NEW ISSUE - BOOK ENTRY ONLY	RATINGS:	Moody's: "Aaa" Standard & Poor's: "AAA" Insured: MBIA Insured Moody's: "Aa2" (Underlying) Standard & Poor's : "AA" (Underlying)

DAC Bond©

In the opinion of Co-Bond Counsel, subject to the qualifications described herein under "TAX EXEMPTION" under existing law (i) interest on the Series 2004-A Warrants is excludable from gross income of the holders thereof for purposes of federal income taxation and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Co-Bond Counsel is also of the opinion that, under existing law, interest on the Series 2004-A Warrants will be exempt from State of Alabama income taxation. See "TAX EXEMPTION" herein.

$51,020,000
JEFFERSON COUNTY, ALABAMA
GENERAL OBLIGATION CAPITAL IMPROVEMENT WARRANTS
SERIES 2004-A

Dated: August 1, 2004 — Due: April 1, as shown on inside cover

The Series 2004-A Warrants are issuable as fully registered warrants and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2004-A Warrants will be made so long as Cede & Co. is the registered owner of the Series 2004-A Warrants. Individual purchases of the Series 2004-A Warrants will be made in book-entry form only, and individual purchasers ("Beneficial Owners") of the Series 2004-A Warrants will not receive physical delivery of warrant certificates.

Payments of principal of and interest on the Series 2004-A Warrants will be paid by SouthTrust Bank, Birmingham, Alabama, the paying agent and the registrar for the Series 2004-A Warrants (the "Paying Agent") to DTC or its nominee. So long as DTC or its nominee is the registered owner of the Series 2004-A Warrants, disbursements of such payments to DTC is the responsibility of the Paying Agent, disbursements of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct Participants or Indirect Participants as more fully described herein.

The Series 2004-A Warrants will constitute general obligations of the County for the payment of which its full faith and credit have been irrevocably pledged. Interest on the Series 2004-A Warrants shall be payable on April 1 and October 1 in each year beginning October 1, 2004 and shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payment of the principal and interest components of the Series 2004-A Warrants when due will be guaranteed by a financial guaranty insurance policy (the "Bond Insurance Policy") to be issued simultaneously with the delivery of the Series 2004-A Warrants by MBIA Insurance Corporation.

MBIA

FOR MATURITIES, AMOUNTS, RATES, YIELDS & CUSIP NUMBERS, SEE INSIDE COVER.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO AN INFORMED INVESTMENT DECISION.

The Series 2004-A Warrants are offered when, as and if issued, subject to prior sale, and to the approval of the validity thereof by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, and Valeria Frye Walker, Esq., Birmingham, Alabama, as Co-Bond Counsel and certain other conditions. Certain matters will be passed upon for the Underwriters by their co-counsel, Peck, Shaffer & Williams LLP, Atlanta, Georgia, and James L. North & Associates, Birmingham, Alabama. It is expected that the Series 2004-A Warrants in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about August 10, 2004.

SOUTHTRUST SECURITIES, INC.

COMPASS BANK — **M◆R◆BEAL & COMPANY**

JOE JOLLY & CO., INC. — **BLOUNT PARRISH & COMPANY** — **SECURITIES CAPITAL CORPORATION**

July 28, 2004

$51,020,000
JEFFERSON COUNTY, ALABAMA
GENERAL OBLIGATION CAPITAL IMPROVEMENT WARRANTS
SERIES 2004-A

Serial Warrants

Maturities, Amounts, Interest Rates, Prices and Yields

Maturity Date	Principal Amount	Interest Rate	Yield	Price	CUSIP
04/01/2011	$1,685,000	3.400%	3.500%	99.408%	472628 PQ3
04/01/2012	1,745,000	3.800	3.640	101.055	472628 PR1
04/01/2013	1,830,000	3.700	3.800	99.265	472628 PS9
04/01/2014	1,915,000	3.800	3.950	98.803	472628 PT7
04/01/2015	2,000,000	3.900	4.050	98.709	472628 PU4
04/01/2016	2,095,000	4.000	4.150	98.621	472628 PV2
04/01/2017	2,195,000	5.000	4.250	105.877	472628 PW0
04/01/2018	2,330,000	5.000	4.350	105.069	472628 PX8
04/01/2019	2,465,000	4.250	4.380	98.601	472628 PY6
04/01/2020	2,590,000	5.000	4.500	103.870	472628 PZ3
04/01/2021	2,745,000	5.000	4.570	103.317	472628 QA7
04/01/2022	2,895,000	5.000	4.650	102.688	472628 QB5
04/01/2023	3,040,000	5.000	4.720	102.142	472628 QC3
04/01/2024	21,490,000	5.000	4.800	101.523	472628 QD1

All Warrants priced to produce the yield indicated.

JEFFERSON COUNTY, ALABAMA

JEFFERSON COUNTY COMMISSION

LARRY P. LANGFORD
President

MARY M. BUCKELEW
Commissioner

BETTYE FINE COLLINS
Commissioner

SHELIA SMOOT
Commissioner

GARY WHITE
Commissioner

Director of Finance
STEVE SAYLER

County Attorney
EDWIN A. STRICKLAND

Co-Bond Counsel
MAYNARD, COOPER & GALE, P.C.
Birmingham, Alabama

VALERIA FRYE WALKER, ESQ.
Birmingham, Alabama

Co-Underwriters' Counsel
PECK, SHAFFER & WILLIAMS LLP
Atlanta, Georgia

JAMES L. NORTH & ASSOCIATES
Birmingham, Alabama

Financial Advisor
NATIONAL BANK OF COMMERCE

Counsel to the Financial Advisor
THE BROOKS FIRM

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No dealer, broker, salesman or any other person has been authorized by Jefferson County, Alabama, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2004-A Warrants by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Jefferson County since the date hereof.

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OFFICIAL STATEMENT

$51,020,000
JEFFERSON COUNTY, ALABAMA
GENERAL OBLIGATION CAPITAL IMPROVEMENT WARRANTS
SERIES 2004-A

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is being furnished in connection with the sale by Jefferson County, Alabama (the "County"), of its $51,020,000 principal amount of General Obligation Capital Improvement Warrants, Series 2004-A (the "Series 2004-A Warrants").

The County is a political subdivision of the State of Alabama. The Series 2004-A Warrants will be issued pursuant to a resolution (the "Warrant Resolution") adopted on July 27, 2004, by the Jefferson County Commission, the governing body of the County (the "Commission"). The Series 2004-A Warrants will be issued pursuant to the provisions of Title 11, Chapter 28 of the Code of Alabama 1975, §§ 11-28-1 et seq., as amended.

The Series 2004-A Warrants are being issued for the purposes of (i) providing for the payment of the cost of various capital improvements made or to be made by the County (the "Improvements") including reimbursement of the County for such cost and (ii) paying the costs of issuing the Series 2004-A Warrants. See "THE PLAN OF FINANCING."

The Series 2004-A Warrants are being offered in the denomination of $5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See "DESCRIPTION OF THE SERIES 2004-A WARRANTS."

The County has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE."

The information contained in this Official Statement does not purport to be comprehensive or definitive. All references herein to, or summaries of, the Warrant Resolution, the financial statements of the County, the Act or any other contract, indenture, resolution or other document or official act related to the Series 2004-A Warrants are qualified in their entirety by the exact terms of such documents or official acts, which are items of public record available from the County. All references herein to, or summaries of, the Series 2004-A Warrants are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the Warrant Resolution. Any capitalized terms used herein without definition shall have the meanings assigned to such terms in the Warrant Resolution.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. For further information during the initial offering period with respect to the Series 2004-A Warrants, contact Steve Sayler, Finance Director, Jefferson County Commission, 716 North 21st Street, Birmingham, Alabama 35263-0002, telephone (205) 325-5762.

DESCRIPTION OF THE SERIES 2004-A WARRANTS

General

The Series 2004-A Warrants will be fully registered warrants without coupons in the denomination of $5,000 or any multiple thereof (an "Authorized Denomination") and will be dated August 1, 2004. Each Series 2004-A Warrant shall have a single principal maturity. The Series 2004-A Warrants shall be numbered separately from 1 upward.

The Series 2004-A Warrants shall mature annually on April 1 in the years and in the amounts set forth on the inside cover page hereof. All Series 2004-A Warrants with the same maturity shall bear interest at the same rate.

Interest on the Series 2004-A Warrants shall be payable on April 1 and October 1 in each year, beginning October 1, 2004 (each such date being herein called an "Interest Payment Date"), and shall be computed on the basis of a 360-day year with 12 months of 30 days each.

SouthTrust Bank (the "Paying Agent"), having an office in Birmingham, Alabama, has been designated by the County as registrar, transfer agent and paying agent with respect to the Series 2004-A Warrants.

Method and Place of Payment

The Series 2004-A Warrants will be issued in book entry only form, as described below under "BOOK-ENTRY ONLY SYSTEM," and the method and place of payment of the Series 2004-A Warrants will be as provided in the Book-Entry Only System. The provisions set forth in the paragraphs below will apply in the event that the use of the Book-Entry Only System for the Series 2004-A Warrants is discontinued..

Payment of interest due on each Interest Payment Date will be made by check or draft mailed on such Interest Payment Date (or if such Interest Payment Date is not a business day, on the business day next following such Interest Payment Date) to the persons who were registered holders of the Series 2004-A Warrants on the regular record date for such Interest Payment Date, which will be the 15th day preceding such Interest Payment Date. Payment of the principal of (and premium, if any on) the Series 2004-A Warrants and payment of accrued interest due upon redemption on any date other than an Interest Payment Date will be made only upon surrender of the Series 2004-A Warrants at the designated office of the Paying Agent.

The holder of Series 2004-A Warrants in an aggregate principal amount of $100,000 or more may, upon the terms and conditions of the Warrant Resolution, request payment of debt service by wire transfer to an account of such holder maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Paying Agent.

Redemption

The Series 2004-A Warrants will be subject to redemption prior to their maturity in accordance with the following provisions:

(a) Optional Redemption. Series 2004-A Warrants maturing on April 1, 2014 or thereafter, or any smaller principal amount of such Series 2004-A Warrants that is a multiple of the smallest Authorized Denomination, may be redeemed at the option of the County on April 1, 2014 or any date thereafter at the applicable redemption price (expressed as a percentage of principal amount redeemed) set forth in the table below plus accrued interest to the redemption date:

Redemption Date	Redemption Price
April 1, 2014 and thereafter	100.00%

(b) Selection of Warrants for Partial Redemption. If less than all Series 2004-A Warrants Outstanding are to be redeemed, the particular Series 2004-A Warrants to be redeemed may be specified by the County by written notice to the Paying Agent, or, in the absence of timely receipt by the Paying Agent of such notice, shall be selected by the Paying Agent by lot or by such other method as the Paying Agent shall deem fair and appropriate; provided, however, that (i) the principal amount of Series 2004-A Warrants of each maturity to be redeemed must be a multiple of the smallest Authorized Denomination of Series 2004-A Warrants, and (ii) if less than all Series 2004-A Warrants with the same stated maturity are to be redeemed, the Series 2004-A Warrants of such maturity to be redeemed shall be selected by lot by the Paying Agent.

If less than all Series 2004-A Warrants Outstanding with the same maturity are to be redeemed, the particular Series 2004-A Warrants to be redeemed shall be selected by lot not less than 30 nor more than 60 days prior to the redemption date (except as noted below) by the Paying Agent from the Outstanding Series 2004-A Warrants of such maturity which have not previously been called for redemption.

Any redemption shall be made upon at least 30 days' notice in the manner and upon the terms and conditions provided in the Warrant Resolution.

If a trust is established for payment of less than all Series 2004-A Warrants of a particular maturity, the Series 2004-A Warrants of such maturity to be paid from the trust shall be selected by the Paying Agent within 7 days after such trust is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Paying Agent. The Paying Agent shall notify Holders whose Series 2004-A Warrants (or portions thereof) have been selected for payment from such trust and shall direct such Holders to surrender their Series 2004-A Warrants to the Paying Agent in exchange for Series 2004-A Warrants with the appropriate designation.

Upon any partial redemption of any Series 2004-A Warrant, the same shall, except as otherwise permitted by the Warrant Resolution, be surrendered in exchange for one or more new Series 2004-A Warrants in authorized form for the unredeemed portion of principal. Series 2004-A Warrants (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Warrant Resolution shall thereupon cease to be entitled to the benefits of the Warrant Resolution and shall cease to bear interest from and after the date fixed for redemption.

Registration and Exchange

The Series 2004-A Warrants will be issued in book entry only form, as described below under "BOOK-ENTRY ONLY SYSTEM," and the method for registration and exchange of the Series 2004-A Warrants will be as provided in the Book-Entry Only System. The provisions set forth in the paragraphs below will apply in the event that the use of the Book-Entry Only System for the Series 2004-A Warrants is discontinued.

The Paying Agent shall not be required to transfer or exchange any of the Series 2004-A Warrants during the period that commences with the close of business on the fifteenth (15th) day of the calendar month next preceding any Interest Payment Date and that continues until the opening of business on such Interest Payment Date or during the period that commences with the close of business on the thirtieth (30th) day of the calendar month next preceding any redemption date and that continues until the opening of business on such redemption date.

The Series 2004-A Warrants are transferable only on the warrant register maintained at the designated office of the Paying Agent. Upon surrender of a Series 2004-A Warrant to be transferred, properly endorsed, a new Series 2004-A Warrant will be issued to the designated transferee.

The Series 2004-A Warrants will be issued in Authorized Denominations and, subject to the provisions of the Warrant Resolution, may be exchanged for a like aggregate principal amount of Series 2004-A Warrants, of any Authorized Denominations and of the same maturity, as requested by the holder surrendering the same.

No service charge shall be made for any transfer or exchange, but the County may require payment by the holder of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Authority for Issuance

The Series 2004-A Warrants are being issued by the County under the authority of the Constitution and laws of the State of Alabama, including particularly, Title 11, Chapter 28, *Code of Alabama*, 1975, §§11-28-1, et seq., as amended (the "Enabling Law").

INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Exhibit C for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2004-A Warrants as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2004-A Warrants pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2004-A Warrants. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2004-A Warrants upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Series 2004-A Warrants resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2004-A Warrants.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Series 2004-A Warrant the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2004-A Warrants or presentment of such other proof of ownership of the Series 2004-A Warrants, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2004-A Warrants as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2004-A Warrants in any legal proceeding related to payment of insured amounts on the Series 2004-A Warrants, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2004-A Warrants, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New

York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "INSURANCE" Additionally, MBIA makes no representation regarding the Series 2004-A Warrants or the advisability of investing in the Series 2004-A Warrants.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2003; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2004-A Warrants offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004) are available (i) over the Internet at the SEC's web site; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site; and (iv) at no cost, upon request to MBIA

Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, MBIA had admitted assets of $9.9 billion (audited), total liabilities of $6.2 billion (audited), and total capital and surplus of $3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2004 MBIA had admitted assets of $10.3 billion (unaudited), total liabilities of $6.5 billion (unaudited), and total capital and surplus of $3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2004-A Warrants, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2004-A Warrants. MBIA does not guaranty the market price of the Series 2004-A Warrants nor does it guaranty that the ratings on the Series 2004-A Warrants will not be revised or withdrawn.

There can be no assurances that payments made by MBIA representing interest on the Series 2004-A Warrants will be excluded from gross income, for federal tax purposes, in the event of nonappropriation by the County.

BOOK -ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2004-A Warrants. The Series 2004-A Warrants will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee. The Series 2004-A Warrants will be issued as a single fully-registered certificate per maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates post-trade settlement among Direct Participants of securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust Corporation ("DTCC"). DTCC, in turn, is owned by a number of its Direct Participants and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc„ the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of beneficial ownership interests in the Series 2004-A Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004-A Warrants on DTC's records. The ownership interest of each such Beneficial Owner of a Series 2004-A Warrant is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2004-A Warrants are to be accomplished by entries made on the books of Direct Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2004-A Warrants, except in the event that use of the book-entry only system for the Series 2004-A Warrants is discontinued.

To facilitate subsequent transfers, all Series 2004-A Warrants deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2004-A Warrants with DTC and their registration in the naive of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004-A Warrants. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004-A Warrants are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Neither the County nor the Paying Agent is responsible for sending notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2004-A Warrants are being redeemed, DTC's practice is to determine by lot the amount of the interest of each DTC Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2004-A Warrants unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the County as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004-A Warrants are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2004-A Warrants will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of fiords and corresponding detail information from the County or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of Direct Participants and not of DTC, the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to Cede & Co. or such other nominee as may be requested by an Authorized representative of DTC is the responsibility of the Paying Agent. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct Participants and Indirect Participants.

THE COUNTY AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2004-A WARRANTS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2004-A WARRANTS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2004-A WARRANTS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2004-A WARRANTS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC,

NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (i) THE SERIES 2004-A WARRANTS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR

INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2004-A WARRANTS; (iv) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE WARRANT RESOLUTION TO BE GIVEN TO SERIES 2004-A WARRANTHOLDERS; (v) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2004-A WARRANTS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS SERIES 2004-A WARRANTHOLDER.

Discontinuation of Book Entry Only System

DTC may discontinue its services as securities depository with respect to the Series 2004-A Warrants at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Warrant Ordinance requires the County to deliver certificates to the registered owners of the Series 2004-A Warrants.

In addition, the County may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository), in which event certificates will be printed and delivered to registered owners of the Series 2004-A Warrants. In the event that the book entry system described herein is discontinued, (a) the principal and redemption price of the Series 2004-A Warrants will be payable upon surrender of the Series 2004-A Warrants at the corporate trust office of the Paying Agent in Birmingham, Alabama, and (b) interest on the Series 2004-A Warrants will be paid on each Interest Payment Date by check or draft mailed by the Paying Agent to the registered owners of the Series 2004-A Warrants at the close of business on the record date specified in the Warrant Ordinance.

SECURITY FOR THE SERIES 2004-A WARRANTS

The Series 2004-A Warrants will be general obligations of the County, for the payment of which the full faith and credit of the County have been irrevocably pledged.

Revenues available to the County for payment of debt service on the Series 2004-A Warrants include ad valorem taxes, sales, business license and occupational taxes and other general fund revenues. None of such legally available revenues are, however, specially pledged for payment of debt service on the Series 2004-A Warrants. Information describing certain taxes and other revenues of the County is set forth in this Official Statement under the captions "COUNTY SALES AND USE TAXES," "SPECIAL COUNTY OCCUPATIONAL TAX" and "AD VALOREM TAXATION."

THE PLAN OF FINANCING

The Series 2004-A Warrants are being issued for the purposes of (i) providing for the payment of the cost of various capital improvements made or to be made by the County including reimbursement of the County for such costs and (ii) paying the costs of issuing the Series 2004-A Warrants.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the moneys to be expended by the County in connection with the issuance of the Series 2004-A Warrants:

Sources	
Warrant Proceeds:	
Par Amount of Series 2004-A Warrants	$51,020,000.00
Accrued Interest	59,872.31
Net Original Issue Premium	791,485.70
TOTAL	$51,871,358.01
Uses	
Accrued Interest[1]	$ 59,872.31
Underwriters' Discount	318,875.00
Cost of Issuance[2]	224,231.71
Bond Insurance Premium	154,000.00
Capital Improvements	51,114,378.99
TOTAL	$51,871,358.01

[1]Accrued interest received by the County upon the sale of the Series 2004-A Warrants will be deposited in the Warrant Fund established under the Warrant Resolution and applied to the payment of interest on the Series 2004-A Warrants due October 1, 2004.

[2] Includes, without limitation, fees and expenses of Co-Bond Counsel, Co-Underwriters' Counsel, Paying Agent, fees for financial advisory services, ratings, printing, and accounting services and similar costs related to the Series 2004-A Warrants.

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DEBT SERVICE REQUIREMENTS

The following table contains debt service requirements on the Series 2004-A Warrants:

Fiscal Year Ending	Principal	Interest	Total
4/1/2005		$1,596,595.00	$1,596,595.00
4/1/2006		2,394,892.50	2,394,892.50
4/1/2007		2,394,892.50	2,394,892.50
4/1/2008		2,394,892.50	2,394,892.50
4/1/2009		2,394,892.50	2,394,892.50
4/1/2010		2,394,892.50	2,394,892.50
4/1/2011	$ 1,685,000.00	2,394,892.50	4,079,892.50
4/1/2012	1,745,000.00	2,337,602.50	4,082,602.50
4/1/2013	1,830,000.00	2,271,292.50	4,101,292.50
4/1/2014	1,915,000.00	2,203,582.50	4,118,582.50
4/1/2015	2,000,000.00	2,130,812.50	4,130,812.50
4/1/2016	2,095,000.00	2,052,812.50	4,147,812.50
4/1/2017	2,195,000.00	1,969,012.50	4,164,012.50
4/1/2018	2,330,000.00	1,859,262.50	4,189,262.50
4/1/2019	2,465,000.00	1,742,762.50	4,207,762.50
4/1/2020	2,590,000.00	1,638,000.00	4,228,000.00
4/1/2021	2,745,000.00	1,508,500.00	4,253,500.00
4/1/2022	2,895,000.00	1,371,250.00	4,266,250.00
4/1/2023	3,040,000.00	1,226,500.00	4,266,500.00
4/1/2024	21,490,000.00	1,074,500.00	22,564,500.00
TOTAL	$51,020,000.00	$39,351,840.00	$90,371,840.00

COUNTY GOVERNMENT AND ADMINISTRATION

The County Commission

The governing body of the County is the Commission. The five commissioners are elected from five districts within the County for four-year terms. The current term of office for the present commissioners, President Larry P. Langford and Commissioners Mary M. Buckelew, Bettye Fine Collins, Shelia Smoot and Gary White, will end in November 2006.

