b>	<b>1,444</b>	<b>3,918</b>	<b>4,111</b>
<b>EXPENDITURES</b>				
Current:				
General Government	3,170		3,170	7,315
Highways and Streets	4	2,795	2,799	4,937
Sanitation	118		118	182
Health and Welfare	83		83	16
Culture and Recreation	3,088		3,088	2,243
Capital Outlay	3,190		3,190	1,642
<b>TOTAL EXPENDITURES</b>	<b>9,653</b>	<b>2,795</b>	<b>12,448</b>	<b>16,335</b>
Excess (deficiency) of revenues over expenditures	(7,179)	(1,351)	(8,530)	(12,224)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	2,885	5,000	7,885	5,000
Operating Transfers Out	(5,000)		(5,000)	(5,000)
Proceeds from Sale of Fixed Assets	452		452	
Net Gain on Sale of Investment	1,114		1,114	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(549)</b>	<b>5,000</b>	<b>4,451</b>	
Excess (deficiency) of revenues over expenditures and other sources (uses)	(7,728)	3,649	(4,079)	(12,224)
Fund Balances at beginning of year	46,164	821	46,985	51,449
Residual Equity Transfers In				7,760
<b>Fund Balances at end of year</b>	<b>\$ 38,436</b>	<b>\$ 4,470</b>	<b>\$ 42,906</b>	<b>\$ 46,985</b>

Sanitary Operations Fund		Parking Deck Fund	Totals				
			Current Year	Prior Year			
\$	136,482	\$	183	\$	144,215	\$	60,928
	5,644				6,706		5,731
	233				5,391		6,132
	28				247		39
	637				995		313
	2				1,534		1,381
	4,644				21		16
	346,926				4,644		4,081
					391,966		323,737
\$	494,596	\$	183	\$	555,719	\$	402,358
\$	7,745	\$	14	\$	9,585	\$	3,214
	1,156				1,156		
	427		1		4,819		1,353
	3,248				1,899		1,676
	1,451		3		3,248		474
	110				33		
	282,660				3,495		3,327
					158		158
					282,660		156,660
	296,797		18		307,053		166,862
	166,961				191,361		176,746
	30,838		165		808		770
					56,497		57,980
\$	197,799	\$	165	\$	248,666	\$	235,496
\$	494,596	\$	183	\$	555,719	\$	402,358

Sanitary Operations Fund		Parking Deck Fund	Totals	
			Current Year	Prior Year
\$ 2,696	\$		\$ 2,696	\$ 2,328
10			10	11
46,310		168	59,518	62,280
480			720	1,968
			25,553	23,089
			8,854	4,420
			520	
<b>49,496</b>		<b>168</b>	<b>97,871</b>	<b>94,096</b>
10,136		20	40,408	40,341
2,839		5	9,932	9,873
224			2,959	2,677
3,297		29	4,790	4,733
17,288			19,245	18,992
4,229		118	8,954	6,201
			4,686	4,840
			10,069	9,951
229		1	1,471	1,377
867			10,478	10,598
112			2,567	8,180
<b>39,221</b>		<b>173</b>	<b>115,559</b>	<b>117,763</b>
<b>10,275</b>		<b>(5)</b>	<b>(17,688)</b>	<b>(23,667)</b>
			2,200	2,264
				8
				(1,516)
(878)			(879)	(25)
1,058		1	1,413	1,175
(9,420)			(9,420)	(7,662)
<b>(9,240)</b>		<b>1</b>	<b>(6,686)</b>	<b>(5,756)</b>
\$ 1,035	\$	(4)	\$ (24,374)	\$ (29,423)
6,865			41,313	36,701
(7,924)		(29)	(16,384)	(300)
(24)		(33)	(1,445)	6,978
<b>30,862</b>		<b>198</b>	<b>58,750</b>	<b>51,772</b>
\$ 30,838	\$	165	\$ 57,305	\$ 58,750

Parking Deck	Totals	
	9-30-95	9-30-94
(85)	(\$17,688)	(\$23,667)
	19,005	18,760
	2,959	
	(209)	29
	(1,228)	(4,438)
	(1,963)	(740)
	(2)	11
	(682)	(26)
	(154)	61
	(2)	
(9)	6,660	(2,901)
	3,175	
	33	
	223	848
		158
	2,774	(60)
	1,156	(366)
		(14)
	169	41
		(25)
(9)	31,914	11,338
(14)	14,226	(12,329)
(29)	41,313	36,701
	(18,384)	(300)
		(1,830)
		191
		(3,384)
	2,200	2,264
		(1,507)
(29)	25,129	32,135
	14,616	1,724
	(9,420)	(7,662)
	(88,113)	(43,396)
	(4,000)	(3,935)
	(803)	
	240	232
	130,000	
	42,520	(53,037)
2	1,413	1,175
	(230,763)	(21,837)
	143,582	53,406
2	(85,768)	32,744
(41)	(3,893)	(487)
224	37,835	38,322
\$183	\$33,942	\$37,835