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

In the 2003 fiscal year, the County employed 4653 individuals. The County's employees perform tasks in five areas of County government. These areas are the Department of Finance and General Services, the Department of Roads and Transportation, the Department of Environmental Services, the Department of Health and Human Services and the Department of Technology and Development. A description of these areas follows:

(a) The Department of Finance and General Services. The Department of Finance and General Services is responsible for the administration of the financial affairs of the County, the management of the public buildings of the County and the maintenance of the accounting records of the County. The department supervises the operations of the County Revenue Department, which collects a number of state and local taxes (such as sales and use taxes and other excise taxes), as well as the Finance Department. See "COUNTY FINANCIAL SYSTEM". In addition, the department supervises Cooper Green Hospital, which provides medical care for indigent residents of the County. For the most part, the activities of the department are supported with moneys from the General Fund of the County. However, Cooper Green Hospital is supported by the Indigent Care Fund of the County. The President of the County Commission, Larry P. Langford, has been assigned the responsibility of this department.

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

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

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

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

COUNTY FINANCIAL SYSTEM

The Department of Finance and General Services is responsible for the administration of the financial affairs of the County and the maintenance of its accounting records. The Finance Department, a division of the Department of Finance and General Services, directs the County's financial program by assembling, maintaining and preparing the County's financial records and statements and by assisting in budget hearings. The Director of Finance of the County is Steve Sayler.

Pursuant to Alabama law, the County is audited annually by the State Department of Examiners of Public Accounts. Historically, the emphasis of the state audit has been on compliance with applicable state law. Such audits are generally completed within one year after the end of the audit period. The most recent available state audit is for the fiscal year ended September 30, 2003. In addition to the state audit, the Director of Finance of the County prepares internal financial statements which conform to the format of the state audit. A copy of the latest audit for the County is included in ***Appendix A***.

Budget System

The budget for the County consists of an operating budget for each of the funds maintained by the County. Together, these separate operating budgets constitute a complete financial plan for the County and reflect the projection of the receipts, disbursements and transfers from all sources.

All of the operating budgets are developed by the Finance Department under the direction of the member of the Commission respectively responsible for the operation of the individual County departments. The budgets are based on estimates of the amount and cost of work to be performed together with historical costs of operations as submitted by the head of each office and department. Estimated revenues are detailed according to source and estimated expenditures are detailed according to function and type.

Upon submission of the proposed budgets by the Finance Department, the Commission holds public hearings at which the requests of the individual County departments and the recommendations of the Finance Department are fully reviewed. After conclusion of the hearings, the Commission may add new expenditures or increase, decrease or delete expenditures in the proposed budgets, provided that expenditures for debt service or any other expenditures required by law to be included may not be deleted from the budgets. The Commission is prohibited by law from adopting budgets in which the total of expenditures exceeds the estimated total receipts and available surplus.

The Commission is required to adopt the annual budgets on or before the first Tuesday in October of the fiscal year in which the budgets are to take effect. Upon adoption by the Commission, the budgets are printed for distribution to all departments of the County, as well as financial institutions and the general public. Appropriations in addition to those in the original budgets may be made by the Commission if unencumbered and unappropriated moneys sufficient to meet such appropriations are available.

Accounting System

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

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The County utilizes six fund types encompassing twenty-five operating funds for reporting its financial position and the results of its operations. The fund types are General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Debt Service Funds. A description of the fund types and related funds is provided below.

<u>Governmental Fund Types</u>

(a) ***General Fund***. Transactions relating to resources obtained and used for delivery of those services traditionally provided by a county government, which are not accounted for in other funds, are accounted for in the General Fund. These services include, among other things, general government, public safety, and community services.

(b) ***Special Revenue Funds***. Transactions relating to resources obtained and used for certain Federal and State programs and from other resources upon which legal restrictions are imposed are accounted for in the Special Revenue Funds. The following comprise the Special Revenue Funds.

(i) The **Indigent Care Fund** accounts for the receipt and expenditures of a portion of beverage and sales taxes designated for the health and welfare of indigent county residents.

(ii) The **Road Fund** accounts for the receipt and expenditure of the County's share of proceeds from applicable gasoline taxes, ad valorem taxes, inspection fees, and other taxes and fees designated for the construction and maintenance of county roads.

(iii) The **Senior Citizens' Services Fund** accounts for the expenditures of Federal and County funds used to provide social, nutritional, transportation, and other services to elderly persons residing in the County.

(iv) The **Bridge and Public Building Fund** accounts for the receipt and expenditure of ad valorem tax revenues designated for the maintenance and repair of County bridges and public buildings.

(v) The **Community Development Fund** accounts for the receipt and expenditures of Federal block grant funds received by the County.

(c) ***Debt Service Funds***. Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. For the fiscal year beginning October 1, 2003, the County maintained only one Debt Service Fund.

Proprietary Fund Types

(a) ***Enterprise Funds***. Enterprise Funds account for operations (a) that are financial and operated in a manner similar to private enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management and control, accountability, or other purposes. The Enterprise Funds used by the County are as follows:

(i) The **Cooper Green Hospital Fund** accounts for the operations of the Cooper Green Hospital and associated clinics. Operating revenues are derived from net patient charges and reimbursements from third parties including Medicare and Medicaid.

(ii) The **Jefferson Rehabilitation and Health Center Fund** accounts for the operations of long-term inpatient nursing facilities. Net revenues are received from patient charges and reimbursements from third parties, principally Medicaid.

(iii) The **Landfill Operations Fund** accounts for the operations of the County's landfill systems. Revenues are generated primarily through user charges.

(iv) The **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.

(v) The **Parking Deck Fund** accounts for the operations of the County parking deck. Revenues are generated through user charges.

(b) ***Internal Service Funds***. Internal Service funds account for the financing of goods and services provided by one department to other departments or agencies of the County and other governments on a cost reimbursement basis. Internal Service Funds used by the County are as follows:

(i) The **Risk Management Fund** accounts for the accumulation and allocation of costs to provide insurance needs and occupational health nurses to County departments.

(ii) The **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, an independent agency.

(iii) The **Elections Fund** accounts for the accumulation and allocation of costs of holding County elections.

(iv) The **Information Services Fund** accounts for the accumulation and allocation of costs for providing data processing, microfilming, and related services to the various County departments.

(v) The **Fleet Management Fund** accounts for the accumulation and allocation of costs for providing and maintaining vehicles to County departments.

(vi) The **Central Laundry Fund** accounts for the accumulation and allocation of costs for providing laundry and related services to County departments.

(vii) The **Printing Fund** accounts for the accumulation and allocation of costs for providing printing, office supply inventory, postage, and related services to County departments.

(viii) The **Building Services Fund** accounts for the accumulation and allocation of costs for providing building maintenance and other related services for the County.

Fiduciary Fund Types

(a) ***Trust and Agency Funds***. The Trust and Agency Funds account for transactions related to assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The individual funds involved in the Trust and Agency Funds are as follows:

(i) The **CDBG/EDA Revolving Loan Fund** accounts for the County's administration of various loan programs for rental housing rehabilitation and economic development.

(ii) The **Home Loan Program Fund** accounts for the County's administration of a federally funded program with local matching costs to provide housing for low and moderate income families.

(iii) The **Emergency Management Agency Fund** accounts for the County's administration of the financial records for the Emergency Management Agency, an independent agency for emergency or disaster management programs which are funded with federal, state and local government resources.

(iv) The **Pension Fund** accounts for the reimbursement of staff salary expenditures made by the County on behalf of the General Retirement System. (The pension funds are not administered by the County Commission).

(v) The **Jefferson County Pre-funded Employee Health Insurance Fund** accounts for 3 years of health insurance premiums for Jefferson County employees effective March 2003[1].

(vi) The **Storm Water Management Authority Fund** accounts for the unified management of storm water issues for governments voluntarily contributing and cooperating in the Authority. The Commission is a participant in the Authority.

(b) ***Capital Improvement Funds***. The capital improvement funds are used to receive transfers from other funds and interest income and proceeds from the sale of certain bonds, warrants or other securities of the County and to make capital outlay expenditures. Brief illustrative descriptions of such funds are presented below.

(i) The **Capital Improvements Fund** accounts for revenues, primarily from bond issuance, and expenditures wherein the County achieves a new building or a new system, such as a computerized fingerprint system, Typically these projects will exceed $100,000, but there are some exceptions. The fund often is the site of expenditure, but the assets are later transferred into the relevant operating fund.

(ii) The **Road Improvements Fund** accounts for revenues, primarily from bond issuance, and expenditures wherein the County achieves a new road or bridge, or makes a major modification to existing assets.

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[1] Source: Jefferson County Finance Department. This fund no longer appears in the County audit due to auditing reporting rules for component unit reporting in audited financial statements.

Pension and Retirement Plan

The General Retirement System for Employees of Jefferson County (the "Pension System") is established under Act No. 497 of the 1965 Regular Session of the Legislature, as amended (the "Pension Act"). With certain limited exceptions, all employees of the County who are subject to the Civil Service System are members of the Pension System. County officers and those County employees who are not subject to the Civil Service System may elect to be members of the Pension System. As of September 30, 2003, there were 5,069 members of the Pension System.

Benefits payable under the Pension System are funded through a trust to which both the County and the members of the Pension System (the "Members") are required to contribute. With certain exceptions, each Member is required to make contributions to the Pension System, by means of regular payroll deductions, at a rate equal to 6% of the Member's compensation. The County is required to make a monthly contribution to the Pension System in an amount equal to the contributions made by Members for the month.

The Pension Act requires periodic review of the Pension System by a reputable actuary. The most recent actuarial valuation of the Pension System was prepared as of September 30, 2003, by Mellon, a Mellon Financial Company (the "Actuary"). According to that valuation, the Pension System had as of September 30, 2003, actuarial accrued liabilities of $651,635,373. The assets of the Pension System as of September 30, 2003, consisted of actuarial value of assets valued at $720,938,860. On the basis of that valuation and certain actuarial assumptions, the Actuary concluded that the Pension System is actuarially sound.

SUMMARY OF COUNTY REVENUES AND EXPENSES

The principal sources of revenue for the County are property taxes, sales and use taxes, an occupational tax, charges for services provided by the County, certain tax revenues collected by the State and allocated to the County, and federal grants. County moneys are expended to pay the operating expenses of the County, debt service on the County's debt and the costs of capital improvements. A copy of the audited financial statements of the County for the fiscal year that ended September 30, 2003, is attached hereto as ***Appendix A***. Copies of audited financial statements for prior years may be obtained from the Director of Finance of the County.

COUNTY SALES AND USE TAXES

The County levies and collects sales and use taxes pursuant to the provisions of Act No. 405 enacted at the 1967 Regular Session of the Legislature of Alabama, as amended by Act No. 659 enacted at the 1973 Regular Session of the Legislature of Alabama (the "Tax Act"). The sales and use taxes of the County are levied at one-quarter of the rate at which the State sales and use taxes are levied. The State sales and use taxes are currently levied at the rate of 4% of the gross sales or gross receipts, as the case may be, of all businesses subject to the tax, except that the rate with respect to certain machinery, motor vehicles and trailers is 1-1/2%. The Tax Act provides that certain sales are exempt from both the State tax and the County tax. In the event the present State sales and use tax statutes are repealed, under the Tax Act the sales and use taxes of the County will continue to be imposed as if such repeal had not occurred.

The sales tax is due and payable on or before the twentieth day of the month next succeeding the month during which the tax accrued. The use tax is due and payable on or before the twentieth day of the month next succeeding the quarterly period during which the tax accrued. Both taxes are payable to the County Director of Revenue. Under the Tax Act, on or before the twentieth day of each month, the County Director of Revenue is required to make a division of the total proceeds of the sales and use taxes collected during the immediately preceding month for the following purposes and in the following order:

(1) The first one-half share of the total tax proceeds is applied as follows:

(a) an amount equal to 1-1/2% of the total tax proceeds is paid into the General Fund of the County to pay the costs of administering and enforcing the Tax Act;

(b) 9% of the first one-half share is paid directly to the Jefferson County Board of Health; and

(c) the balance of such one-half share is paid into the Indigent Care Fund of the County.

(2) The second one-half share of the total tax proceeds is applied as follows:

(a) $100,000 is paid each month directly to the Birmingham-Jefferson Civic Center Authority (the "Civic Center Authority");

(b) in the event that the total of the amounts paid to the Civic Center Authority during the month from the net proceeds of the tobacco tax levied by Act No. 524 enacted at the 1965 Regular Session of the Legislature of Alabama and the lodging tax levied by Act No. 525 enacted at the 1965 Regular Session of the Legislature of Alabama aggregates less than $100,000, an amount of the second one-half share equal to the difference between $100,000 and the total amount so paid from the proceeds of such taxes is paid directly to the Civic Center Authority;

(c) 22% of the second one-half share is paid directly to the Jefferson County Board of Health;

(d) 9% of the second one-half share is payable directly to the Jefferson County Board of Health; and

(e) the remaining balance of the second one-half share is paid into the General Fund of the County.

County Sales and Use Tax Revenue

Fiscal Year Ending September 30	Total Amount Collected
1996	$68,927,809
1997	71,320,520
1998	75,635,599
1999	78,898,175
2000	79,466,508
2001	81,836,173
2002	81,519,000
2003	82,381,463

SPECIAL COUNTY OCCUPATIONAL TAX

The County levies and collects a special privilege or license tax (the "Special County Occupational Tax") at the rate of one-half of one percent (0.5%) of the gross receipts of each person following a vocation, occupation, calling or profession within the County. The County has been authorized by state statute to levy the Special County Occupational Tax since 1967, but actually began to levy such tax on January 1, 1988, pursuant to Ordinance 1120 approved by the County Commission on September 29, 1987. Under the state statute that authorizes the levy of the Special County Occupational Tax, certain professions and occupations are exempt from the requirement to pay such tax.

For a description of certain litigation respecting the County's levy and collection of the Special County Occupational Tax, see "LITIGATION" herein.

Special County Occupational Tax Revenue

Fiscal Year Ending September 30	Total Amount Collected
1996	$42,672,139
1997	44,370,971
1998	47,143,817
1999	47,945,225
2000	52,715,844
2001	54,121,734
2002	54,820,507
2003	54,960,587

For a description of a purpose for which a portion of the Special County Occupational Tax revenues have been pledged and appropriated, see "Civic Center Financing" under "COUNTY DEBT."

AD VALOREM TAXATION

General

The levy and collection of ad valorem taxes in Alabama are subject to the provisions of the Alabama Constitution, as amended, which, among other things, fixes the percentage of market value at which property can be assessed for taxation, limits the rates of county taxation that can be levied against property, and provides a maximum value for the aggregate ad valorem taxes that can be levied by all taxing authorities on any property in any tax year.

The amount of any specific ad valorem tax in Alabama is computed by multiplying the tax-rate by the assessed value of the taxable property. The assessed value of taxable property is a specified percentage (the "assessment ratio") of its fair and reasonable market value or, in certain circumstances, its current use value. Ad valorem tax rates are generally stated in terms of mills (one-thousandth of a dollar) per dollar of assessed value. Thus, for any given ad valorem tax, each mill in the rate of taxation represents a tax on property equal to one-tenth of one percent of the assessed value of such property.

The Property Tax Amendment

Amendment No. 373 to the Alabama Constitution (the "Property Tax Amendment") requires all taxable property to be divided into the four classes shown below and valued for taxation according to the assessment ratios respectively shown applicable thereto;

Class I	All property owned by utilities and used in the business of such utilities.	30%
Class II	All property not otherwise classified.	20%
Class III	All agricultural, forest and single-family, owner-occupied residential property and historic buildings and sites.	10%
Class IV	Private passenger automobiles and pickup trucks owned and operated by an individual for personal or private use.	15%

The Property Tax Amendment provides that the owner of Class III property may elect to have such property appraised at its "current use value" rather than its "fair and reasonable market value." In a legislative act implementing the Property Tax Amendment, "current use value" has been defined as the value of such property based on the use being made of it on October 1 of the preceding year, without taking into consideration "the prospective value such property might have if it were put to some other possible use".

Assessment Ratio Adjustments. The Property Tax Amendment provides that with respect to local (as distinguished from state) ad valorem taxes, the governing body of any county, municipality or other local taxing authority may, subject to certain criteria established by legislative act, adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or its current use value (as the case may be), but only if (i) the governing body of such county, municipality or other taxing authority holds a public hearing on the proposed adjustment before authorizing the adjustment, (ii) the Legislature adopts an act approving the adjustment, and (iii) a majority of the electors of such county, municipality or other taxing authority subsequently approve the adjustment in a special election. Any adjustment of assessment ratios is subject to the further requirements that the assessment ratio applicable to each class of taxable property must be uniform within the jurisdiction of each local taxing authority and that no class may be assessed at more than 35% or less than 5% of its fair and reasonable market value or current use value (as the case may be). By virtue of the Property Tax Amendment, the Legislature has no power over the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The Commission has not heretofore sought to make any adjustment of the assessment ratio applicable to any class of taxable property in the County, nor has the Commission any present plans for any such adjustment.

Rate Adjustments. The Property Tax Amendment authorizes any county, municipality or other local taxing authority to decrease any ad valorem tax rate at any time, provided that such decrease will not jeopardize the payment of any bonded indebtedness secured by such tax. The Property Tax Amendment provides that a county, municipality or other local taxing authority may at any time increase the rate at which any ad valorem tax is levied above the limit otherwise provided in the Alabama Constitution, but only if (i) the governing body of such county, municipality or other taxing authority holds a public hearing on the proposed increase before authorizing the increase, (ii) the Legislature adopts an act approving the increase, and (iii) a majority of the electors of such county, municipality or other taxing authority subsequently approve the increase in a special election. The Commission has no present plans for increasing or decreasing any tax levied by the County.

Maximum Tax Limitation. The Property Tax Amendment contains a provision which limits the total amount of ad valorem taxes (including all state, county, municipal and other taxes) that may be imposed on any property in any one tax year to an amount not exceeding a specified percentage of the fair and reasonable market value of such property. The percentages applicable to the various classes of property are as follows:

Class I	2%
Class II	1-1/2%
Class III	1%
Class IV	1-1/4%

Whenever the total amount of tax otherwise payable with respect to any property would exceed such maximum tax limit, the millage rate of each separate tax to which such property is subject must be reduced in the same proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all taxing authorities. This provision of the Property Tax Amendment has had the operative effect of requiring, since October 1, 1979, a reduction in the aggregate ad valorem tax rate on property located in certain municipalities in the County.

Additional Exemptions. The Property Tax Amendment exempts from all ad valorem taxes household and kitchen furniture, farm tractors, farming implements when used exclusively in connection with agricultural property, and stocks of goods, wares and merchandise. These categories of property were not generally exempt from ad valorem taxation prior to adoption of the Property Tax Amendment.

Homestead Exemption

Act No. 82-789 of the Legislature of Alabama provides for an increase in the State ad valorem tax homestead exemption and authorizes the Commission (a) to increase the presently applicable $2,000 homestead exemption against County taxes to an amount not greater than $4,000 of assessed value, and (b) to extend such homestead exemption to school district taxes. The Commission has not taken, and does not presently intend to take, any action to effectuate such an increase in the amount of the homestead exemption currently available against County ad valorem taxes, or to extend such exemption to school district taxes, for the current tax year or for any future tax year.

Ad Valorem Tax Rates in the County

The following ad valorem taxes are presently being levied on property located within the County:

	Rate in Mills
State of Alabama	6.5
Jefferson County	
General	5.6
Sewers	0.7
Public Buildings, Bridges and Roads	5.1
Schools	8.2
Rural Roads	2.1
County School Districts (outside Cities of Birmingham, Bessemer, Fairfield, Tarrant City, Vestavia, Midfield, Homewood, Hoover and Mountain Brook)	21.9
Total Mills	50.1

Ad Valorem Tax Assessment and Collection

Ad valorem taxes on taxable properties within the County, except motor vehicles and public utility and railroad properties, are assessed by the County Tax Assessor and collected by the County Tax Collector. Ad valorem taxes on motor vehicles in the County are assessed and collected by the County Revenue Director, and ad valorem taxes on public utility and railroad properties are assessed by the State Department of Revenue and collected by the State and by the County Tax Collector. Ad valorem taxes are due and payable on the October 1 following the October 1 as of which they are assessed, and they become delinquent on and after the following December 31. The County Tax Assessor reassesses property on an annual basis.

Assessed Valuation

The following table shows the assessed value (net of applicable exemptions and abatements) of taxable properties within the County for the indicated tax years.

Tax Year Ended September 30	Real & Personal Property and Public Utility Property	Motor Vehicles	Total Assessed Values
2003	$6,000,171,881	$843,387,480	$6,843,559,361
2002	5,216,266,428	836,375,940	6,052,642,368
2001	5,058,656,913	811,100,700	5,869,757,613
2000	4,992,672,194 [1]	697,002,840	5,689,675,034
1999	5,161,832,273	570,975,326	5,732,807,599
1998	4,191,608,377	530,077,135	4,721,685,512
1997	3,980,460,245	450,545,420	4,431,005,665
1996	3,822,413,791	409,392,840	4,231,806,631

[1] The decrease in assessed value of real and personal property and public utility property from tax year 1999 to tax year 2000 is due to a change in Alabama law in the method of imposing a tax upon shares of stock in Alabama corporations. The aggregate assessed value of shares of Alabama corporations with a home or principal office in the County (as calculated under prior law) was included in the totals for tax year 1999 and prior years.

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Principal Ad Valorem Taxpayers

The principal ad valorem taxpayers in the County, on the basis of total assessed value of property within the County for the tax year ended September 30, 2003, are shown below:

1.	Alabama Power Company	$497,347,800
2.	Bellsouth Telecommunications	265,478,160
3.	USX Corporation	110,078,942
4.	HEALTHSOUTH Corporation	76,258,652
5.	Colonial Realty Ltd. Partnership	56,961,276
6.	AmSouth Bancshares	41,473,660
7.	SouthTrust Corporation	38,915,628
8.	Alabama Gas	36,075,930
9.	Blue-Cross Blue Shield of Alabama	33,839,820
10.	American Cast Iron Pipe Co.	33,536,581

Source: Jefferson County Tax Assessor

Ad Valorem Tax Collection

The Tax Collector of Jefferson County has consistently collected a very high percentage of ad valorem taxes (State, County, municipal and school district), as shown in the following table:

Tax Year Ended September 30	Total Net Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collection To Tax Levy
2003	$365,507,555	$361,085,704	98.79%	$4,205,271	$365,290,975	99.94%
2002	351,730,297	348,124,036	98.97%	5,606,431	348,124,036	100.57%
2001	340,390,909	336,123,329	98.75%	3,483,841	339,607,170	99.77%
2000	333,819,916	330,192,023	98.91%	3,719,694	333,911,717	100.02%
1999	284,182,209	283,265,317	99.68%	2,793,609	286,058,926	100.66%
1998	265,673,868	262,277,245	98.72%	4,253,108	266,530,353	100.32%
1997	254,823,293	249,806,279	98.03%	4,130,970	253,937,249	99.65%
1996	247,358,892	239,414,593	96.79%	4,853,300	244,267,893	98.75%
1995	245,901,867	235,457,220	95.75%	4,254,077	239,711,297	97.48%
1994	213,803,830	207,038,287	96.84%	4,447,531	211,485,818	98.92%

Source: Jefferson County Tax Assessor

COUNTY DEBT

General

The principal forms of indebtedness that the County is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, special or limited obligation warrants and various revenue anticipation bonds and warrants relating to enterprises. In addition, the County has the power to enter into certain leases which constitute a charge upon the general credit of the County. Under existing law, the County may issue general obligation bonds only after a favorable vote of the electorate of the County. General and special obligation warrants issued for certain specified purposes may be issued without voter approval.

The County Financial Control Act generally prohibits the issuance of warrants by counties unless at the time of such issuance funds are available for their payment. The statutes pursuant to which the Series 2004-A Warrants are being issued, as well as certain other statutes authorizing Alabama counties to issue general and special obligation warrants for certain specified capital and other similar purposes, expressly negate the application of the County Financial Control Act to such warrants. With certain minor and narrow exceptions, however, Alabama counties may not incur long-term debt for payment of current operating expenses, and the County Financial Control Act has the practical effect of prohibiting deficit financing for current operations.

Existing Debt

Following the issuance of the Series 2004-A Warrants, all indebtedness of the County (including the Series 2004-A Warrants but apart from (i) current liabilities incurred in the regular and ordinary operations of the County and (ii) certain conduit financings for which the County has no payment obligation or other liability) will consist of the following outstanding warrants of the County:

Obligations Not Subject to Debt Limit	Principal Amount Outstanding as of July 1, 2004
Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, maturing February 1, 2005, through February 1, 2027	$ 59,730,000
Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001, maturing February 1, 2007, through February 1, 2041	15,365,000
Sewer Revenue Capital Improvement Warrants, Series 2002-A, maturing February 1, 2042	110,000,000
Sewer Revenue Capital Improvement Warrants, Series 2002-C, maturing February 1, 2040	839,500,000

Sewer Refunding Warrants, Series 2003-A, maturing February 15, 2005 through February 15, 2015	36,730,000
Sewer Revenue Refunding Warrants, Series 2003-B, maturing February 1, 2009 through February 1, 2042	1,155,765,000
Sewer Revenue Refunding Warrants, Series 2003-C, maturing February 1, 2009 through February 1, 2036, and February 1, 2038 through February 1, 2042	1,052,025,000
TOTAL	$3,269,115,000

Obligations Subject to Debt Limit

General Obligation Warrants, Series 2001-A, maturing April 1, 2005 through April 1, 2011	$ 60,660,000
General Obligation Warrants, Series 2001-B, maturing April 1, 2021	120,000,000
General Obligation Refunding Warrants, Series 2002-A, maturing April 1, 2005, through April 1, 2007	11,390,000
General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, maturing April 1, 2005 through April 1, 2023	87,755,000
General Obligation Capital Improvement Warrants, Series 2004-A, maturing April 1, 2011 through April 1, 2024	51,020,000
TOTAL	$330,825,000

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Debt Service Requirements on General Obligation Debt

The following table contains the debt service requirements on all general obligation debt of the County that will be outstanding after the issuance of the Series 2004-A Warrants:

Debt Service Requirements on General Obligation Debt

Fiscal Year Ending September 30	Principal (Series 2004-A Warrants)	Interest (Series 2004-A Warrants)	Other Debt[1]	Total[2]
2004				
2005		$1,596,595.00	$32,780,819.03	$34,377,414.03
2006		2,394,892.50	26,634,922.52	29,029,815.02
2007		2,394,892.50	35,051,672.52	37,446,565.02
2008		2,394,892.50	22,770,925.19	25,165,817.69
2009		2,394,892.50	24,643,919.85	27,038,812.35
2010		2,394,892.50	21,557,172.52	23,952,065.02
2011	$ 1,685,000.00	2,394,892.50	18,481,922.52	22,561,815.02
2012	1,745,000.00	2,337,602.50	18,479,021.43	22,561,623.93
2013	1,830,000.00	2,271,292.50	18,462,807.77	22,564,100.27
2014	1,915,000.00	2,203,582.50	18,445,826.94	22,564,409.44
2015	2,000,000.00	2,130,812.50	18,431,581.52	22,562,394.02
2016	2,095,000.00	2,052,812.50	18,414,290.84	22,562,103.34
2017	2,195,000.00	1,969,012.50	18,397,074.17	22,561,086.67
2018	2,330,000.00	1,859,262.50	18,374,806.41	22,564,068.91
2019	2,465,000.00	1,742,762.50	18,354,471.69	22,562,234.19
2020	2,590,000.00	1,638,000.00	18,331,958.91	22,559,958.91
2021	2,745,000.00	1,508,500.00	18,310,821.48	22,564,321.48
2022	2,895,000.00	1,371,250.00	18,296,000.00	22,562,250.00
2023	3,040,000.00	1,226,500.00	18,296,250.00	22,562,750.00
2024	21,490,000.00	1,074,500.00		22,564,500.00
TOTAL	$51,020,000.00	$39,351,840.00	$402,516,265.31	$492,888,105.31

[1] For purposes of this table, debt service on the County's Series 2001-B Warrants has been computed to include interest at an assumed rate of 4.30% per annum (see "Outstanding Swap Transaction" herein), a fee for the County's related liquidity facility 0.15% per annum, and a remarketing fee of 0.08% per annum.
[2] The amounts for each year have been computed as the sum of (i) the principal of the Series 2004-A Warrants due, (ii) interest due on such principal of the Series 2004-A Warrants and (iii) other debt.

Outstanding Swap Transactions

Under Alabama law and the County's general liability management policy, the County has the power to enter into interest rate swap transactions from time to time. The County and Morgan Guaranty Trust Company of New York are now parties to a rate swap transaction (the "Outstanding Swap") that is referable to the County's General Obligation Warrants, Series 2001-B. The Outstanding Swap has a notional amount of $120,000,000, an effective date of April 19, 2001, and a termination date of April 1, 2011. Under the terms of the Outstanding Swap, the County (a) is entitled to receive monthly payments calculated by reference to said notional amount and the BMA Municipal Swap Index and (b) is obligated to make semiannual payments calculated by reference to said notional amount and the fixed rate of 4.295% per annum. Morgan

Guaranty has the option to cancel the Outstanding Swap on April 1, 2008, or any April 1 or October 1 thereafter.

The County has entered into various interest rate swap transactions with respect to certain Sewer Warrants. In each of these transactions, the swap counterparty is obligated to post collateral to secure such counterparty's payment obligation but the County is not required to post collateral under any circumstances.

Under two of the County's swap transactions (which are referred to herein as "Contingent Variable Payment Swaps"), the County, if the swaps were exercised, (a) would be obligated to make monthly payments calculated by reference to the applicable notional amount and the BMA Municipal Swap Index and (b) is entitled to receive semiannual payments calculated by reference to the applicable notional amount and the applicable fixed interest rate.

The Contingent Variable Payment Swaps are between the County and JPMorgan Chase Bank (as successor to Morgan Guaranty Trust Company of New York) ("Morgan"). Those transactions (the "Morgan Transactions") give Morgan the option starting on February 1, 2009 to enter into a swap to floating with the County and have notional amounts of $200,000,000 and $175,000,000, respectively. The Morgan Transaction with a notional amount of $200,000,000 if exercised would have a termination date of January 1, 2016, and a fixed rate (for determining payments to be made by Morgan) of 5.069%.

The Morgan Transaction with a notional amount of $175,000,000, if exercised, would have a termination date of January 1, 2016, and a fixed rate (for determining payments to be made by Morgan) of 5.2251%.

Under three of the County's swap transactions (which are referred to herein as "Outstanding Variable Payment Swaps"), the County (a) is obligated to make monthly payments calculated by reference to the applicable notional amount and the BMA Municipal Swap Index and (b) is entitled to receive semiannual payments calculated by reference to the applicable notional amount and the applicable fixed interest rate. For each of the Outstanding Variable Payment Swaps, the following descriptions take into account both (i) the provisions of the initial swap transaction and (ii) the provisions of a subsequent transaction (the "Interim Reversal") that effectively reversed, for a specified period of time, the provisions of such initial transaction (if applicable).

One of the Outstanding Variable Payment Swaps is between the County and JPMorgan Chase Bank (as successor to Morgan Guaranty Trust Company of New York) ("Morgan"). This transaction has a notional amount of $111,825,000 and had an effective date of May 1, 2004, a termination date of February 1, 2024, and a fixed rate (for determining payments to be made by Morgan) of 4.325%. Morgan has the option to terminate the swap on or after November 1, 2005.

The second Outstanding Variable Payment Swap is between the County and Bank of America, NA. This transaction has a notional amount of $110,000,000 and had an effective date of April 1, 2004, a termination date of February 1, 2024, and a fixed rate (for determining payments to be made by Morgan) of 4.815%. Morgan has the option to terminate the swap on or after April 1, 2005.

The third Outstanding Variable Payment Swap is between the County and Morgan (as successor to The Chase Manhattan Bank). That transaction has a notional amount of $70,000,000, an effective date of February 1, 2002, a termination date of February 1, 2031, and a fixed rate (for determining payments to be made by Morgan) of 5.17%. Morgan has the option to cancel this transaction on the first calendar day of any month occurring after January 31, 2007. Because of the related Interim Reversal transaction, until February 1, 2007, the only scheduled payments are payments from Morgan to the County determined by applying a net fixed rate of 1.225% to said notional amount (provided that Morgan has an option to cancel the Interim Reversal transaction on February 1, 2005, and semiannually thereafter until February 1, 2007).

In addition to the Outstanding Variable Payment Swaps, the County has entered into certain fixed payment swap transactions (referred to herein as the "Outstanding Fixed Payment Swaps"). The first Outstanding Fixed Payment Transaction is between the County and Morgan and relates to the issuance of the Series 2002-A Warrants (the "Initial Fixed Payment Transaction"). The Initial Fixed Payment Transaction has notional amount of $110,000,000 (which notional amount amortizes according to the mandatory redemption schedule of the Series 2002-A Warrants), an effective date of February 15, 2002, and a termination date of February 1, 2042. Under such transaction, the County (a) is obligated to make semiannual payments calculated by reference to said notional amount and a fixed rate of 5.06% and (b) is entitled to receive monthly payments calculated by reference to said notional amount and the BMA Municipal Swap Index. The County has done a basis swap in connection with this issuance with Bear Stearns Capital Markets so that the County now receives 56% of one-month LIBOR (London InterBank Offered Rate) plus 49 basis points.

In connection with the issuance of the Series 2002-C Warrants, the County has entered into separate Outstanding Fixed Payment Transactions with Morgan, Bank of America, N.A. and Lehman Brothers with an aggregate notional amount equal to $839,500,000 (which notional amount amortizes according to the mandatory redemption schedule of the Series 2002-C Warrants), an effective date of October 25, 2002, and a termination date of February 1, 2040. Under such transactions, the County is obligated to make semiannual payments calculated by reference to said notional amount and a fixed rate of 3.92% and is entitled to receive monthly payments calculated by reference to the same notional amount and an interest rate equal to 67% of one-month LIBOR (London InterBank Offered Rate). Neither the County nor any counterparty involved in these transactions has an option to terminate earlier than the designated termination dates in the absence of certain extraordinary events, such as a default by either party or a rating downgrade of the County. The County has restructured this transaction with Bear Stearns Capital Markets so that effective February 1, 2011 the County will no longer receive 67% of one-month LIBOR (London InterBank Offered Rate) but will receive 56% of one-month LIBOR plus 49 basis points.

In connection with the issuance of the Series 2003-B Warrants, the County has entered into an Outstanding Fixed Payment Transaction with Morgan with an aggregate notional amount of $1,035,800,000 (which notional amount amortizes according to the mandatory redemption schedule of the Series 2003-B Warrants other than the Series 2003-B-8 Warrants), an effective date of May 1, 2003 and a termination date of February 1, 2042. Under such transaction, the County (a) is obligated to make semiannual fixed payments to Morgan calculated by reference to the applicable notional amount and a fixed rate of 3.678% and (b) is entitled to receive monthly floating payments from Morgan calculated by reference to the same notional amount and 67% of one-month LIBOR (or, for the first year only, the BMA Municipal Swap Index). Neither the County nor Morgan has an option to terminate earlier than the designated termination date in the absence of certain extraordinary events, such as a default by either party or a rating downgrade of the County. The County has restructured this transaction in separate agreements with Bear Stearns Capital Markets and Bank of America, NA so that effective August 1, 2012 the County will no longer receive 67% of one-month LIBOR (London InterBank Offered Rate) but will receive 56% of one-month LIBOR plus 49 basis points.

In connection with the issuance of the Series 2003-C Warrants, the County has entered into separate Outstanding Fixed Payment Transactions with Morgan and Bank of America, NA with an aggregate notional amount of $1,052,025,000 (which notional amount amortizes according to the mandatory redemption schedule of the Series 2003-C Warrants, an effective date of August 7, 2003 and a termination date of February 1, 2042. Under such transaction, the County (a) is obligated to make semiannual fixed payments to Morgan and Bank of America calculated by reference to the applicable notional amount and a fixed rate of 3.596% and (b) is entitled to receive monthly floating payments from Morgan and Bank of America calculated by reference to the same notional amount and 67% of one-month LIBOR (or, until February 1, 2005 the BMA Municipal Swap Index). Neither the County nor the Counterparties have an option to terminate earlier than the designated termination date in the absence of certain extraordinary events, such as a default by either party or a rating downgrade of the County.

In the case of all the Outstanding Fixed Payment Transactions, the County is entitled to receive payments calculated by reference to the one-month LIBOR, an index of taxable obligations. Therefore, although the County expects that the payments the County will receive under such transactions will approximate (both in amount and date of payment) the payments of interest due on the Series 2002-A Warrants, Series 2002-C Warrants, Series 2003-B Warrants and the Series 2003-C Warrants, respectively, no assurances can be given that the County will not be adversely affected by factors which may have an impact on the spread between taxable and tax-exempt rates, including without limitation, a legislative change in marginal tax brackets.

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Debt Ratios

The following table sets forth certain debt ratios applicable to the County:

Jefferson County, Alabama
Debt Ratios

	After issuance of Series 2004-A Warrants
Population[1]	663,222
Assessed Value of Taxable Property[2]	$6,843,559,361
General Obligation Debt[3]	$330,825,000
General Obligation Debt Per Capita	$493.69
Ratio of General Obligation Debt to Assessed Value	4.78%

[1] Based on 2000 Census.
[2] Source: Jefferson County Tax Assessor and Department of Revenue (as of September 30, 2003).
[3] After giving effect to the issuance of the Series 2004-A Warrants.

Constitutional Debt Limit

The Alabama Constitution provides that counties may not become indebted in an amount in excess of five percent (5%) of the assessed value of the property situated therein and subject to taxation. The total assessed value of the property in the County as assessed for County taxation (giving effect to all applicable exemptions from such taxation) as of May 31, 2004 was $6,919,647,736. Consequently, the constitutional debt limitation applicable to the County is $345,982,387.

Under existing law, the amount of any indebtedness chargeable against the constitutional debt limit is reduced by the amount of any escrow or sinking fund held for the payment of such indebtedness. Indebtedness chargeable against the constitutional debt limit does not include obligations payable solely from the revenues derived from a project which was acquired with the proceeds of such obligations.

Excluding obligations which are not chargeable to the constitutional debt limit because advance refunding escrows have been established for their payment and taking into account sinking funds established for obligations not fully refunded, the outstanding debt of the County, after issuance of the Series 2004-A Warrants, will be $330,825,000. Consequently, the County can incur additional indebtedness in the approximate amount of $15,157,387 [(viz., $345,982,387 – $330,825,000)] without violating its constitutional debt limit.

Civic Center Financing

The Birmingham-Jefferson Civic Center Authority (the "Authority") is a public corporation that owns and operates a civic center complex (the "Civic Center") located in the County. In order to finance the costs of certain improvements and additions to the Civic Center, the Authority issued and sold $132,380,000 principal amount of tax-exempt bonds in 1989. In order to assist the Authority in this undertaking, the City of Birmingham and the County entered into separate agreements with the Authority in which they pledged and appropriated certain tax revenues to the Authority for the purpose of paying a portion of the debt service on the aforesaid bonds of the Authority. The agreement between the County and the Authority provides for the pledge and appropriation by the County to the Authority of certain proceeds of the Special County Occupational Tax, with no other County revenues being subject to such financial commitment. Under the provisions of said agreement, the County is required to make payments to the Authority out of such proceeds in the amount of $10,000,000 per year for each calendar year until and including 2008.

Jefferson County Economic and Industrial Development Authority Financing

The Jefferson County Economic and Industrial Authority (the "JCEIA") is a public corporation organized and existing under and pursuant to the provisions of Chapter 92A of Title 11 of the Code of Alabama 1975, Section 11-92A-1, et seq. (the "Enabling Law"). The Enabling Law authorizes the incorporation by counties in the State of Alabama of public corporations referred to as "industrial development authorities" for the purpose of promoting the industrial and economic development of the State by inducing industrial and commercial enterprises to locate, expand, or improve their operations or remain in the State. Such authorities are empowered, among other things, to issue bonds for the purpose of acquiring, constructing and developing industrial parks. The JCEIA has developed an industrial park known as the Jefferson Metropolitan Park (the "JMP") located in the western portion of the County. The JCEIA issued Industrial Park Revenue Bonds, Series 2004-A in the aggregate amount of $3,240,000 and Taxable Industrial Park Revenue Bonds, Series 2004-B in the aggregate amount of $7,410,000 (collectively "the JCEIA Bonds"). The JCEICA Bonds were issued for the purpose of refunding bonds issued by JCEIA in 1998 to finance a portion of the cost of acquiring and developing the JMP. The County, the JCEIA and the JCEIA's Trustee entered into a Funding Agreement dated February 1, 2004 pursuant to which the County agreed to pay amounts sufficient to provide for the principal of and interest on the JCEIA Bonds due in any fiscal year of the County to the extent that funds available for such purpose are insufficient to pay such principal and interest.