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals	
					Current Year	Prior Year
\$	\$ 555	\$ 244	\$ 125	\$	\$ 7,009	\$ 6,020
				25	25	30
2	28	3	17	28	2,002	2,023
	574	12	102	636	1,324	1,008
	1			2	75	84
1,312	599	116	100	1,009	3,717	3,059
\$ 1,314	\$ 1,757	\$ 375	\$ 344	\$ 1,700	\$ 14,152	\$ 12,224
\$	\$	\$	\$	\$	\$ 1,852	\$ 1,449
59	331	16	31	340	1,009	588
70	94	18	5	235	502	495
				4	4	4
282	293	60	10	748	1,616	1,564
	13				16	17
						6
411	731	94	46	1,327	4,999	4,123
113	1,069	470	92	926	2,958	2,336
790	(43)	(189)	206	(553)	5,907	5,354
					288	411
903	1,026	281	298	373	9,153	8,101
\$ 1,314	\$ 1,757	\$ 375	\$ 344	\$ 1,700	\$ 14,152	\$ 12,224



Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals	
					Current Year	Prior Year
\$ 425	\$ 2,162 6	\$ 877	\$ 653	\$ 9,582 100	\$ 2,174 15,578 432	\$ 2,116 15,252 245
425	2,168	877	653	9,682	18,184	17,613
1,722	2,129	418	146	5,474	11,999	12,088
386	624	146	43	1,520	4,239	5,246
	851	96		1,605	2,557	2,471
257	85	18	13	112	573	504
658	145	158	83	1,127	3,104	2,451
42	37	1	4	4	386	424
189	2,673	22	274	1,364 16	4,604 16	4,671 1,325
3,254	6,544	859	563	11,222	27,478	29,180
(2,829)	(4,376)	18	90	(1,540)	(9,294)	(11,567)
		3		4	59	(177) 199 (5)
	(16)				(16)	5
	(16)	3		4	43	22
(2,829)	(4,392)	21	90	(1,536)	(9,251)	(11,545)
2,785 (10)	4,668	10 (135)	16	4,766 (3,187)	13,389 (3,708)	8,174 (3,198)
(54)	276	(104)	106	43	430	(6,569)
\$ 844	\$ (319)	\$ (85)	\$ 100	\$ (596)	\$ 5,765	\$ 20,094 (7,760)
\$ 790	\$ (43)	\$ (189)	\$ 206	\$ (553)	\$ 6,195	\$ 5,765

Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals	
				9-30-95	9-30-94
(\$4,377)	\$18	\$90	(\$1,540)	(\$9,294)	(\$11,567)
85	18	13	112	573	504
(1)		2	2	5	101
(10)			5	8	(12)
(34)	2	(17)	(5)	21	(291)
119	(2)	(23)	(256)	(315)	86
3	8	8	161	421	(237)
(3)	(1)	(2)	16	7	495
					17
					4
				(6)	(3)
					(80)
			86	53	116
					(174)
					5
159	25	(19)	121	767	531
(4,218)	43	71	(1,419)	(8,527)	(11,036)
4,668	10	16	4,766	13,389	8,174
	(135)		(3,187)	(3,709)	(3,198)
					1,207
					(1,690)
					(178)
4,668	(125)	16	1,579	9,680	4,315
	28		556	622	(7,760)
(74)	(28)	(1)	(720)	(1,248)	(5)
					(251)
(74)		(1)	(164)	(626)	(8,016)
	3		4	59	199
					899
	3		4	59	1,098
376	(79)	86		586	(13,639)
179	323	39		4,571	18,210
\$555	\$244	\$125		\$5,157	\$4,571

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
For the Fiscal Year Ended September 30, 1995  
(In Thousands)

	Balance October 1, 1994	Additions	Deductions	Balance September 30, 1995
<u>Deferred Compensation Fund</u>				
<u>Assets</u>				
Property and Rights Held Under Deferred Compensation Plan	\$12,571	\$2,281		\$14,852
-----				
<u>Liabilities</u>				
Obligations to Employees Under Deferred Compensation Plan	\$12,571	\$2,281		\$14,852
-----				