The JCEIA Bonds do not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers, except to the extent of the obligations undertaken by the County in the Funding Agreement. The County has agreed to make certain payments to cover principal of and interest due on the JCEIA Bonds within each fiscal year of the County during which the Funding Agreement is in effect, to the extent that the Authority's funds from the sales of land within the Project are insufficient for such purpose. The Funding Agreement is a year-to-year obligation of the County, subject to automatic renewal in each successive fiscal year unless the County provides written notice by August 1 of the prior fiscal year that it elects not to renew the Funding Agreement.

The County's obligation to make the payments provided for in the Funding Agreement during each one-year term constitutes a general obligation of the County and the County has pledged its full faith and credit for such payments; however, all obligations of the County under the Funding Agreement are payable solely out of the current revenues of the County for the fiscal year during which the County becomes obligated to pay or otherwise discharge such obligations.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Jefferson County is Alabama's most populous county and is the principal center of finance, trade, manufacturing, transportation, health care and education in the State of Alabama. Birmingham, the State's largest city, and the county seat and 45 other municipalities are located within the County's 1,141 square miles. In 2000 the Birmingham MSA was expanded to include additional counties and was officially designated the Birmingham-Hoover MSA by the federal Office of Management and Budget. The seven Birmingham-Hoover MSA counties are: Bibb, Blount, Chilton, Jefferson, Saint Clair, Shelby and Walker. The County, which had a population of 663,222 in 2000, is the center of the new seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA),[1] which covers approximately 5,310 square miles. The total population of the 7 counties now comprising the Birmingham-Hoover MSA was 1,075,248[2] in 2003, making it the 48th most populated area among the 316 metropolitan areas in the U.S.[3]

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

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

Banking and finance is also a major pillar of the region's economic base. Birmingham is the Southeast's largest banking center outside Charlotte, North Carolina and is home to more large banks than any other U.S. city outside New York. Headquarters to four of the nation's top fifty largest banks, Birmingham ranks among the nation's top ten cities in total banking assets.

The Birmingham-Hoover Metropolitan Area is the center of the nation's fastest developing automotive manufacturing region. Mercedes Benz, Honda and Hyundai have major manufacturing facilities within an eighty-five mile radius of downtown Birmingham. The

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

[2] Source: Birmingham Regional Chamber of Commerce

[3] Source: Jefferson County

region's economic base has benefited from its proximity to these major manufacturing facilities with the location of several automotive suppliers.

Population

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

Population Trends

Year	Jefferson County	Birmingham-Hoover MSA	State of Alabama
2003	660,751	1,075,248	4,486,508*
2000	663,047	1,052,238	4,447,100
1990	651,527	956,858	4,040,389
1980	671,324	884,040	3,893,888
1970	644,991	794,083	3,444,165
1960	634,864	772,044	3,266,740
1950	558,928	708,721	3,061,743

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

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Employment and Labor Force

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

Jefferson County Employment and Labor Force

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

[1] Place of residence basis.
[2] Rate computed on unrounded data.
Source: Alabama Department of Industrial Relations.

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

BIRMINGHAM-HOOVER MSA
LARGEST EMPLOYERS
2002

Employer	Service or Product	Number of Employees
University of Alabama at Birmingham	Education, medical research	16,271
U.S. Government	Federal government	9,690
BellSouth	Telecommunications	7,500
State of Alabama	State government	6,784
Baptist Health System	Integrated healthcare system	6,000
Bruno's, Inc.	Retail grocery store	5,374
Jefferson County Board of Education	Education	5,000
Birmingham Public Schools	Education	4,555
City of Birmingham	Municipal government	4,500
Wal-Mart	Discount department stores	4,320
Jefferson County Government	County government	4,191
HealthSouth Corporation	Healthcare and rehabilitation	3,960
AmSouth Bancshares	Banking and financial services	3,624
Southern Company Services	Utilities	3,207
SouthTrust Bank	Banking and financial services	3,094
Alabama Power Company	Utilities	3,000
Regions Financial	Banking services	3,000
Drummond Company	Coal mining	2,900
Children's Health System	Healthcare	2,800
Blue Cross-Blue Shield of Alabama	Employee benefits	2,750
Shelby County Board of Education	Education	2,734
UAB Health Services Foundation	Healthcare	2,500
American Cast Iron Pipe	Iron and steel pipe, steel castings	2,400
USX	Steel Mill	2,400
Compass Bank	Banking and financial services	2,371

Source: Birmingham Regional Chamber of Commerce, May 2003.

Per Capita Personal Income

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

Per Capita Personal Income

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

*Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.
Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

Median Family Income

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

National, State And Birmingham MSA Median Family Income

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

*Estimates.
**Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.
Source: Center for Business and Economic Research, The University of Alabama; HUD Office of Economic Affairs.

Housing and Construction

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

BIRMINGHAM AREA HOUSING UNITS

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

*Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.
Source: Bureau of the Census, U.S. Department of Commerce, Birmingham Regional Chamber of Commerce.

BIRMINGHAM-HOOVER MSA
RESIDENTIAL CONSTRUCTION ACTIVITY

Year	Residential	Non-Residential	Total
2002	$853,183,000	$675,838,000	$1,529,021,000
2001	742,062,000	859,610,000	1,601,672,000
2000	801,628,000	805,903,000	1,607,531,000
1999	538,829,000	785,076,000	1,323,905,000
1998	756,759,000	639,879,000	1,396,638,000

Source: Birmingham Regional Chamber of Commerce.

Education

The County is home to nine major institutions of higher education, with a combined enrollment of over 33,000.

The County is the home of six colleges and universities, four business schools and five junior colleges and trade schools. These schools have a combined enrollment of over 35,000.

The largest institution is the University of Alabama at Birmingham (UAB), which includes University College, the Graduate School and the UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 16,000. The UAB Medical Center consists of the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health. UAB has an annual payroll exceeding $590 million and is the largest employer in the County.

Institutions of Higher Education
Jefferson County

Name	Type	Enrollment June 2003
Four-Year		
Birmingham School of Law	Private	475
Birmingham-Southern College	Private	1,550
Miles College	Private	1,838
Samford University	Private	4,485
Southeastern Bible College	Private	250
University of Alabama at Birmingham*	State Supported	16,016
Two-Year		
Bessemer State Technical College	State Supported	1,800
Herzing College of Business & Technology	Private	500
ITT Technical Institute	Private	400
Jefferson State Junior College	State Supported	6,723
Lawson State Community College	State Supported	2,100
Virginia College	Private	2,500

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

Primary and Secondary Education

The Jefferson County School System consists of 62 schools with an enrollment of approximately 42,000 students. The City of Birmingham has 75 schools in its system and approximately 38,000 students. The nine other public school systems in the County encompass 46 schools and more than 30,600 students. In addition, the Birmingham MSA has 79 private and denominational schools with grades ranging from kindergarten through high school.

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The following chart provides a statistical comparison among the City of Birmingham, the Birmingham MSA, Jefferson County, and the State of Alabama for a number of demographic and economic indicators.

Jefferson County, Alabama
Statistical Comparison to City of Birmingham,
Birmingham MSA[1] and State of Alabama

Area	Population[2]	Percent of Alabama	Households	Percent of Alabama	Household Median EBI	Percent of Alabama Median EBI
Birmingham	251,700	5.7%	102,700	6.1%	$25,494	82.0%
Jefferson County	658,100	15.0%	262,700	15.6%	34,216	110.0%
Birmingham MSA	920,200	21.0%	360,900	21.4%	35,885	115.4%
Alabama	4,386,800	100.0%	1,688,400	100.0%	31,098	100.0%

Area	Total Retail Sales (000)	Percent of Alabama	Eating and Drinking Sales (000)	Percent of Alabama	General Merchandise Sales (000)	Percent of Alabama
Birmingham	$4,116,094	8.8%	$ 332,710	8.6%	$ 330,500	4.6%
Jefferson County	9,382,617	20.1%	827,133	21.4%	1,266,626	17.7%
Birmingham MSA	11,274,596	24.2%	1,028,651	26.6%	1,530,437	21.4%
Alabama	46,650,368	100.0%	3,861,550	100.0%	7,164,367	100.0%

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

[2] Population as projected by Sales & Marketing Management.

Notes: Effective Buying Income ("EBI") is generally known as "disposable personal income" and is equal to personal income less personal taxes (federal, state and local), nontax payments (fines, fees and penalties) and personal contributions to social security.

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

Source: "2002 Survey of Buying Power," Sales & Marketing Management.

Transportation

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

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

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

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

AIRLINE OPERATIONS
PASSENGERS ON & OFF

Year	Number of Passengers
1991	1,934,305
1992	1,970,201
1993	2,076,326
1994	2,244,181
1995	2,508,205
1996	2,749,403
1997	2,747,225
1998	2,854,917
1999	3,046,220
2000	3,067,777
2001	3,012,729
2002	2,810,990
2003	2,664,531

Source: Birmingham Regional Chamber of Commerce, Executive Director, Birmingham Airport Authority.

LITIGATION

Special County Occupational Tax Litigation

The County levies and collects the Special County Occupational Tax at the rate of 1/2 of 1% of the gross receipts of each person following a vocation, occupation, calling or profession within the County. A group of taxpayers represented by Jason Richards filed suit against the County challenging the constitutionality of the Special County Occupational Tax. The basis of the challenge was that the occupational tax violated the Equal Protection Clause found in the United States Constitution. After years of litigation in both state and federal court, the Alabama Supreme Court ruled in June 2001 that the Special County Occupational Tax does not violate the

United States Constitution and thereby upheld the constitutionality of the tax. This opinion became final and non-appealable when the United States Supreme Court denied a Petition for a Writ of Certiorari in the case on November 13, 2001.

A class action lawsuit also involving the County's occupational tax has been filed, alleging that the occupational tax is an unlawful income tax that violates Amendment 25 of the Alabama Constitution. The County filed a motion to dismiss this lawsuit asserting that the claim is barred by the doctrine of *res judicata* and *stare decisis* based on the June 2001 ruling of the Alabama Supreme Court described above. The County's motion to dismiss was granted by the trial court on May 30, 2004. The Plaintiff has until July 12, 2004 to file an appeal with the Alabama Supreme Court. No appeal has been filed at this time. The County expects to prevail on this matter if an appeal is filed.

Pension Board Litigation

Two consolidated cases, Black, et.al. v. The Pension Board, Civil Action No. 03-870 and Alexander, et.al. v. Jefferson County Commission et.al., Civil Action No. 03-6139, involving the constitutionality of Alabama Act 03-343 were filed on June 25, 2003 and September 29, 2003, respectively. Act 03-343 purports to allow any County employee to obtain service credit toward a County pension by buying back from the County any County service time for which the employee withdrew County pension funds and service time worked with any other governmental jurisdiction subject to the Jefferson County Merit System. If allowed to buy back this time the County will also be required to contribute 6% of the employee's buy-back amount to the pension system on behalf of the employee. The Actuary for the County's Pension Board has estimated that Act 03-343 will cost the County $30 million dollars if every employee entitled by Act 03-343 to buy back unpaid service time does so. The litigation is in the discovery stage. In its answer to the complaint the County has alleged that Act 03-343 was enacted in violation of sections 45 and 63 of the Alabama Constitution and the equal protection clause of the U.S. Constitution. The County expects that Act 03-343 will ultimately be declared null and void.

Civic Center Transactional Taxes Litigation

Two consolidated cases, City of Birmingham v. BJCC, Civil Action No. 03-6523 and BJCC v. Jefferson County, Civil Action No. 04-0532, are pending in the trial court awaiting a decision from the trial court judge. These consolidated cases involve the constitutionality of Alabama Acts 03-288, 03-357 and 04-531. Act 03-357 purports to authorize the Birmingham-Jefferson Civic Center Authority to retain certain county, city and state transaction taxes. The projected impact on the County is approximately $1 million dollars of lost revenue per year. Act 03-288 purports to levy a sales tax on alcohol with the proceeds earmarked for the Birmingham-Jefferson Civic Center Authority. Act 04-531 purports to validate Acts 03-357 and 03-288. In its answer to the consolidated cases, the County asserts that all three acts were enacted in violation of section 63 of the Alabama Constitution and are void. The cases were tried on June 4, 2004. The trial court has not yet entered an order. The losing party is expected to appeal the trial court's decision to the Alabama Supreme Court.

Residential Sewer Rates Litigation

Fred Allen v. Jefferson County Commission, Civil Action No. 01-491, a purported class action challenging Jefferson County's residential customer sewer rate is currently pending in the trial court. The suit alleges that the 15% credit provided to residential customers for water not returned to the sewer system is so low as to be arbitrary and capricious. This case is in the discovery phase and has not yet been set for trial. Amendment 73 to the Alabama Constitution gives the County plenary authority to set its sewer rates. The 15% credit is substantially more than the credits provided in other jurisdictions throughout the southeastern United States. The County expects its sewer rate will be declared valid in all respects.

Landlord/Tenant Sewer Charges and Collections Litigation

The Alabama Legislature passed Act No. 2004-522 in May 2004. The Act purports to eliminate the authority of the County to collect sewer service charges of tenants from the owner of the served property and eliminates the County's lien on the property for the service charge. The County's authority to collect from the owner of the property and to place a lien on the property is established by Amendment 73, Constitution of Alabama. The County asserts that the Alabama legislature has no power to eliminate or restrict a power provided by Constitution. The County is filing a declaratory judgment suit to declare Act No. 2004-522 unconstitutional and null and void.

General

The County is a defendant in numerous other suits and has been notified of numerous claims against it arising from alleged negligence relating to motor vehicles and other matters relating to the normal operation of a county, as well as suits and claims arising from alleged denial of civil rights. Some of such suits and claims demand damages in large amounts. The County believes that any liability resulting from such suits and claims will be covered adequately by the funds of the County which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

The immunity from tort liability formerly enjoyed by local governmental units in Alabama has been largely eroded by recent court decisions. The Code of Alabama 1975, Title 11, Chapter 93, as amended, prescribes certain maximum limits on the liability of Alabama local governmental units (such as the County) for bodily injury, sickness, disease or death sustained by a person and for damage to or destruction of tangible property. Although the general constitutional validity of Chapter 93 has been upheld by the Supreme Court of Alabama, it has been held to be inapplicable to causes of action under Section 1983 of Title 42 of the United States Code. The County, along with other local governmental units throughout the country, has been increasingly subjected to lawsuits (many of which claim damages in large amounts) for alleged denial of civil rights under the provisions of Section 1983.

The Consent Decree

The County has been a defendant in certain civil actions (collectively referred to as the "Clean Water Act litigation") in which the County allegedly violated various provisions of the federal Clean Water Act, 33 U.S.C. § 1251 et seq. (the "Clean Water Act") in the operation of the

System. The plaintiffs in the Clean Water Act litigation included private citizens, an environmental group, and the United States Justice Department, acting at the request and on behalf of the Environmental Protection Agency ("EPA"). The actions were filed and consolidated in the United States District Court, for the Northern District of Alabama, Southern Division (United States of America v. Jefferson County, Alabama, et al., Civil Action No. 94-G-2947-S, and R. Allen Kipp, Jr. et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama, et al., Civil Action No. 93-G-2492-S).

The thrust of the claims by the plaintiffs in the Clean Water Act litigation was that the System has discharged untreated water containing raw sewage into the Cahaba River and the Black Warrior River and that these discharges violate the standards and limitations of the Clean Water Act as well as the System's various permits issued under the National Pollution Discharge Elimination System (NPDES) of the Clean Water Act. The plaintiffs claimed that the discharges occur during periods of heavy rainfall when the rainwater infiltrates or flows into the lateral and collector lines for the System; that this infiltration and inflow increases the volume of water in the System beyond capacity limits of the System's treatment plants; and that untreated or partially treated waste water above treatment plant capacity limits bypasses the treatment plants and is diverted during these periods directly into rivers in violation of the Clean Water Act and the System's NPDES permits.

On January 20, 1995 the District Court granted partial summary judgment in favor of the plaintiffs, finding that the County and the System were in violation of the Clean Water Act, and directed the parties to engage in settlement discussions with respect to the appropriate remedy. On July 31, 1995 the County announced that it had reached an agreement with the plaintiffs on the essential terms of a settlement; the terms of such settlement are now embodied in a Consent Decree (the "Consent Decree") that was approved and entered by the District Court on December 9, 1996.

The principal component of the Consent Decree is a remedial plan to eliminate bypasses and unpermitted discharges of untreated sewage and sewer system overflows. The action requirements of the decree consist of three phases -- essentially, a planning phase and an investigative phase (both of which have been completed) and an implementation phase -- all of which must occur over a twelve-year period. The Consent Decree provides for stipulated penalties if the County fails to meet submittal dates for plans, reports and schedules under the remedial plans, deadlines for completing remedial work and deadlines relating to the Supplemental Environmental Project referred to below. Such stipulated penalties apply on a per-day basis and are potentially substantial. If EPA makes a written demand for stipulated penalties, the County has the right to contest EPA's position, both directly with EPA and the Court pursuant to dispute resolution provisions in the decree. Moreover, if delays result from causes outside the County's control (force majeure), stipulated penalties may not be assessed. The County does not expect to incur substantial penalties under the Consent Decree. The County has not failed to meet any deadline imposed by the Consent Decree and has not been assessed any penalties by EPA.

A significant feature of the Consent Decree is a mechanism to provide for the establishment of a unified County-wide system for collection and treatment of sewage under the authority of the County. Such unification has now been achieved, resulting in the conveyance to the County of all municipal systems in the County. This unification provides the County with the means to address the problems of infiltration and inflow in lateral and collector lines which is the principal objective of the Consent Decree.

Pursuant to the Consent Decree, the County has paid $750,000 to the United States Government as a penalty for past violations of the Clean Water Act. In addition, the County has agreed to undertake a supplemental environmental project ("SEP") at a cost of $34 million that will be financed out of the funds raised to carry out the total remedial project. As of December 2002, the County has satisfied its obligation under the Consent Decree to pay $30 million into a trust fund for use in developing the SEP.

The economic impact of the Consent Decree on the County and the System is likely to be substantial. The County estimates that the cost of bringing the System into consistent compliance with the Clean Water Act, as required by the Consent Decree, will likely exceed $2.0 billion, not including any stipulated penalties that may be imposed. The financing of costs of this magnitude will require significant increases in the charges payable by the users of the System. However, there can be no assurance that the actual cost of compliance will be within the range of this estimate.

NO BANK QUALIFICATION

The Series 2004-A Warrants are not "qualified tax-exempt obligations" for purposes of paragraph (3) of subsection (b) of Section 265 of the Internal Revenue Code of 1986, as amended, regarding interest incurred to carry tax-exempt obligations.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders of the Series 2004-A Warrants to provide, through its designated Dissemination Agent, as defined hereinafter, certain information repositories with (i) certain financial information and operating data relating to the County on an annual basis (the "Annual Financial Information") within 180 days after the end of its fiscal year and (ii) notices ("Material Event Notices") of the occurrence of the following events (each a "Notice Event"), if it deems them to be material:

A delinquency in payment of principal of or interest on the Series 2004-A Warrants.

Non-payment related defaults under the proceedings of the County authorizing the Series 2004-A Warrants, whether or not such defaults constitute an event of default thereunder.

Unscheduled draws on the debt service reserve fund reflecting financial difficulties of the County.

Unscheduled draws on any credit enhancement or liquidity facility with respect to the Series 2004-A Warrants reflecting financial difficulties of the County.

Substitution of a credit enhancer for the one originally described in the Official Statement, or the failure of any credit enhancer respecting the Series 2004-A Warrants to perform its obligations under the agreement between the County and such credit enhancer.

The existence of any adverse tax opinion with respect to the Series 2004-A Warrants or events affecting the tax-exempt status of interest on the Series 2004-A Warrants.

Any modification of the rights of the registered owners of the Series 2004-A Warrants.

Redemption of any of the Series 2004-A Warrants prior to the stated maturity or mandatory redemption date thereof.

Defeasance of the lien of any of the Series 2004-A Warrants or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2004-A Warrants, or any of them, to be no longer regarded as outstanding thereunder.

The release, substitution or sale of the property securing repayment of the Series 2004-A Warrants.

Any changes in published ratings affecting the Series 2004-A Warrants.

Failure of any person obligated to provide financial information or operating data pursuant to the provisions hereof to do so on or prior to the date such financial information or operating data is required herein to be furnished.

The Annual Financial Information will include financial information and operating data relating to the County of the type found in the sections of this Official Statement called "COUNTY SALES AND USE TAXES," "SPECIAL COUNTY OCCUPATIONAL TAX," "AD VALOREM TAXATION," and "COUNTY DEBT." In addition, the County, through the Dissemination Agent, will provide to such repositories, when and if available, audited financial statements prepared in accordance with accounting principles described in the audited financial statements included in this Official Statement as an appendix.

The Annual Financial Information is required to be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") as designated by the Securities and Exchange Commission and with any Alabama state information depository. Material Event Notices are required to be filed with each NRMSIR and any Alabama state information depository or the Municipal Securities Rulemaking Hoard and any Alabama state information repository.

In order to provide the continuing disclosures identified herein in accordance with In order to provide certain continuing disclosure with respect to the Series 2004-A Warrants in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, the County has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the holders of the Series 2004-A Warrants with Digital Assurance Certification, L.L.C. ("DAC"), under which the County has designated DAC as Dissemination Agent. The Dissemination Agent has only the duties specifically set forth in the Continuing Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the County has provided such information to the Dissemination Agent as required by this Continuing Disclosure Agreement. The Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Continuing Disclosure Agreement. The Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or voluntary report, or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the holders of the Series 2004-A Warrants or any other party. The Dissemination Agent has no responsibility for the County's failure to report to the Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine or liability for failing to determine whether the County has complied with the Continuing Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the County at all times.

The County shall never be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the holders of the Series 2004-A Warrants for breach by the County of its obligations to provide the required information shall be the remedy of specific performance or mandamus against appropriate officials of the County. The failure by the County to provide the required information shall not be an event of default with respect to the Series 2004-A Warrants under the Warrant Resolution.

No person other than the County shall have any liability or responsibility for compliance by the County with its obligations to provide information. While the county has appointed DAC as Dissemination Agent for the County with respect to the Series 2004-A Warrants, the County may, upon 30 days' written notice to the Dissemination Agent and the Paying Agent, replace or appoint a successor to the Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' prior written notice to the County. The Paying Agent has not undertaken any responsibility with respect to any required reports, notices or disclosures. The County retains the right at any time in the future to designate one or more additional dissemination agents to assist the County in complying with its continuing disclosure obligations.

The County retains the right to modify its obligations described above as long as such modification is done in a manner consistent with Rule 15c2-12 of the Securities and Exchange Commission.

LEGAL MATTERS

The legality and validity of the Series 2004-A Warrants will be approved by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, and Valeria Frye Walker, Esq., as Co-Bond Counsel. Co-Bond Counsel has been employed primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2004-A Warrants have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2004-A Warrants and the exemption of interest thereon from federal and State of Alabama income taxes. It is anticipated that Co-Bond Counsel will render an opinion substantially in the form attached hereto as ***Appendix B***. In connection with the rendering of this opinion, Co-Bond Counsel is acting as counsel for the County.

Certain legal matters will be passed upon for the Underwriters, by their co-counsel, Peck, Shaffer & Williams LLP, Atlanta, Georgia, and James L. North & Associates, Birmingham, Alabama.

The various legal opinions to be delivered concurrently with the delivery of the Series 2004-A Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

General

In the opinion of Co-Bond Counsel, under existing law, interest on the Series 2004-A Warrants will be excludable from gross income for federal income tax purposes if the County complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), that must be satisfied subsequent to the issuance of the Series 2004-A Warrants in order that interest thereon be and remain excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2004-A Warrants to be included in gross income, retroactive to the date of issuance of the Series 2004-A Warrants. The County has covenanted to comply with all such requirements.

Co-Bond Counsel is also of the opinion that under existing law interest on the Series 2004-A Warrants will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

Co-Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2004-A Warrants other than the opinions expressed in the two preceding paragraphs. The form of Co-Bond Counsel's opinion is expected to be substantially as set forth in ***Appendix B*** to this Official Statement.

Prospective purchasers of the Series 2004-A Warrants should be aware that ownership of the Series 2004-A Warrants may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to a branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2004-A Warrants. Co-Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2004-A Warrants should consult their tax advisors as to collateral federal income tax consequences.

Co-Bond Counsel is also of the opinion that under existing law interest on the Series 2004-A Warrants will be exempt from State of Alabama income taxation.

Original Issue Discount

Under existing law, the original issue discount in the selling price of a Series 2004-A Warrant, to the extent properly allocable to each owner of such Series 2004-A Warrant, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2004-A Warrant over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2004-A Warrants of such maturity were sold.

Under Section 1288 of the Internal Revenue Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2004-A Warrant during any accrual period generally equals (1) the issue price of such Series 2004-A Warrant plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity of such Series 2004-A Warrant (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on such Series 2004-A Warrant during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2004-A Warrant. Any gain realized by an owner from a sale, exchange, payment or redemption of a Series 2004-A Warrant will be treated as gain from the sale or exchange of such Series 2004-A Warrant.

Premium

An amount equal to the excess of the purchase price of the Series 2004-A Warrant over its stated redemption price at maturity constitutes premium on such Series 2004-A Warrant. A purchaser of a Series 2004-A Warrant must amortize any premium over such Series 2004-A Warrant's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2004-A Warrant is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2004-A Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2004-A Warrants at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2004-A Warrants.

UNDERWRITING

The Series 2004-A Warrants are being purchased from the County by SouthTrust Securities Inc., Compass Bank, M. R. Beal & Company, Joe Jolly & Co., Inc., Securities Capital Corporation and Blount Parish & Company (collectively the "Underwriters"). The Underwriters have agreed to purchase the Series 2004-A Warrants for an aggregate purchase price of $51,492,610.70 (which represents the face amount of the Series 2004-A Warrants plus net premium of $791,485.70, and less Underwriters' discount of $318,875.00) plus accrued interest, The initial public offering price set forth on the cover page may be changed by the Underwriters, and the Underwriters may offer and sell the Series 2004-A Warrants to certain dealers (including dealers depositing the Series 2004-A Warrants into investment trusts) and others at prices lower than the offering price set forth on the cover page. The Underwriters will purchase all the Series 2004-A Warrants if any are purchased.

RATINGS

The Series 2004-A Warrants have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA" by Standard & Poor's Ratings Service ("S&P"), a division of The McGraw-Hill Companies, Inc. Moody's and S&P are expected to assign the Series 2004-A Warrants ratings of "Aaa" and "AAA", respectively, with the understanding that upon delivery of the Series 2004-A Warrants, a policy insuring the payment of principal of and interest on the Series 2004-A Warrants will be issued by MBIA. See "INSURANCE" herein. Any explanation of the significance of such ratings may be obtained only from the appropriate rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2004-A Warrants, and any such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Series 2004-A Warrants. Neither the County nor the Underwriters have undertaken any responsibility either to bring to the attention of the Series 2004-A Warrant holders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

References herein to the Alabama Constitution and all legislative acts referred to herein are intended to be only brief outlines of certain provisions of each thereof and do not purport to summarize or describe all provisions thereof.

The distribution of this Official Statement and its use in the offering and sale of the Series 2004-A Warrants have been approved by the Commission.

JEFFERSON COUNTY, ALABAMA

By: _______________________________________
President of the Commission

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EXHIBIT A

STATE OF ALABAMA DEPARTMENT OF EXAMINERS OF PUBLIC ACCOUNTS
REPORT ON JEFFERSON COUNTY, ALABAMA
OCTOBER 1, 2002 THROUGH SEPTEMBER 30, 2003

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Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2002 Through September 30, 2003

Filed: March 26, 2004

Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.state.al.us

Ronald L. Jones, Chief Examiner

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State of Alabama
Department of
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P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
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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, 2002 through September 30, 2003.

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 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. ***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) presented 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 (RSI)*** – includes Budget to Actual Comparisons (Exhibits 11 through 13) 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 14 through 23), a Schedule of Expenditures of Federal Awards (Exhibit 24), 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 25) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

   Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 26) – a report on internal control related to the financial statements and on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

   Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 27) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

   Schedule of Findings and Questioned Costs (Exhibit 28) – a report summarizing the results of the audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by OMB Circular A-133.

   Auditee Response/Corrective Action Plan (Exhibit 29) – a response by the Commission on the results of the audit and corrective action plan for federal audit findings.

AUDIT COMMENTS

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

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 Jefferson County Commission (Commission). For the fiscal year ended September 30, 2003, 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.

AUDIT FINDINGS

- Procedures were not in place to ensure that all customers who are receiving sewer services are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers. Of fifty-eight (58) new customer notifications tested, thirteen (13) were not set up for sewer billing by Bessemer Water Service.

- The ***Code of Alabama 1975***, Section 11-8-3, requires the County Commission to adopt an estimate of the income of the County and to estimate the expense of operations for each fiscal year. It further provides "that the appropriations so made shall not exceed the estimated total income of the County available for appropriations." The Commission adopted an original and amended budget for the Road Fund in which budgeted expenditures exceeded the total of budgeted revenues and beginning fund balances.

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; however, one reportable condition was noted and is described below:

- The compliance requirement for subrecipient monitoring requires that all subrecipients be monitored to ensure compliance with all federal regulations. Procedures were not in place to monitor the subrecipient of the Youth Opportunity Grant to ensure that compliance requirements were timely and properly met. Some claims for reimbursement were submitted several months after the period of performance. The agency hired to monitor the subrecipient did not provide any monitoring reports to the Office of Community Development as required.

STATUS OF PRIOR AUDIT

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

- ♦ 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, 2003, the following funds had deficit fund balances:

Road Fund	$4,139,000
Senior Citizens Fund	$ 747,000
Capital Improvements Fund	$2,077,000

RECOMMENDATIONS

- ♦ Procedures should be implemented to ensure that all customers who receive sewer services are billed for the service.

- ♦ The Commission should ensure that adopted budgets are in compliance with the ***Code of Alabama 1975***, Section 11-8-3.

- ♦ The Jefferson County Office of Community Development should implement procedures to ensure that subrecipients of the Youth Opportunity Grant are in compliance with all requirements.

- ♦ 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 the deficit fund balances.

Sworn to and subscribed before me this the 3 day of 15, 2004.

Ruby C. Waller
Notary Public
My Commission Expires 8/21/04

Sworn to and subscribed before me this the 3 day of 15, 2004.

Ruby C. Waller
Notary Public
My Commission Expires 8/21/04

Sworn to and subscribed before me this the 15th day of March, 2004.

Robbie S Brown
Notary Public
My Commission expires 02/16/08

Sworn to and subscribed before me this the 15 day of March, 2004.

Ruby C. Waller
Notary Public
My Commission Expires 8/21/04

rb

Respectfully submitted,

Larry S. McPherson
Examiner of Public Accounts

Elizabeth L. Crowson
Examiner of Public Accounts

Angela G. O'Neal
Examiner of Public Accounts

Roderick Edwards
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, 2003, 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, 2003, 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 6, 2004 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 grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering 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 13, are not a required part 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 24) 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 14 through 23) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

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

February 6, 2004

Management's Discussion and Analysis
(Required Supplementary Information)

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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, 2003. Please read it in conjunction with County's basic financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The County's total net assets decreased $110 million, or 7%. While net assets of business-type activities decreased $107 million, or 8%, net assets of governmental activities remained virtually unchanged, showing a $2 million, or 1%, decrease.

- Total long-term liabilities increased almost $900 million, or 32%, with the vast majority coming from business-type activities.

- Total revenues increased $55 million, or 11%. However, total program expenses increased $81 million, or 14%.

- Charges for services from business-type activities increased $22 million as a result of the sewer rate going from $3.53 per hundred cubit feet of water used to $4.90.

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 and 3) 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 (pages 5 through 21) 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

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

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 $110 million, or 7.2%, from a year ago, while the previous year showed an $86 million decrease, or 5.3%. 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	
	2003	2002	2003	2002	2003	2002
Assets and Liabilities						
Current and Other Assets	$ 336,193	$ 355,259	$ 1,368,066	$ 883,969	$ 1,704,259	$ 1,239,228
Capital Assets	269,479	255,283	3,249,376	3,006,408	3,518,855	3,261,691
Total Assets	605,672	610,542	4,617,442	3,890,377	5,223,114	4,500,919
Long-term Liabilities	294,308	264,789	3,279,693	2,436,576	3,574,001	2,701,365
Other Liabilities	134,693	166,785	90,548	99,235	225,241	266,020
Total Liabilities	429,001	431,574	3,370,241	2,535,811	3,799,242	2,967,385
Net Assets						
Invested in Capital Assets, net of related debt	(26,686)	(12,947)	365,100	591,284	338,414	578,337
Restricted	152,481	203,958	939,170	816,974	1,091,651	1,020,932
Unrestricted	50,876	(12,043)	(57,069)	(53,692)	(6,193)	(65,735)
Total Net Assets	$ 176,671	$ 178,968	$ 1,247,201	$ 1,354,566	$ 1,423,872	$ 1,533,534

Net assets of the County's governmental activities decreased by approximately $2.3 million, or 1.2%. However, the components of net assets showed a much greater change from the prior year. Net assets invested in capital assets, net of related debt, decreased $14 million, or 106 %. Restricted net assets decreased $51 million, or 25%. 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 – changed from a $12 million deficit at September 30, 2002 to a $51 million surplus at the end of the current year.

The increased deficit in net assets invested in capital assets was due to the issuance of additional capital-related debt. Although net capital assets increased approximately $14 million, related debt increased $30 million, mainly due to the issuance of the 2003-A general obligation warrants.

Restricted net assets decreased due to an additional $50 million in operating transfers from the debt service fund to the capital projects funds during the year, which are classified as restricted for debt service.

Unrestricted net assets increased from a deficit to a surplus mainly due to the operating transfers referred to above which, for the capital projects funds, are reflected as unrestricted.

Net assets of the County's business-type activities decreased $107 million, or 8%, due mainly to an increase of $834 million in sewer revenue debt from the 2003 refunding issues and a smaller corresponding increase in net capital assets.

Changes in Net Assets
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program revenues:						
Charges for Services	$ 52,085	$ 44,041	$ 159,423	$ 137,046	$ 211,508	$ 181,087
Operating grants	55,617	49,568	-	-	55,617	49,568
Capital grants	427	1,250	-	-	427	1,250
General revenues:						
Property taxes	73,436	73,117	4,113	3,128	77,549	76,245
Sales tax	63,920	62,834	-	-	63,920	62,834
Other taxes	10,528	9,343	-	-	10,528	9,343
Occupational license	55,089	54,698	-	-	55,089	54,698
Investment earnings	5,953	14,083	69,057	43,900	75,010	57,983
Other general revenues	10,189	10,238	72	606	10,261	10,844
Total revenues	327,244	319,172	232,665	184,680	559,909	503,852
Program Expenses						
General government	121,127	104,496	-	-	121,127	104,496
Public safety	71,248	65,936	-	-	71,248	65,936
Highways and roads	41,901	41,716	-	-	41,901	41,716
Welfare	16,453	14,766	-	-	16,453	14,766
Culture and recreation	18,250	16,187	-	-	18,250	16,187
Education	231	200	-	-	231	200
Interest and fiscal charges	14,234	15,809	-	-	14,234	15,809
Hospital	-	-	74,526	73,375	74,526	73,375
Nursing operations	-	-	16,306	15,279	16,306	15,279
Landfill	-	-	7,090	7,352	7,090	7,352
Sanitary operations	-	-	287,898	234,463	287,898	234,463
Parking	-	-	307	326	307	326
Total expenses	283,444	259,110	386,127	330,795	669,571	589,905
Excess (deficiency) before special items and transfers	43,800	60,062	(153,462)	(146,115)	(109,662)	(86,053)
Net transfers	(46,097)	(45,296)	46,097	45,296	-	-
Increase (decrease) in net assets	$ (2,297)	$ 14,766	$ (107,365)	$ (100,819)	$ (109,662)	$ (86,053)

The County's total revenues increased $56 million, or 11% from the previous year. The total cost of all programs and services increased $80 million, or 14%.

Governmental Activities

Total revenue from governmental activities increased $8 million, or 2%, from the prior year. However, individual revenue components both increased and decreased by various amounts.

Charges for services increased $8 million, or 18%. All departments and agencies of the County are charged the unbilled value of central services costs, such as payroll, accounting, and budgeting. This amount increased $4 million. The County funds all expenses of the Jefferson County Personnel Board and then is reimbursed on a percentage basis by all jurisdictions served by the Board. During the year, the Board incurred approximately $3 million more in expenses than the prior year, resulting in $2 million of additional reimbursements to the County from the other jurisdictions for their allocated portions.

Operating grants increased $6 million from last year. The County received $1.7 million from the State of Alabama for a computerized mapping project. In addition, a $3 million increase in Title 19 Medicaid Waiver funds was received.

The reduction in investment earnings was due to less funds being available throughout the year for investment, plus a reduction in the rates of return.

Total program expenses for governmental funds increased $24 million, or 9%, from last year. There were several programs which showed notable increases.

General government expenses went up approximately $17 million, or 16%. The Jefferson County Personnel Board incurred approximately $3 million more in expenses during the year, as noted above. In addition, $1.4 million more was paid to Children's Hospital for care of indigent pediatric patients, $1.5 million more in senior citizens' programs, plus an increase in employees' salaries and benefits.

Public safety expenses increased $5 million, or 8%, due mainly to a $4 million increase in the costs of salaries and benefits. In addition, $1 million more was paid during the year to provide medical services to jail inmates.

The $1.7 million increase in welfare expenses was due to more being paid out in numerous Community Development grants.

The $2 million increase in culture and recreation expenses was due to an increase in the County's grant to the Jefferson County Economic and Industrial Development Authority.

The following presents the cost 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 cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Governmental Activities
($000 omitted)

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
General government	$ 121,127	$ 104,496	$ 45,543	$ 42,695
Public safety	71,248	65,936	64,856	59,511
Highways and roads	41,901	41,716	30,509	29,789
Welfare	16,453	14,766	1,692	60
Culture and recreation	18,250	16,187	18,250	16,187
All others	14,465	16,009	14,465	16,009
Totals	$ 283,444	$ 259,110	$ 175,315	$ 164,251

Business-type Activities

Total revenues for business-type activities increased $48 million, or 26%, due predominantly to charges for services and investment earnings. On January 1, 2003, the sewer rate increased from $3.53 per hundred cubic feet of water used to $4.90 per hundred cubic feet, or 39%. More funds were available for investment during the year as a result of the new 2003 revenue bond issues. In addition, real property revaluations resulted in the property tax increase.

Practically the entire $55 million increase in program expenses for business-type activities was from sanitary operations. Interest on sewer revenue bonds increased $42 million as a result of a net increase of $800 million in sewer bonds for the year. During the year, several new sewer refunding issues defeased approximately $2 billion of previously-issued sewer debt. Unamortized bond issue costs on refunded debt totaling $2.4 million were written off. Depreciation on capital assets increased $7 million from the $1.4 billion of additional sewer infrastructure taken over by the County.

THE COUNTY'S FUNDS

The General Fund went from a $1 million net decrease in fund balance last year to a net decrease of $17 million during the current year. Factors contributing to this were as follows:

- Salaries and benefits increased $7 million, or 8%, from last year. All full-time employees received a 3% wage increase, plus individuals earning merit increases received a 5% adjustment. In addition, costs for employee health insurance increased substantially.

- Operating transfers from the General Fund increased $12 million from the prior year. The major beneficiaries of these were the Road Fund ($6 million), Nursing Home ($2 million), Information Services ($2 million), and the Landfill Fund ($1 million).

The Road Fund's change in fund balance went from a $4 million net decrease last year to a $3 million increase in the current year. This was mainly the result of the operating transfers received from the General Fund as noted above.

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

Several revenue items saw the original budget significantly increased during the year. The original budget for total intergovernmental revenue in the general fund was increased almost $6 million for a number of reasons. Numerous federal grants were entered into during the year. However, only a portion of these were received before year end, with the remainder expected in the following year. Intergovernmental revenue from the State of $1.7 million was budgeted for a digital tax system. This also increased the combined expenditure budgets of the Board of Equalization and Tax Assessor by the same amount. The local revenue budget was increased to reflect the entire amount expected to be received from the City of Birmingham as part of the shared rabies control contract. However, only part of the revenue was received, with the balance expected next year. The original indirect cost recovery budget was increased for certain revenues which previously had been recorded in an internal service fund. The investment income budget was increased $1.3 million for estimated market changes in the County's investments.

Expenditure budgets and actual amounts generated two significant items. Public safety showed $5.9 million in actual overtime charges versus none budgeted due to reductions. A $2 million increase in the County's grant to the Jefferson County Economic and Industrial Development Authority and the second year of a five-year, $1 million per year, biomedical research grant to the University of Alabama at Birmingham accounted for the increase in Culture and Recreation's original budget.

CAPITAL ASSET AND DEBT ADMININSTRATION

Capital Assets

At the end of fiscal year 2003, the County had $3.5 billion invested in a broad range of capital assets, including buildings, roads, bridges, public safety equipment, and sewer lines. This amount represents a net increase (including additions and deductions) of $255 million, or 7.8%, over the previous year.

Capital Assets, net
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	$ 10,939	$ 10,781	$ 45,920	$ 36,888	$ 56,859	$ 47,669
Buildings and Improvements	56,260	62,060	882,805	780,986	939,065	843,046
Equipment	26,809	28,553	11,969	11,248	38,778	39,801
Infrastructure	19,150	16,532	1,222,263	1,257,658	1,241,413	1,274,190
Construction in Progress	156,321	139,334	1,086,419	919,628	1,242,740	1,058,962
	$ 269,479	$ 257,260	$ 3,249,376	$ 3,006,408	$ 3,518,855	$ 3,263,668

Major additions during the year were predominantly in construction in progress. Amounts expended on construction projects during the year were $8 million on jail renovations, $4 million for courtrooms in the Criminal Justice Center, and $2 million for renovations of the Community Development building. The County has budgeted approximately $69 million for construction contracts for fiscal year 2004, principally for building renovations, road construction, and sewer improvements.