**SUPPLEMENTARY INFORMATION**

Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 9-30-95
	\$11,707	
234,838	155,600	
2,916,534	1,254,788	146,675
	1,729,277	
211,918	211,918	128,096
<hr/>		
3,363,290	3,363,290	274,771
<hr/>		
591,001	591,001	46,203
232,454	232,454	31,935
74,898	74,898	1,371
<hr/>		
898,353	898,353	79,509
<hr/>		
358	358	
70,076	70,076	11,584
<hr/>		
70,434	70,434	11,584
<hr/>		
15,000	15,000	
105,526	105,526	54,448
<hr/>		
120,526	120,526	54,448
<hr/>		
4,452,603	4,452,603	420,312
\$4,452,603	\$4,452,603	\$420,312

<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue 9-30-95</u>
4,452,603	4,452,603	420,312
18,383	18,383	
22,878	22,878	
41,276	41,276	
218,078	218,078	11,747
6,402	6,402	(2,248)
307,017	307,017	9,499
-----	-----	-----
416,591	416,591	224,493
-----	-----	-----
416,591	416,591	224,493
105,575	105,575	19,697
419,730	419,730	35,604
-----	-----	-----
525,305	525,305	55,301
616,301	616,301	175,053
245,480	245,480	89,370
-----	-----	-----
861,781	861,781	264,423
1,803,677	1,803,677	544,217
6,563,297	6,563,297	974,028

<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue 9-30-95</u>
6,563,297	6,563,297	974,028
1,803,677	1,803,677	544,217
9,265	9,265	5,195
11,348	11,348	1,033
50,499	50,499	23,745
8,167	8,167	3,292
8,620	8,620	
-----		
1,891,575	1,891,575	577,482
-----		
60,440	60,440	37,879
-----		
315,671	315,671	
103,537	103,537	
-----		
419,208	419,208	
-----		
7,130,844	7,130,844	1,045,172

<u>Revenue</u> <u>Recognized</u>	<u>Expenditures</u>	<u>Accrued or</u> <u>(Deferred)</u> <u>Revenue</u> <u>9-30-95</u>
7,130,844	7,130,844	1,045,172
68,518	68,518	533
49,411	49,411	
51,336	51,336	17,738
<u>\$7,300,108</u>	<u>\$7,300,108</u>	<u>\$1,063,443</u>



<u>Cumulative Totals</u>		
<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
\$75,543	\$75,543	
78,109	75,543	2,566
-----	-----	-----
153,652	151,086	2,566
-----	-----	-----
153,652	151,086	(2,566)
-----	-----	-----
\$153,652	\$151,086	(\$2,566)
-----	-----	-----

<u>Cumulative Totals</u>		
<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
\$120,910	\$120,910	
136,004	120,910	15,094
-----	-----	-----
256,914	241,820	15,094
-----	-----	-----
256,914	241,820	(15,094)
-----	-----	-----
\$256,914	\$241,820	(\$15,094)
-----	-----	-----

**ADDITIONAL INFORMATION**

COMPLIANCE REPORT BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Jefferson County Commission as of and for the year ended September 30, 1995, and have issued our report thereon dated January 26, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to the Jefferson County Commission is the responsibility of the Jefferson County Commission's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Jefferson County Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

We noted a certain immaterial instance 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 for the information of management, other state officials, and federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.



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

January 26, 1996

Policies and procedures had not been implemented over the disposal of stale-dated drugs removed from inventory, and partially used drugs returned from the hospital floors to the pharmacy at Cooper Green Hospital. A subsidiary ledger was not retained at year end for Cooper Green Hospital's patient accounts receivable. Adequate controls did not exist over the maintenance of the accounts receivable subsidiary and follow-up of delinquent accounts in the Sewer Impact/Septic Tank Department. There was inadequate maintenance of deletions to the non-federal fixed asset inventory listing, and a complete physical inventory of non-federal fixed assets had not recently been performed. Reconciliation of subsidiary ledgers to control accounts was not performed timely for encumbrances. Procedures did not exist to assure that Cooper Green Hospital's payroll tax and withholding liability accounts were properly maintained.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of procedures to be performed in our audit of the Jefferson County Commission's financial statements for the year ended September 30, 1995.

Policies and procedures had not been implemented over the disposal of stale-dated drugs removed from inventory, and partially used drugs returned from the hospital floors to the pharmacy at Cooper Green Hospital. A subsidiary ledger was not retained at year end for Cooper Green Hospital's patient accounts receivable. There was inadequate maintenance of deletions to the non-federal fixed asset inventory listing, and a complete physical inventory of non-federal fixed assets had not recently been performed. Procedures did not exist to assure that Cooper Green Hospital's payroll tax and withholding liability accounts were properly maintained.