Debt

At year-end, the County had $3.6 billion in general obligation and revenue warrants outstanding versus $2.7 billion last year, an increase of 32%.

Outstanding Debt
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Warrants (backed by the County)	$ 297,830	$ 268,230	$ -	$ -	$ 297,830	$ 268,230
Revenue Warrants (backed by Sewer fees)	-	-	3,271,710	2,437,755	3,271,710	2,437,755
	$ 297,830	$ 268,230	$ 3,271,710	$ 2,437,755	$ 3,569,540	$ 2,705,985

New debt totaling $3.6 billion was issued during the year, composed of $94 million in general obligation warrants and $3.5 billion in sewer warrants. The general obligation warrants were issued to refund the outstanding balance of a prior issue and reimburse the County for prior capital expenditures. The majority of the sewer revenue bonds are refundings of previously-issued bonds, with the proceeds of all the bonds being used to upgrade and expand the sanitary sewer system.

CURRENTLY KNOWN FACTS AND CONDITIONS

On January 1, 2004, the residential sewer rate increased from $4.90 per hundred cubic feet of water used to $5.39 per hundred cubic feet, or an increase of 10%. Assuming the same volume of water consumption as last year, next year's sewer revenue as recorded in the business-type activities would increase approximately $8 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.

Statement of Net Assets€
September 30, 2003€
(In Thousands)€

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Investments	$ 56,088	$ 2,774	$ 58,862
Accounts Receivable, Net	83	17,918	18,001
Loans Receivable, Net	4,408		4,408
Patient Accounts Receivable, Net		9,110	9,110
Property Taxes Receivable, Net	65,165	3,564	68,729
Interest Receivable	10	2,486	2,496
Due from Other Governments	40,743	1,172	41,915
Inventories	3,396	2,157	5,553
Prepaid Expenses	172	2,281	2,453
Total Current Assets	170,065	41,462	211,527
Noncurrent Assets:			
Deferred Charges		52,092	52,092
Deferred Loss on Early Retirement of Debt	1,665	355,056	356,721
Advances Due from Other Funds	19,714	(19,714)	
Restricted Assets - Noncurrent Cash	144,749	939,170	1,083,919
Capital Assets, Net of Depreciation	269,479	3,249,376	3,518,855
Total Noncurrent Assets	435,607	4,575,980	5,011,587
Total Assets	605,672	4,617,442	5,223,114
Liabilities			
Current Liabilities:			
Cash Deficit	8,180	12,371	20,551
Accounts Payable	8,174	33,357	41,531
Deposits Payable		34	34
Due to Other Governments	4,998		4,998
Deferred Revenue	70,117	3,793	73,910
Accrued Wages Payable	4,210	1,673	5,883
Deferred Credits	5,112		5,112
Accrued Interest Payable	7,078	19,486	26,564
Retainage Payable	1,126	15,385	16,511
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Arbitrage Rebate Payable		1,123	1,123
Warrants Payable	18,025	2,595	20,620
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41	41
Estimated Liability for Compensated Absences	1,643	690	2,333
Estimated Claims Liability	6,030		6,030
Total Current Liabilities	$ 134,693	$ 90,548	$ 225,241

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

CORRECTED COPY

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities:			
Portion Due or Payable After One Year:			
Arbitrage Rebate Payable	$	$ 1,260	$ 1,260
Warrants Payable	279,805	3,269,115	3,548,920
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,098	3,098
Estimated Liability for Compensated Absences	14,503	6,220	20,723
Total Noncurrent Liabilities	294,308	3,279,693	3,574,001
Total Liabilities	429,001	3,370,241	3,799,242
Net Assets			
Invested in Capital Assets, Net of Related Debt	(26,686)	365,100	338,414
Restricted for:			
Debt Service	141,000	406,785	547,785
Other Purposes	11,481	532,385	543,866
Unrestricted	50,876	(57,069)	(6,193)
Total Net Assets	$ 176,671	$ 1,247,201	$ 1,423,872

Statement of Activities
For the Year Ended September 30, 2003
(In Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 121,127	$ 44,813	$ 30,771
Public Safety	71,248	4,136	1,829
Highways and Roads	41,901	3,136	8,256
Welfare	16,453		14,761
Culture and Recreation	18,250		
Education	231		
Interest and Fiscal Charges	14,234		
Total Governmental Activities	283,444	52,085	55,617
Business-Type Activities:			
Hospital	74,526	27,052	
Nursing Operations	16,306	9,377	
Landfill	7,090	5,066	
Sanitary Operations	287,898	117,661	
Parking	307	267	
Total Business-Type Activities	386,127	159,423	
Total Primary Government	$ 669,571	$ 211,508	$ 55,617

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.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Business-Type Activities	Totals
$	$ (45,543)	$	$ (45,543)
427	(64,856)		(64,856)
	(30,509)		(30,509)
	(1,692)		(1,692)
	(18,250)		(18,250)
	(231)		(231)
	(14,234)		(14,234)
427	(175,315)		(175,315)
		(47,474)	(47,474)
		(6,929)	(6,929)
		(2,024)	(2,024)
		(170,237)	(170,237)
		(40)	(40)
		(226,704)	(226,704)
$ 427	(175,315)	(226,704)	(402,019)
	73,436	4,113	77,549
	63,920		63,920
	10,528		10,528
	55,089		55,089
	5,953	69,057	75,010
	10,189	72	10,261
	(46,097)	46,097	
	173,018	119,339	292,357
	(2,297)	(107,365)	(109,662)
	178,968	1,354,566	1,533,534
	$ 176,671	$ 1,247,201	$ 1,423,872

Balance Sheet - Governmental Funds
September 30, 2003
(In Thousands)

	General Fund	Indigent Care Fund
Assets		
Cash and Investments	$ 12,668	$ 319
Accounts Receivable, Net	48	
Loans Receivable, Net		
Property Taxes Receivable, Net	28,510	
Interest Receivable		
Due From Other Governments	21,869	6,319
Inventories	134	
Prepaid Expenses	31	
Advances Due From Other Funds		
Total Assets	63,260	6,638
Liabilities and Fund Balances		
Liabilities:		
Cash Deficit		
Accounts Payable	1,036	
Due To Other Governments	90	
Deferred Revenue	30,388	
Retainage Payable		
Accrued Wages and Benefits Payable	3,037	
Accrued Interest Payable		
Estimated Liability for Compensated Absences	985	
Total Liabilities	35,536	
Fund Balances:		
Reserved for:		
Advances Due From Other Funds		
Inventories	134	
Petty Cash	76	
Mapping and Reappraisal	2,385	
E911	(726)	
Cooper Green Hospital Foundation		263
Debt Service		
Encumbrances	2,969	
Prepaid Expenses	31	
Loans Receivable		
Unreserved, Reported In:		
General Fund	22,855	
Special Revenue		6,375
Capital Projects		
Total Fund Balances	27,724	6,638
Total Liabilities and Fund Balances	$ 63,260	$ 6,638

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

Road Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ 1,192	$ 162,773	$ 4,605	$ 181,557
		6	54
		4,408	4,408
10,691		25,964	65,165
		10	10
822		5,395	34,405
2,138			2,272
5		4	40
	19,714		19,714
14,848	182,487	40,392	307,625
		2,334	2,334
704	45	4,937	6,722
4,908			4,998
11,380		28,349	70,117
1,126			1,126
505		58	3,600
	7,078		7,078
364		(1)	1,348
18,987	7,123	35,677	97,323
	19,714		19,714
2,138			2,272
1		1	78
			2,385
			(726)
			263
	155,650		155,650
1,417		26,902	31,288
5		4	40
		4,409	4,409
			22,855
(7,700)		(9,812)	(11,137)
		(16,789)	(16,789)
(4,139)	175,364	4,715	210,302
$ 14,848	$ 182,487	$ 40,392	$ 307,625

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Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2003
(In Thousands)

Total Fund Balances - Governmental Funds (Exhibit 3)		$	210,302
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:			244,626
Deferred loss on early retirement of debt is not reported in the funds.			1,665
Deferred credits related to issuance of long-term liabilities are not reported in the funds.			(5,112)
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.			34,861
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	(297,830)		
Estimated Liability for Compensated Absences	(11,841)		
Total Long-Term Liabilities			(309,671)
Total Net Assets - Governmental Activities (Exhibit 1)		$	176,671

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, 2003
(In Thousands)

	General Fund	Indigent Care Fund
Revenues		
Taxes	$ 66,864	$ 39,216
Licenses and Permits	61,313	
Intergovernmental	22,122	
Charges for Services	22,218	
Indirect Cost Recovery	13,613	
Miscellaneous	440	8,079
Interest	3,808	1
Total Revenues	190,378	47,296
Expenditures		
Current:		
General Government	74,014	9,000
Public Safety	61,566	
Highways and Roads		
Welfare	779	
Culture and Recreation	16,578	
Education	231	
Capital Outlay	1,596	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Indirect Costs	13,649	15
Total Expenditures	168,413	9,015
Excess (Deficiency) of Revenues Over Expenditures	21,965	38,281
Other Financing Sources (Uses)		
Debt Issued		
Payment to Escrow Agent		
Premiums on Debt Issued		
Proceeds from Sale of Capital Assets	1,431	
Transfers In	1	
Transfers Out	(40,947)	(37,900)
Total Other Financing Sources (Uses)	(39,515)	(37,900)
Net Change in Fund Balances	(17,550)	381
Fund Balances at Beginning of Year, as Restated (Note 23)	45,274	6,257
Fund Balances at End of Year	$ 27,724	$ 6,638

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

Road Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ 12,679	$	$ 29,124	$ 147,883
			61,313
7,549	950	25,422	56,043
230	7	3,790	26,245
			13,613
173		691	9,383
	1,921	154	5,884
20,631	2,878	59,181	320,364
		11,908	94,922
		1,424	62,990
34,256			34,256
		14,039	14,818
			16,578
			231
1,803		25,704	29,103
	17,145		17,145
	14,234		14,234
	1,069		1,069
3,827	63	696	18,250
39,886	32,511	53,771	303,596
(19,255)	(29,633)	5,410	16,768
	94,000		94,000
	(48,241)		(48,241)
	5,833		5,833
199		7	1,637
22,496	32,062	55,822	110,381
(119)	(53,000)	(31,106)	(163,072)
22,576	30,654	24,723	538
3,321	1,021	30,133	17,306
(7,460)	174,343	(25,418)	192,996
$ (4,139)	$ 175,364	$ 4,715	$ 210,302

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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, 2003
(In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$	17,306
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 ($29,103) exceeded depreciation ($14,077) in the current period.			15,026
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:			
Refunding Warrants	(94,000)		
Premium on Refunding	(5,833)		
Repayments:			
Payment to Escrow Agent	48,241		
Principal	17,145		(34,447)
Some expenditures reported in the governmental funds are deferred on the Statement of Net Assets. This includes bond issuance costs.			1,069
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 ($711) exceeded Amortization of Deferred Charges ($222).			(489)
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 Proceeds from Sale of Capital Assets ($1,637) exceeded the Gain on the Sale of Capital Assets ($807).			(830)
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.			68
Change in Net Assets of Governmental Activities (Exhibit 2)		$	(2,297)

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

Statement of Net Assets - Proprietary Funds
September 30, 2003
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Assets		
Current Assets:		
Cash and Investments	$	$ 2,595
Accounts Receivable, Net	42	16,940
Patient Accounts Receivable, Net	7,533	
Property Taxes Receivable, Net		3,564
Interest Receivable		2,486
Due from Other Governments	250	922
Inventories	1,155	946
Prepaid Expenses	2,271	8
Total Current Assets	11,251	27,461
Noncurrent Assets:		
Deferred Charges		51,934
Deferred Loss on Early Retirement of Debt		355,056
Restricted Assets - Noncurrent Cash		939,170
Capital Assets, Net Where Applicable	11,722	3,177,307
Total Noncurrent Assets	11,722	4,523,467
Total Assets	$ 22,973	$ 4,550,928

Other Enterprise Funds	Totals	Internal Service Funds
$ 179	$ 2,774	$ 19,280
936	17,918	29
1,577	9,110	
	3,564	
	2,486	
	1,172	6,338
56	2,157	1,124
2	2,281	133
2,750	41,462	26,904
158	52,092	
	355,056	
	939,170	
60,347	3,249,376	24,851
60,505	4,595,694	24,851
$ 63,255	$ 4,637,156	$ 51,755

Statement of Net Assets - Proprietary Funds
September 30, 2003
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Liabilities		
Current Liabilities:		
Cash Deficit	$ 12,371	$
Accounts Payable	3,757	29,419
Deposits Payable		
Deferred Revenue		3,793
Accrued Wages and Benefits Payable	755	644
Accrued Interest Payable		19,472
Retainage Payable		15,385
Estimated Liability for Compensated Absences	227	365
Warrants Payable		2,595
Estimated Claims Liability		
Total Current Liabilities	17,110	71,673
Noncurrent Liabilities:		
Advances Due to Other Funds		
Arbitrage Rebate Payable		2,383
Warrants Payable		3,269,115
Estimated Liability for Landfill Closure/ Postclosure Care Costs		
Estimated Liability for Compensated Absences	2,046	3,289
Total Noncurrent Liabilities	2,046	3,274,787
Total Liabilities	19,156	3,346,460
Net Assets		
Invested in Capital Assets, Net of Related Debt	11,722	312,587
Restricted for:		
Debt Service		406,785
Capital Projects		532,385
Unrestricted	(7,905)	(47,289)
Total Net Assets	$ 3,817	$ 1,204,468

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

Other Enterprise Funds	Totals	Internal Service Funds
$	$ 12,371	$ 5,846
181	33,357	1,448
34	34	
	3,793	
274	1,673	613
14	19,486	
	15,385	
98	690	296
	2,595	
		6,030
601	89,384	14,233
19,714	19,714	
	2,383	
	3,269,115	
3,139	3,139	
885	6,220	2,661
23,738	3,300,571	2,661
24,339	3,389,955	16,894
40,791	365,100	24,851
	406,785	
	532,385	
(1,875)	(57,069)	10,010
$ 38,916	$ 1,247,201	$ 34,861

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2003
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Operating Revenues		
Taxes	$	$ 4,113
Intergovernmental		
Charges for Services	27,050	117,236
Other Operating Revenue	2	425
Total Operating Revenues	27,052	121,774
Operating Expenses		
Provision for Bad Debt	1,122	
Salaries	27,754	21,363
Employee Benefits and Payroll Taxes	5,883	5,998
Materials and Supplies	11,219	1,991
Utilities	1,033	5,665
Outside Services	10,675	6,198
Services from Other Hospitals	4,201	
Jefferson Clinic	7,874	
Office Expense	779	771
Depreciation and Amortization	1,769	81,647
Miscellaneous	367	118
Total Operating Expenses	72,676	123,751
Operating Income (Loss)	(45,624)	(1,977)
Nonoperating Revenues (Expenses)		
Interest Expense		(156,198)
Interest Revenue	12	69,045
Miscellaneous		3
Amortization of Bond Issue Costs		(4,857)
Indirect Costs	(1,850)	(3,092)
Gain/(Loss) on Sale of Capital Assets	(3)	33
Indirect Cost Recovery		
Total Nonoperating Revenues (Expenses)	(1,841)	(95,066)
Operating Transfers		
Transfers In	37,900	
Transfers Out	(5)	(290)
Total Operating Transfers	37,895	(290)
Change in Net Assets	(9,570)	(97,333)
Total Net Assets - Beginning of Year, as Restated (Note 23)	13,387	1,301,801
Total Net Assets - End of Year	$ 3,817	$ 1,204,468

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

Other Enterprise Funds	Totals	Internal Service Funds
$	$ 4,113	$
		6,862
14,164	158,450	22,055
546	973	
14,710	163,536	28,917
661	1,783	
9,401	58,518	21,278
2,635	14,516	5,537
1,662	14,872	4,204
849	7,547	3,289
3,577	20,450	11,293
	4,201	
	7,874	
200	1,750	4,804
2,868	86,284	2,887
228	713	606
22,081	218,508	53,898
(7,371)	(54,972)	(24,981)
(253)	(156,451)	
	69,057	70
	3	760
(9)	(4,866)	
(1,360)	(6,302)	(662)
39	69	21
		14,361
(1,583)	(98,490)	14,550
9,754	47,654	7,542
(1,262)	(1,557)	(948)
8,492	46,097	6,594
(462)	(107,365)	(3,837)
39,378	1,354,566	38,698
$ 38,916	$ 1,247,201	$ 34,861

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2003
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 25,907	$ 112,201
Other Operating Revenues	2	4,245
Cash Payments to Employees	(33,602)	(27,026)
Cash Payments for Goods and Services	(35,391)	(27,804)
Net Cash Provided (Used) by Operating Activities	(43,084)	61,616
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out	(5)	(290)
Operating Transfers In	37,900	
Received from Auxiliary Services		3
Increase/(Decrease) in Cash Deficit	8,063	
Indirect Cost	(1,850)	(3,092)
Indirect Cost Recovery		
Net Cash Provided (Used) by Non-Capital Financing Activities	44,108	(3,379)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(1,036)	(326,799)
Proceeds from Sale of Capital Assets		830
Interest Paid		(155,111)
Proceed from Bond Issues		3,211,376
Principal Payments on Warrants		(2,730,155)
Bond Issuance Costs		(16,992)
Retainage Payments		2,879
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,036)	(13,972)
Cash Flows from Investing Activities		
Interest Received	12	67,226
Net Cash Flows Provided by Investing Activities	12	67,226
Net Increase/(Decrease) in Cash		111,491
Cash and Investments, Beginning of Year		830,274
Cash and Investments, End of Year	$	$ 941,765

Other Enterprise Funds	Totals	Internal Service Funds
$ 15,648	$ 153,756	$ 22,100
138	4,385	6,142
(12,005)	(72,633)	(26,558)
(6,930)	(70,125)	(20,548)
(3,149)	15,383	(18,864)
(1,262)	(1,557)	(948)
9,754	47,654	7,542
	3	760
(1,371)	6,692	752
(1,360)	(6,302)	(662)
		14,362
5,761	46,490	21,806
(2,214)	(330,049)	(4,444)
39	869	20
(262)	(155,373)	
	3,211,376	
	(2,730,155)	
	(16,992)	
	2,879	
(2,437)	(17,445)	(4,424)
	67,238	70
	67,238	70
175	111,666	(1,412)
4	830,278	20,692
$ 179	$ 941,944	$ 19,280

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2003
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income/(Loss)	$ (45,624)	$ (1,977)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,769	81,647
(Increase)/Decrease in Prepaid Expenses	(504)	2
(Increase)/Decrease in Accounts Receivable	4	(4,546)
(Increase)/Decrease in Patient Receivables	(1,475)	
(Increase)/Decrease in Due from Other Governments	326	(490)
(Increase)/Decrease in Inventory	(202)	(602)
Increase/(Decrease) in Accounts Payable	2,586	(12,885)
Increase/(Decrease) in Deferred Revenue		132
Increase/(Decrease) in Due to Other Funds		
Increase/(Decrease) in Deposits Payable		
Increase/(Decrease) in Accrued Wages and Benefits Payable	90	122
Increase/(Decrease) in Estimated Liability for Compensated Absences	(54)	213
Increase in Estimated Claims Liability		
Increase/(Decrease) in Landfill Postclosure Costs		
Total Adjustments	2,540	63,593
Net Cash Provided (Used) by Operating Activities	$ (43,084)	$ 61,616

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

Other Enterprise Funds	Totals	Internal Service Funds
$ (7,371)	$ (54,972)	$ (24,981)
2,868	86,284	2,887
(1)	(503)	4
1,274	(3,268)	50
208	(1,267)	
	(164)	(725)
26	(778)	2
36	(10,263)	652
	132	
224	224	
4	4	
38	250	127
(7)	152	127
		2,993
(448)	(448)	
4,222	70,355	6,117
$ (3,149)	$ 15,383	$ (18,864)

Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2003
(In Thousands)

		Agency Funds
Assets		
Cash and Investments	$	3,425
Loans Receivable, Net		405
Prepaid Expenses		1
Total Assets		3,831
Liabilities		
Due to External Organizations		2,463
Due to Other Governments		1,368
Total Liabilities	$	3,831

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.

In June 1999, the GASB approved Statement Number 34 ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments***. This Statement provides for significant changes in financial reporting for state and local governments. Some of the significant changes include:

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

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

A. Reporting Entity

Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization's governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. A potential component unit is 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 obtained from: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35203.

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 County. It is used to account for financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes, occupational taxes, county sales taxes and revenues collected by the State of Alabama and shared with the County.

- ***Indigent Care Fund*** – This fund is used to account for the expenditure of beverage and sales taxes designated for indigent county residents.

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

- ***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.

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.

- ***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.

- ***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.

- ***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 County's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated ad valorem taxes.

Other non-major enterprise funds are as follows:

- ***County Home Fund*** – This fund is used to account for the operations of in-patient nursing facilities. Net revenues are received from patient charges and reimbursements from third parties, principally Medicaid.

- ***Landfill Operations Fund*** – This fund is used to account for the operations of the County's landfill systems. Revenues are generated primarily through user charges.

- ***Parking Deck Fund*** – This fund is used to account for the operations of the County parking deck. Revenues are generated through user charges.

Also reported on Exhibits 7 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 County.

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 determination of payments under these agreements are subject to review by appropriate authorities. Doubtful accounts are written off against the allowance as deemed uncollectible and recorded as recoveries of bad debts if subsequently collected.

	(In Thousands) Enterprise Funds
Patient Receivables	$28,413
Allowance Accounts	(19,303)
Net Patient Receivables	$ 9,110

Jefferson County issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans (net an allowance account) totaled $4,408,000 at September 30, 2003.

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, 2003, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled $405,000.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

GASB Number 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2002. These infrastructure assets are likely to be the largest asset class of the Commission. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period of up to four years. The Commission will retroactively report its infrastructure built or acquired since June 30, 1980 by the beginning of fiscal year 2006.

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

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing 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.

Bond discount/issue cost of the Series 2003-C Sewer Revenue Refunding Warrants contain deferred costs of $23,965,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred charge of the 2003-C issue was $23,861,000.

Bond discount/issue cost of the Series 2003-B Sewer Revenue Refunding Warrants contain deferred costs of $10,814,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred charge of the 2003-B issue was $10,697,000.

Bond discount/issue cost of the Series 2003-A Sewer Revenue Refunding Warrants contain deferred costs of $28,000 that are being amortized over 12 years. At September 30, 2003, the unamortized deferred charge of the 2003-A issue was $26,000.

Bond discount/issue cost of the Series 2002-C Sewer Revenue Refunding Warrants contain deferred costs of $13,346,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred charge of the 2002-C issue was $13,018,000.

Bond discount/issue cost of the Series 2002-A Sewer Revenue Warrants contained deferred costs of $1,607,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred charge of the 2002-A issue was $1,543,000.

Bond discount/issue cost of the Series 2001-A Sewer Revenue Warrants contained deferred costs of $11,905,000 that are being amortized over 40 years. As a result of portions of this issue being defeased by the aforementioned 2003-C, 2003-B and 2002-C issues $10,426,000 in costs were removed from the financial statements. At September 30, 2003, the unamortized deferred charge of the 2001-A issue was $583,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contained deferred costs of $9,956,000 that are being amortized over 40 years. At September 30, 2003, the unamortized deferred charge of the 1997-A issue was $2,205.000.

Bond (premium)/issue cost of the Series 2003-A General Obligation Refunding Warrants contain deferred costs of ($4,764,000) that are being amortized over 20 years. At September 30, 2003, the unamortized deferred credit of the 2003-A issue was ($4,531,000).

Bond (premium)/issue cost of the Series 2002-A General Obligation Warrants contain deferred costs of ($589,000) that are being amortized over 5 years. At September 30, 2003, the unamortized deferred credit of the 2002-A issue was ($406,000).

Bond (premium)/issue cost of the Series 2001-A General Obligation Warrants contain deferred costs of ($682,000) that are being amortized over 10 years. At September 30, 2003, the unamortized deferred credit of the 2001-A issue was ($512,000).

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of $379,000 attributable to general governmental operations and $179,000 attributable to Landfill Operations that are being amortized over 20 years. At September 30, 2003, the unamortized deferred credit of the 2001-B issue was $337,000 for the governmental funds and $158,000 for enterprise funds.

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, 2003, the liability for accrued vacation and compensatory leave is approximately $14,434,000. Of this amount $10,166,000 is reported in the government activities, and $4,268,000 is reported in the business-type activities.

As of September 30, 2003, the liability for accrued sick leave is approximately $8,622,000. Of this amount, $5,980,000 is reported in the government activities, and $2,642,000 is reported in the business-type activities.

9. Net Assets/Fund Equity

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

- ***Invested in Capital Assets, Net of Related Debt*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

- ***Restricted*** – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ***Unrestricted*** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

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

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

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

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

	(In Thousands)
Revenues:	
Charges for Services	$ 6,004
Interest	70
Transfers In	7,541
Total Revenues	13,615
Expenses:	
General Government	10,289
Public Safety	1,115
Highways and Roads	638
Health and Welfare	239
Culture and Recreation	319
Transfers Out	947
Total Expenses	13,547
Total Revenues Over Expenses	$ 68

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, 2003, the following governmental funds had a deficit fund balance:

	(In Thousands)
Road Fund	$4,139
Senior Citizens Fund	$ 747
Capital Improvement Fund	$2,077

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

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	$235,002	$235,002	$235,002
Repurchase Agreements	580,506	580,506	580,506
Total Investments	$815,508	$815,508	$815,508

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 $16,786,000 are included as part of Cash and Investments on Exhibit 1, but are not included in deposits and investments discussed above. They are not covered by collateral agreements between financial institutions and the Jefferson County Commission and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

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

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2003, was as follows:

	(In Thousands)				
	Balance 10/01/2002 (*)	Additions	Retirements	Reclassification	Balance 9/30/03
Governmental Activities:					
Capital Assets, not Being Depreciated:					
Land	$ 10,781	$ 506	$ (348)	$	$ 10,939
Construction in Progress	134,669	23,621	(260)	(1,709)	156,321
General Infrastructure - C.I.P.	16,532	2,618			19,150
Total Capital Assets, not Being Depreciated	161,982	26,745	(608)	(1,709)	186,410
Capital Assets Being Depreciated:					
Buildings	196,479	50		1,355	197,884
Improvements Other than Land/Building	8,408	28			8,436
Maintenance Equipment	4,696	89	(24)	65	4,826
Motor Vehicle (Non Fleet)	18,884	229	(307)		18,806
Office Furniture and Fixtures	3,625	171	(84)	193	3,905
Motor Vehicle Fleet	38,226	2,765	(3,888)		37,103
Miscellaneous Equipment	33,240	4,584	(626)		37,198
Total Capital Assets Being Depreciated	303,558	7,916	(4,929)	1,613	308,158
Less Accumulated Depreciation for:					
Buildings	(138,745)	(6,679)			(145,424)
Improvements Other than Land/Building	(4,082)	(554)			(4,636)
Maintenance Equipment	(4,094)	(303)	24		(4,373)
Motor Vehicle (Non Fleet)	(10,240)	(1,729)	301		(11,668)
Office Furniture and Fixtures	(2,344)	(278)	82		(2,540)
Motor Vehicle Fleet	(28,019)	(3,926)	3,709		(28,236)
Miscellaneous Equipment	(25,321)	(3,497)	606		(28,212)
Total Accumulated Depreciation	(212,845)	(16,966)	4,722		(225,089)
Total Capital Assets, Being Depreciated, Net	90,713	(9,050)	(207)	1,613	83,069
Governmental Activities Capital Assets, Net	$252,695	$ 17,695	$ (815)	$ (96)	$ 269,479

(*) Restatement of $4,565,000 was made to correct overstatement in Construction in Progress (See Note 23)

	(In Thousands)				
	Balance 10/01/2002	Additions	Deletions	Reclassification	Balance 9/30/2003
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	$ 36,888	$ 8,339	$ (28)	$ 721	$ 45,920
Construction in Progress	919,628	315,114	(752)	(147,571)	1,086,419
Total Capital Assets, not Being Depreciated	956,516	323,453	(780)	(146,850)	1,132,339
Capital Assets Being Depreciated:					
Buildings	354,236	73		40,027	394,336
Improvements Other than Land/Building	790,225	2,531		106,282	899,038
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,943	38	(10)		5,971
Motor Vehicle (Non Fleet)	6,493	2,556	(3)		9,046
Office Furniture and Equipment	9,996	159	(108)		10,047
Motor Vehicle Fleet	11,295	731	(382)		11,644
Miscellaneous Equipment	13,006	1,031	(79)		13,958
Total Capital Assets Being Depreciated	2,607,004	7,119	(582)	146,309	2,759,850
Less Accumulated Depreciation for:					
Buildings	(132,382)	(11,665)	12		(144,035)
Improvements Other than Land/Building	(231,093)	(35,618)	177		(266,534)
Infrastructure North	(57,284)	(13,333)			(70,617)
Infrastructure South	(100,868)	(22,062)			(122,930)
Maintenance Equipment	(5,408)	(212)	10		(5,610)
Motor Vehicle (Non Fleet)	(3,846)	(719)	3		(4,562)
Office Furniture and Fixtures	(9,547)	(92)	107		(9,532)
Motor Vehicle Fleet	(7,965)	(1,141)	191		(8,915)
Miscellaneous Equipment	(8,719)	(1,442)	83		(10,078)
Total Accumulated Depreciation	(557,112)	(86,284)	583		(642,813)
Total Capital Assets, being Depreciated, Net	2,049,892	(79,165)	1	146,309	2,117,037
Business-Type Activities Capital Assets, Net	$3,006,408	$244,288	$(779)	$ (541)	$3,249,376

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

	(In Thousands)
Governmental Activities:	
General Government	$ 8,064
Public Safety	1,785
Highways and Roads	4,093
Health and Welfare	135
Total Depreciation Expense - Governmental Activities	$14,077

	(In Thousands)
Business-Type Activities:	
Hospital	$ 1,769
Nursing Operations	339
Landfill	2,522
Sanitary Operations	81,647
Parking Services	7
Total Depreciation Expense - Business-Type Activities	$86,284

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, 2003. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35263-0003.

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, 2003, the Commission's annual pension contribution of $8,580,000 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of October 1, 2003, the latest actuarial valuation date, were: (a) 7.0 percent investment rate of return on present and future assets, and (b) projected salary increases of 5.5 percent. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding excess is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2003 was 13 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
9/30/2003	$8,580	100%	$0
9/30/2002	$8,189	100%	$0
9/30/2001	$7,543	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]
9/30/2001	$642,487	$550,172	($92,315)	116.8%	$133,919	(68.9%)
9/30/2002	$676,094	$610,321	($65,773)	110.8%	$144,465	(45.5%)
9/30/2003	$720,939	$651,635	($69,303)	110.6%	$151,206	(45.8%)

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 323 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 $11.43 to $666 per month, and total insurance premiums range from $269 to $780. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $499,000 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

Nature of Commitment	(In Thousands) Amount
Cahaba River Sewer Improvements	$ 30,156
Criminal Justice Center and Community Development Renovation	3,096
Consent Decree Improvements	2,475
East Village Creek Sewer Improvements	9,755
Five Mile Creek Sewer Improvements	14,786
Hopewell Pump Station	16,544
Integrated Tax System	2,098
Lower Valley Creek Sewer Improvements	11,285
Miscellaneous Sewer Rehabilitation	7,048
Morris Kimberly Sewer Improvements	23,296
Health Care Services	6,342
Purdes Creek Sewer Improvements	2,351
Trussville Sewer Improvements	13,186
Turkey Creek Sewer Improvements	26,500
Upper Valley Creek Sewer Improvements	8,614
Valley Creek Sewer Improvements	131,532
Youth Services Grant	3,502
Total	$312,566

Note 9 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Jefferson County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2003 amounted to $4,000.

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, 2003, 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	$68,729	$4,467
Grant Drawdowns Prior to Meeting All Eligibility Requirements		714
Total Deferred/Unearned Revenue	$68,729	$5,181

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, 2003, total costs paid by the Commission were $1,234,000 for governmental activities and $303,000 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2003, were as follows:

Fiscal Year Ending	(In Thousands) Governmental Activities
September 30, 2004	$ 278
2005	278
2006	277
2007	265
2008	240
2009-2013	992
2014-2018	314
Total	$2,644

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 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 following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2003.

	(In Thousands)				
	Debt Outstanding October 1, 2002	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2003	Amounts Due Within One Year
Governmental Activities:					
General Obligation Warrants	$ 268,230	$ 94,000	$ 64,400	$ 297,830	$18,025
Estimated Claims Liability	3,038	4,460	1,468	6,030	6,030
Estimated Liability for Compensated Absences	15,070	1,076		16,146	1,643
Government Activity Long-Term Liabilities	286,338	99,536	65,868	320,006	25,698
Business-Type Activities:					
Arbitrage Rebate Payable	2,383			2,383	1,123
Revenue Warrants	2,437,755	3,564,110	2,730,155	3,271,710	2,595
Estimated Liability for Landfill Postclosure Costs	3,587		448	3,139	41
Estimated Liability for Compensated Absences	6,151	759		6,910	690
Business-Type Activity Long-Term Liabilities	$2,449,876	$3,564,869	$2,730,603	$3,284,142	$ 4,449

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	
	General Obligation Warrants	
Fiscal Year Ending	Principal	Interest
September 30, 2004	$ 18,025	$ 13,623
2005	21,175	12,718
2006	15,980	11,906
2007	23,725	10,917
2008	14,430	9,963
2009-2013	60,425	40,605
2014-2018	64,315	26,905
2019-2023	79,755	9,729
Totals	$297,830	$136,366

	(In Thousands)	
	Business-Type Activities	
	Revenue Warrants	
Fiscal Year Ending	Principal	Interest
September 30, 2004	$ 2,595	$ 125,916
2005	4,365	125,773
2006	3,855	125,610
2007	6,430	125,412
2008	6,685	123,760
2009-2013	139,910	607,403
2014-2018	204,785	572,705
2019-2023	283,310	524,481
2024-2028	448,850	451,370
2029-2033	490,975	363,355
2034-2038	719,850	256,427
2039-2043	960,100	71,150
Totals	$3,271,710	$3,473,362

Warrant Issuance Costs and Premiums

The Commission reports warrant issuance costs and premiums in the deferred charges/credit accounts.

The balance in this account for the governmental-type activities are as follows:

	(In Thousands) Deferred Credit
Total Issuance Costs and Premiums	$(3,759)
Amounts Removed as a Result of Amortization and Refunds	(1,353)
Balance Deferred Credit	$(5,112)

The balance in this account for business-type activities are as follows:

	(In Thousands) Deferred Charges
Total Issuance Costs and Premiums	$108,601
Amounts Removed as a Result of Amortization and Refunds	(56,509)
Balance Deferred Charges	$ 52,092

Refunded Debt

On March 19, 2003, Jefferson County Commission issued $94,000,000 in General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, for the purpose 1) of refunding outstanding Series 1993 General Obligation Warrants, 2) paying the costs of issuing the Series 2003-A warrants and 3) funding certain capital improvements. The Series 1993 General Obligation Warrants were redeemed on April 7, 2003 and have therefore been removed. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $1,793,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the new debt issued. As a result of the refunding, the Commission increased its debt service requirements by approximately $13,359,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $1,024,000.

On January 9, 2003, Jefferson County Commission issued $41,820,000 in Sewer Revenue Refunding Warrants, Series 2003-A for the purpose of refunding outstanding Series 1997-C Sewer Revenue Warrants. The Series 1997-C Sewer Revenue Warrants were refunded and cancelled on January 10, 2003 and have therefore been removed. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $607,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the new debt issued. As a result of the refunding, the Commission decreased its debt service requirements by approximately $2,807,000. This resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $2,434,000.

Defeased Debt

2002-C Sewer Revenue Refunding Warrants

On October 26, 2002, the Commission issued $839,500,000 in Sewer Revenue Warrants with a variable interest rate to advance refund portions of the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, and the 2001-A Sewer Revenue Warrants. In connection with the issuance of the debt the Commission entered into interest rate swap transactions obligating the county to pay a fixed rate on the debt of 3.92%. Issuance costs associated with this debt were approximately $13,581,000. The net proceeds of $825,919,000 were used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

1997-D Sewer Revenue Warrants (Interest Rate 5.65 to 5.70%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $27,812,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding the Commission increased its debt service requirements by approximately $38,420,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $21,906,000.

1999-A Sewer Revenue Refunding Warrants (Interest Rate 5.00 to 5.75%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $69,603,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $168,480,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $67,669,000.

2001-A Sewer Revenue Warrants (Interest Rate 4.5 to 5.00%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $14,751,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $49,437,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $15,061,000.

2003-B Sewer Revenue Refunding Warrants

On May 1, 2003, the Commission issued $1,155,765,000 in Sewer Revenue Warrants with a variable interest rate to advance refund 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. In connection with the issuance of the debt, the Commission entered into interest rate swap transactions obligating the County to pay a fixed rate on the debt of 3.678%. Issuance costs associated with this debt were approximately $21,570,000. The original issue premium on the issue was $10,724,000. Funds contributed from other sources were $12,731,000. Accrued interest on the issue was $526,000.00. The net proceeds of the issue were $1,157,650,000. Of this amount $1,028,910,000 was used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

1997-A Sewer Revenue Warrants (Interest Rate 5.00 to 5.65%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $16,790,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately $11,272,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $14,397,000.

1997-D Sewer Revenue Warrants (Interest Rate 5.65 to 5.70%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $9,584,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately $19,562,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt of approximately $8,069,000.

1999-A Sewer Revenue Refunding Warrants (Interest Rate 5.00 to 5.75%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $50,182,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding the Commission decreased its debt service requirements by approximately $104,875,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $39,905,000.

2001-A Sewer Revenue Warrants (Interest Rate 4.5 to 5.00%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $14,813,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $70,937,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $14,317,000.

2002-B Sewer Revenue Warrants (Interest Rate 4.75 to 5.125%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $27,727,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $134,190,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $27,518,000.

2002-D Sewer Revenue Warrants (Interest Rate 5.00 to 5.25%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $3,637,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $12,679,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $3,080,000.

2003-C Sewer Revenue Refunding Warrants

On August 7, 2003, the Commission issued $1,052,025,000 in Sewer Revenue Warrants with a variable interest rate to advance refund 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. In connection with the issuance of the debt the Commission entered into interest rate swap transactions obligating the county to pay a fixed rate on the debt of 3.596%. Issuance costs associated with this debt were approximately $24,187,000. Funds contributed from other sources were $171,928,000. The net proceeds of the issue were $1,199,765,000. Of this amount $1,128,462,000 was used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

1997-A Sewer Revenue Warrants (Interest Rate 5.00 to 5.65%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $2,659,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately $15,509,000 resulting in an economic loss (difference between the present value of the debt service payments on the old and new debt) of approximately $2,075,000.

1997-D Sewer Revenue Warrants (Interest Rate 5.65 to 5.70%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $5,267,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its debt service requirements by approximately $21,952,000 resulting in an economic loss (difference between the present value of the debt service payments on the old and new debt) of approximately $634,000.

1999-A Sewer Revenue Refunding Warrants (Interest Rate 5.00 to 5.75%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $16,235,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $7,250,000. However, this resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $8,249,000.

2001-A Sewer Revenue Warrants (Interest Rate 4.5 to 5.00%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $5,393,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $15,495,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $5,549,000.

2002-B Sewer Revenue Warrants (Interest Rate 4.75 to 5.125%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $40,342,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $174,356,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $46,830,000.

2002-D Sewer Revenue Warrants (Interest Rate 5.00 to 5.25%)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $52,992,000. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission decreased its debt service requirements by approximately $97,541,000 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $41,378,000.

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, 2003, the total of $83,875,000 of warrants outstanding are considered defeased.

Note 14 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $3,271,710,000 at September 30, 2003. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 2001-A Taxable 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 which is required to be maintained at the lesser of (a) 125% of the average annual debt service on all outstanding parity securities, (b) the maximum annual debt service on all outstanding parity securities, or (c) 10% of the original principal amount of outstanding parity securities, 3) a rate stabilization fund which is maintained at a balance of 75% of the maximum annual debt service on the outstanding parity securities, 4) a depreciation fund which will grow to an amount equal to or greater than the accumulated depreciation of the Sanitary Operations Fund, 5) a debt service reserve fund to be established at an amount equal to 10% of the original principal amount.

The balances as of September 30, 2003, exceeded the bond indenture requirements and were as follows:

	(In Thousands)
Sewer Reserve Fund	$54,106
1999 Sewer Reserve Fund	$60,229
Sewer Rate Stabilization Fund	$77,829
Sewer Depreciation Fund	$49,114
2002-B Sewer Reserve Fund	$54,898
2002-D Reserve Fund	$30,199

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,	2003	2002	2001	2000
Active Accounts	143,056	143,038	142,305	142,277
Average Daily Treatment Volume (millions of gallons treated)	120	116	97	114
Sewer Charges	$92,409,648	$84,470,770	$72,129,478	$66,834,206
% Revenue - Largest Customer	3.98%	2.74%	2.66%	2.57%
% Revenue - Top Ten Customers	12.66%	11.13%	12.53%	11.99%

2003 Top Ten Customers	Consumption	Amount
University of Alabama - Birmingham	851,918	$3,681,315
Birmingham Housing Authority	472,570	$2,152,632
U. S. Steel	503,627	$1,502,281
Barber Dairies	135,858	$1,016,555 (*)
Birmingham Board of Education	137,746	$ 605,185
Brookwood Medical Center	135,177	$ 597,825
Buffalo Rock	243,973	$ 572,100 (*)
Golden Flake	113,472	$ 568,047 (*)
Children's Hospital	112,035	$ 507,703
Baptist Medical Center	153,905	$ 495,232

(*) Includes surcharge on same consumption

Effective March 1, 1999, January 1, 2000, January 1, 2001, January 1, 2002 and January 1, 2003, 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.