We have audited the financial statements of the Jefferson County Commission (the "Commission") as of and for the year ended September 30, 1995, and have issued our report thereon dated January 26, 1996.

We have also audited the Commission's compliance with the requirements governing Types of Services Allowed/Unallowed; Eligibility; Matching, Level of Effort or Earmarking; Reporting; Monitoring Subrecipients; Federal Personnel; Claims for Advances and Reimbursement; Amounts Claimed or Used for Matching; Receipt of Approval of Request for Release of Funds and Environmental Certification; Environmental Review; Program Income; Participant Activities and Rate of Pay; Technical Assistance; and Participant Contributions that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended September 30, 1995. The management of the Jefferson County Commission is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying Schedule of Findings and Questioned Costs. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Commission complied, in all material respects, with the requirements governing Types of Services Allowed/Unallowed; Eligibility; Matching, Level of Effort or Earmarking; Reporting; Monitoring Subrecipients; Federal Personnel; Claims for Advances and Reimbursement; Amounts Claimed or Used for Matching; Receipt of Approval of Request for Release of Funds and Environmental Certification; Environmental Review; Program Income; Participant Activities and Rate of Pay; Technical Assistance; and Participant Contributions that are applicable to each of its major federal financial assistance programs for the year ended September 30, 1995.

We have audited the financial statements of the Jefferson County Commission as of and for the year ended September 30, 1995, and have issued our report thereon dated January 26, 1996.

We have applied procedures to test the Jefferson County Commission's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended September 30, 1995: Political Activity; Davis-Bacon Act; Civil Rights; Cash Management; Relocation Assistance and Real Property Acquisition; Federal Financial Reports; Allowable Costs/Cost Principles; Drug-Free Workplace; and Administrative Requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Jefferson County Commission's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Jefferson County Commission had not complied, in all material respects, with those requirements.

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



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

January 26, 1996

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Department of Housing and Urban Development  Community Development Block Grants (CFDA # 14.218)	The Community Development Agency's principal accountant's salary was charged 100% to Community Development Block Grants and not allocated to other federal programs where a portion of her time was spent.	*

\* Questioned costs are not ascertainable.



SINGLE AUDIT REPORT ON THE  
INTERNAL CONTROL STRUCTURE USED IN  
ADMINISTERING FEDERAL FINANCIAL  
ASSISTANCE PROGRAMS

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Political Activity; Davis-Bacon Act; Civil Rights; Cash Management; Relocation Assistance and Real Property Acquisition; Federal Financial Reports; Allowable Costs/Cost Principles; Drug-Free Workplace; Administrative Requirements; Types of Services Allowed/Unallowed; Eligibility; Matching, Level of Effort or Earmarking; Reporting; Monitoring Subrecipients; Federal Personnel; Claims for Advances or Reimbursements; Amounts Claimed or Used for Matching; Receipt of Approval of Request for Release of Funds and Environmental Certification; Environmental Review; Program Income; Participant Activities and Rate of Pay; Program Income; Technical Assistance; Participant Contributions; Cash; Investments; Receivables; Inventories; Property, Equipment and Capital Outlay; Liabilities; Revenues/Receipts; Expenditures/Expenses; and Payroll/Personnel.

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1995, the Commission expended 89 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Commission's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Commission's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

The following reportable conditions were noted:

AUDITEE RESPONSE

**JEFFERSON COUNTY COMMISSION**



**MARY M. BUCKELEW**

PRESIDENT

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

March 29, 1996

Mr. Doug Clark, Director  
County Audit Division  
State of Alabama Department  
of Examiners of Public Accounts  
50 North Ripley, Room 3201  
Montgomery, Alabama 36104-3833

RECEIVED  
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Dear Mr. Clark:

Thank you for your letter of March 20, 1996 wherein you enclosed your audit comments for the fiscal year ended September 30, 1995. The Jefferson County Commission wants to thank you again for the constant and continuous improvement you have achieved in our audit process. We understand that it is our responsibility to provide you with the records necessary to conduct a proper audit, but your efforts to complete the audit in a timely manner indicate your willingness to assist us in this important matter.

The Commission needs your review of our operations in order to improve our internal controls. We take your recommendations seriously and we will implement your recommendations as quickly as we can. We have already modified our operations to implement several of your recommendations and we will implement other recommendations as time permits.

Please contact me with any questions you may have.

Very truly yours,

Mary M. Buckelew, President  
Jefferson County Commission

MMB/ps

cc: Jefferson County Commission  
Steve Sayler