1999	1998	1997	1996	1995
142,042	141,606	140,324	140,146	140,361
119	132	127	130	123
$57,020,426	$49,531,824	$46,950,835	$44,387,013	$39,587,914
2.93%	2.91%	2.92%	3.08%	2.87%
11.62%	12.35%	10.37%	13.10%	10.37%

The estimated liability for landfill closure and postclosure care costs had a balance of $3,139,000 as of September 30, 2003. This estimate was based on 52% usage (filled) of the Jefferson County Landfill Number 1, and 66% 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, 2003. 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, 2003, the principal amount outstanding was $41,140,000.

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 $350,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.

- ***Property Insurance*** – Commercial insurance coverage purchased in the amount of $100 million per occurrence, except a separate annual aggregate of $50 million flood and earthquake, to include the following sub-limits: 1) $20 million per occurrence as respects to property in the course of construction, builder's risks and installation or erection; 2) $10 million per occurrence separately as respects to demolition, increased cost of construction and building ordinance; 3) $5 million as respects to extra expense and 4) $1 million 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*** – Insured through the County's participation in the Alabama Hospital Association Trust Fund with limits of $1 million per occurrence with a $3 million per report year aggregate.

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

The schedule below presents the changes in claims liabilities for the 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	
	2003	2002	2003	2002	2003	2002	2003	2002
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$ 260	$1,234	$704	$383	$2,074	$3,023	$3,038	$4,640
Incurred Claims and Claim Adjustment Expenses:								
Provision for Insured Events of Current Fiscal Year	148	168	38	363	827	783	1,013	1,314
Increases/Decreases (-) in Provision for Insured Events of Prior Fiscal Years	1,485		(46)		2,008		3,447	
Total Incurred Claims and Claim Adjustment Expenses	1,633	168	(8)	363	2,835	783	4,460	1,314
Payments:								
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	203	1,142	76	42	1,189	1,732	1,468	2,916
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years								
Total Payments	203	1,142	76	42	1,189	1,732	1,468	2,916
Total Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	$1,690	$260	$620	$704	$3,720	$2,074	$6,030	$3,038

Employee Health Insurance

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

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

The schedule below presents health claims information for the fiscal year ended September 30, 2003:

Balance 10/01/2002	Claims Incurred	Claims Paid	Balance 9/30/2003
$0	$21,504,000	($20,004,000)	$1,500,000

Note 19 – Advances to Other Funds

The amounts due to/from other funds at September 30, 2003, were as follows:

	(In Thousands) Advances From Other Funds
	Sanitary Landfill Operations Fund
Advances To Other Funds	
Debt Service Fund	$19,714

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2003, were as follows:

	(In Thousands) Transfers In							
	General Fund	Road Fund	Debt Service Fund	Cooper Green Hospital	Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds	Totals
Transfers Out								
General Fund	$	$22,211	$	$	$ 2,663	$6,373	$9,700	$ 40,947
Indigent Care Fund				37,900				37,900
Road Fund					119			119
Debt Service Fund					53,000			53,000
Cooper Green Hospital							5	5
Sanitary Operations Fund		285				5		290
Nonmajor Governmental Funds			30,800		28	278		31,106
Internal Service Funds	1				12	886	49	948
Nonmajor Proprietary Funds			1,262					1,262
Totals	$1	$22,496	$32,062	$37,900	$55,822	$7,542	$9,754	$165,577

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

Note 20 – Subsequent Events

Under Alabama law and the County's Liability Management Policy, the County has the power to enter into interest rate swap transactions from time to time.

The County and Bank of America, NA are parties to an interest rate swap with a trade date of October 9, 2003 and an effective date of April 1, 2004. The notional amount is $110,000,000 effective April 1, 2004 and a termination date of February 1, 2024. The County receives semiannual payments at a fixed rate of 4.815% per annum and makes monthly payments calculated using the BMA Municipal Swap Index. Bank of America, NA has the option to cancel all or a specified portion of the notional amount of the swap on every Monthly Floating Rate Payer Payment Date from and including April 1, 2005 to and including January 1, 2024.

The County and J P Morgan are parties to an interest rate swap with a trade date of November 7, 2003 and an effective date of May 1, 2004. The notional amount is $111,825,000 effective May 1, 2004 and a termination date of February 1, 2024. The County receives semiannual payments at a fixed rate of 4.325% per annum and makes monthly payments calculated using the BMA Municipal Swap Index. J P Morgan has the option to cancel the swap on any Floating Rate Payer Payment Date on or following November 1, 2005.

Note 21 – Deficit Cash Balance

As of September 30, 2003, the following funds had deficit cash balances:

	(In Thousands)
Senior Citizens Fund	$ 1,741
Community Development Fund	593
Personnel Board Fund	5,762
Central Laundry Fund	84
Total Governmental Activities	8,180
Cooper Green Hospital	12,371
Total Business-Type Activities	$12,371

Note 22 – Franchise Taxes

Several counties of the State of Alabama receive a portion of the revenues received by the State for the franchise taxes levied by the State of Alabama on in-state and out-of-state companies under the provisions of the ***Code of Alabama 1975***, Section 40-14-41. The State is currently involved in litigation that challenges the constitutionality of the State's franchise tax based on the premise that it violates the Commerce Clause of the U. S. Constitution. The potential liability to the State of Alabama exceeds $300,000,000. The State has received an unfavorable ruling; however, a settlement order has not been issued by the courts. Several counties of 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 23 – Restatements

The fund balance of the nonmajor governmental funds was restated as follows:

	(In Thousands)					
	General Fund	Indigent Care Fund	Road Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance, September 30, 2002, as Previously Reported	$45,274	$6,257	($7,460)	$174,343	($26,857)	$191,557
Restatement to Correct Prior Year Receivables					1,439	1,439
Fund Balance, September 30, 2002, as Restated	$45,274	$6,257	($7,460)	$174,343	($25,418)	$192,996
Net Assets September 30, 2002						$184,966
Restatement of Capital Assets						(4,565)
Adjustment to Correct Prior Year Receivables						1,439
Change in Internal Service Funds						(2,804)
Effect of Internal Service Fund Eliminations						(68)
Governmental Activities Net Assets, September 30, 2002						$178,968

The fund equity of the discreetly presented internal service funds was restated as follows:

	(In Thousands) Internal Service Funds
Net Assets, September 30, 2002, as Previously Reported	$37,667
Restatement for Assets Purchased in Prior Year	1,031
Net Assets, September 30, 2002, as Restated	$38,698

Note 24 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

Objective of the Swap - In October 2002, the County entered into three (3) swaps to synthetically refund outstanding bonds that provided the County with present value savings of $57,529,000 or 7.939% of the refunded bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in October 2002. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The swaps were executed with J P Morgan 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 percent of the London Interbank Offered Rate (LIBOR). The swaps have a combined notional amount of $839,500,000 and the associated variable-rate bond has a $839,500,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.9200%
Variable Payment from Counterparty	67% of LIBOR	0.7504%
Net Interest Rate Swap Payments		3.1696%
Variable-Rate Bond Payments		0.9815%
Synthetic Interest Rate on Bonds		4.1511%

Fair Value - As of September 30, 2003, the swap had a negative fair value of $58,038,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties 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, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable rate bond interest payments and net swap payment will vary.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$ 8,240	$ 26,609	$ 34,849
2005		8,240	26,609	34,849
2006		8,240	26,609	34,849
2007	2,700	8,226	26,566	37,492
2008	2,800	8,199	26,479	37,478
2009-2013	16,300	40,543	130,928	187,771
2014-2018	20,200	39,650	128,042	187,892
2019-2023	79,600	38,004	122,727	240,331
2024-2028	145,850	31,101	100,434	277,385
2029-2033	27,700	27,337	88,280	143,317
2034-2038	471,050	15,609	50,408	537,067
2039-2040	73,300	1,050	3,392	77,742
Totals	$839,500	$234,439	$757,083	$1,831,022

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 $64,676,000 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 J P Morgan 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 as the BMA Municipal Swap Index (BMA) until May 1, 2004 and 67 percent of the London Interbank Offered Rate (LIBOR) thereafter. 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. As of September 30, 2003, rates were as follows.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.6780%
Variable Payment from Counterparty	BMA	1.1200%
Net Interest Rate Swap Payments		2.5580%
Variable-Rate Bond Payments		0.9550%
Synthetic Interest Rate on Bonds		3.5130%

Fair Value - As of September 30, 2003, the swap had a negative fair value of $32,948,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. 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." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties 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, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable rate bond interest payments and net swap payment will vary.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$ 9,892	$ 28,617	$ 38,509
2005		9,892	26,910	36,802
2006		9,892	26,910	36,802
2007		9,892	26,910	36,802
2008		9,892	26,910	36,802
2009-2013	29,150	48,784	132,714	210,648
2014-2018	35,075	47,255	128,554	210,884
2019-2023	141,675	42,636	115,988	300,299
2024-2028	170,675	36,392	99,001	306,068
2029-2033	218,525	27,111	73,754	319,390
2034-2038	70,550	20,021	54,468	145,039
2039-2042	370,150	6,512	17,714	394,376
Totals	$1,035,800	$278,171	$758,450	$2,072,421

2003-C Sewer Refunding Warrants

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

Terms - The swaps were executed with J P Morgan Chase Bank and Bank of America, NA with notional amounts of $789,019,000 and $263,006,000 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 percent of the 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. As of September 30, 2003, rates were as follows.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	67% of LIBOR	0.7504%
Net Interest Rate Swap Payments		2.8456%
Variable-Rate Bond Payments		0.9500%
Synthetic Interest Rate on Bonds		3.7956%

Fair Value - As of September 30, 2003, the swaps had a negative fair value of $20,098,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties 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, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable rate bond interest payments and net swap payment will vary.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$ 9,994	$ 25,838	$ 35,832
2005		9,994	28,202	38,196
2006		9,994	29,936	39,930
2007		9,994	29,936	39,930
2008		9,994	29,936	39,930
2009-2013	14,575	49,636	148,678	212,889
2014-2018	69,750	48,386	144,935	263,071
2019-2023	39,200	45,227	135,471	219,898
2024-2028	98,850	41,772	125,124	265,746
2029-2033	244,750	33,022	98,912	376,684
2034-2038	178,250	24,789	74,252	277,291
2039-2042	406,650	7,427	22,246	436,323
Totals	$1,052,025	$300,229	$893,466	$2,245,720

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 J P Morgan 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. J P Morgan Chase has the right to cancel the swap on or after April 1, 2008. As of September 30, 2003, rates were as follows.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.2950%
Variable Payment from Counterparty	BMA	1.1200%
Net Interest Rate Swap Payments		3.1750%
Variable-Rate Bond Payments		1.2500%
Synthetic Interest Rate on Bonds		4.4250%

Fair Value - As of September 30, 2003, the swap had a negative fair value of $11,495,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. 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.” That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies (“S&P”) or lower than Baa2 by Moody’s Investor’s Service, Inc. (“Moody’s”) and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties 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 J P Morgan Chase has the option to terminate the swap.

Swap Payments and Associated Debt - As of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable rate bond interest payments and net swap payment will vary.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$ 1,500	$ 3,354	$ 4,854
2005		1,500	3,354	4,854
2006		1,500	3,354	4,854
2007		1,500	3,354	4,854
2008		1,500	3,354	4,854
2009-2013	19,845	7,379	16,499	43,723
2014-2018	58,275	4,869	10,887	74,031
2019-2021	41,880	1,063	2,377	45,320
Totals	$120,000	$20,811	$46,533	$187,344

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 J P Morgan 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 bond has a $110,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003, rates were as follows.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	5.060%
Variable Payment from Counterparty	BMA	1.120%
Net Interest Rate Swap Payments		3.940%
Variable-Rate Bond Payments		1.080%
Synthetic Interest Rate on Bonds		5.020%

Fair Value - As of September 30, 2003, the swap had a negative fair value of $17,688,000. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. 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." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties 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, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable rate bond interest payments and net swap payment will vary.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$ 1,188	$ 4,378	$ 5,566
2005		1,188	4,378	5,566
2006		1,188	4,378	5,566
2007		1,188	4,378	5,566
2008		1,188	4,378	5,566
2009-2013		5,940	21,890	27,830
2014-2018		5,940	21,890	27,830
2019-2023		5,940	21,890	27,830
2024-2028		5,940	21,890	27,830
2029-2033		5,940	21,890	27,830
2034-2038		5,940	21,890	27,830
2039-2042	110,000	4,158	15,323	129,481
Totals	$110,000	$45,738	$168,553	$324,291

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

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

Terms - The swap was executed with J P Morgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.52% per year until February 1, 2004. Once the short-term interim reversal matures, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.069%. The notional of the swap is $200 million and matures on January 1, 2016. J P Morgan Chase Bank has the option to cancel this swap on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009. The option to cancel was exercised in February 2004 by the bank.

Fair Value - As of September 30, 2003, the swap and short-term interim reversal had a negative fair value of $6,275,000. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. 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." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties 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, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009.

Swap Payments and Associated Debt - As of September 30, 2003, 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, 2004	$	$2,506	$(3,040)	$(534)

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

Terms - The swap was executed with J P Morgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.455% per year until February 1, 2004. Once the short-term interim reversal matures, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.225%. The notional of the swap is $175 million and matures on January 1, 2016. J P Morgan Chase Bank has the option to cancel this swap on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009. The bank exercised its right to cancel in February 2004.

Fair Value - As of September 30, 2003, the swap and short-term interim reversal had a negative fair value of $5,071,000. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. 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." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties 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, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009.

Swap Payments and Associated Debt - As of September 30, 2003, 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, 2004	$	$1,441	$(2,546)	$(1,105)

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

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In February of 2001, the County entered into a fixed-to-variable interest rate swap for $70 million of various outstanding bonds to become effective February of 2002. In May of 2001, the County executed a short-term interim reversal to become effective February of 2002 of this swap to lock in a positive spread 1.225% per year until February of 2007.

Terms - The swap was executed with J P Morgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.225% per year 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. J P Morgan Chase Bank has the option to cancel this swap on or after February 1, 2007. As of September 30, 2003, rates were as follows.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty to February 1, 2007		0%
Variable Payment from Counterparty to February 1, 2007		1.2250%
Net Interest Rate Swap Payments to February 1, 2007		(1.2250%)
Variable-Rate Bond Payments to February 1, 2007		1.0800%
Synthetic Interest Rate on Bonds to February 1, 2007		(0.1450%)
Fixed Payment to Counterparty after February 1, 2007	BMA	1.0800%
Variable Payment from Counterparty after February 1, 2007	Fixed	5.1700%
Net Interest Rate Swap Payments after February 1, 2007		(4.0900%)
Variable-Rate Bond Payments after February 1, 2007		1.0800%
Synthetic Interest Rate on Bonds after February 1, 2007		(3.0100%)

Fair Value - As of September 30, 2003, the swap and short-term interim reversal had a negative fair value of $2,588,000. Its fair value was estimated using the BDT option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. 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." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties 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 counterparties 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 counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. After February 1, 2005, 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, 2003, 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, 2004	$	$ 756	$ (857)	$ (101)
2005		756	(857)	(101)
2006		756	(857)	(101)
2007		756	(1,880)	(1,124)
2008		756	(2,901)	(2,145)
2009-2013		3,780	(14,508)	(10,728)
2014-2018		3,780	(14,508)	(10,728)
2019-2023		3,780	(14,508)	(10,728)
2024-2028		3,780	(14,508)	(10,728)
2029-2031		1,890	(7,254)	(5,364)
Totals	$	$20,790	$(72,638)	$(51,848)

Note 25 – Jointly Governed Organization

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

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Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2003
(In Thousands)

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes	$ 66,914	$ 66,535	$ 66,876
Licenses and Permits	62,950	62,100	61,313
Intergovernmental	18,747	24,604	22,122
Charges for Services	20,564	20,618	22,218
Indirect Cost Recovery	9,973	13,711	13,613
Miscellaneous	142	142	440
Interest	2,207	3,533	3,808
Total Revenues	181,497	191,243	190,390
Expenditures			
Current:			
General Government	78,602	78,733	74,014
Public Safety	54,467	55,633	61,566
Welfare	592	838	779
Culture and Recreation	13,553	16,586	16,578
Education	239	234	231
Capital Outlay	2,070	2,158	1,596
Indirect Costs	12,468	13,649	13,649
Total Expenditures	161,991	167,831	168,413
Excess (Deficiency) of Revenues Over Expenditures	19,506	23,412	21,977
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	50	101	1,431
Transfers In		1	1
Transfers Out		(41,044)	(40,947)
Total Other Financing Sources (Uses)	50	(40,942)	(39,515)
Change in Net Assets	19,556	(17,530)	(17,538)
Fund Balance at Beginning of Year	45,274	45,274	45,274
Fund Balance at End of Year	$ 64,830	$ 27,744	$ 27,736

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Net Changes in Fund Balance - General Fund - Budgetary Basis	$	(17,538)
The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis.		(12)
Net Changes in Fund Balance for General Fund (Exhibit 5)	$	(17,550)

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Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Indigent Care Fund For the Year Ended September 30, 2003 (In Thousands)

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes	$ 39,312	$ 39,312	$ 39,216
Miscellaneous	6,854	6,854	8,079
Interest	3	3	1
Total Revenues	46,169	46,169	47,296
Expenditures			
Current:			
General Government	7,947	7,947	9,000
Indirect Costs	14	14	15
Total Expenditures	7,961	7,961	9,015
Excess (Deficiency) of Revenues Over Expenditures	38,208	38,208	38,281
Other Financing Sources (Uses)			
Transfers In		1,881	
Transfers Out		(37,900)	(37,900)
Total Other Financing Sources (Uses)		(36,019)	(37,900)
Net Change in Fund Balances	38,208	2,189	381
Fund Balance at Beginning of Year	6,256	6,256	6,257
Fund Balance at End of Year	$ 44,464	$ 8,445	$ 6,638

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Fund
For the Year Ended September 30, 2003
(In Thousands)

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes	$ 13,000	$ 13,001	$ 12,684
Intergovernmental	7,841	7,841	7,549
Charges for Services	165	165	230
Miscellaneous	31	31	173
Total Revenues	21,037	21,038	20,636
Expenditures			
Current:			
Highways and Roads	37,691	34,355	34,256
Capital Outlay	1,213	1,978	1,803
Indirect Costs	3,828	3,828	3,827
Total Expenditures	42,732	40,161	39,886
Excess (Deficiency) of Revenues Over Expenditures	(21,695)	(19,123)	(19,250)
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets		197	199
Transfers In		22,496	22,496
Transfers Out		(119)	(119)
Total Other Financing Sources (Uses)		22,574	22,576
Net Change in Fund Balances	(21,695)	3,451	3,326
Fund Balance at Beginning of Year	(3,587)	(7,460)	(7,460)
Fund Balance at End of Year	$ (25,282)	$ (4,009)	$ (4,134)

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

Net Changes in Fund Balance - Road Fund - Budgetary Basis	$	3,326
The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis.		(5)
Net Changes in Fund Balance for Road Fund (Exhibit 5)	$	3,321

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Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2003
(In Thousands)

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund
Assets			
Cash and Investments	$	$ 1,248	$
Accounts Receivable, Net			
Loans Receivable, Net			152
Property Taxes Receivable, Net		25,964	
Interest Receivable			10
Due from Other Governments	1,241	450	1,675
Prepaid Expenses			1
Total Assets	1,241	27,662	1,838
Liabilities and Fund Balances			
Liabilities:			
Cash Deficit	1,741		593
Accounts Payable	231		1,103
Deferred Revenue		27,635	
Accrued Wages and Benefits Payable	16		31
Estimated Liability for Compensated Absences			
Total Liabilities	1,988	27,635	1,727
Fund Balances:			
Reserved for:			
Prepaid Expenses			1
Petty Cash			
Encumbrances	44		10,710
Loans Receivable			152
Unreserved Reported In:			
Special Revenue Funds	(791)	27	(10,752)
Capital Projects Funds			
Total Fund Balances	(747)	27	111
Total Liabilities and Fund Balances	$ 1,241	$ 27,662	$ 1,838

CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ 1,155	$ 95	$ 1,397	$ 390	$ 320	$ 4,605
				6	6
2,228	2,028				4,408
					25,964
					10
	1,136	656		237	5,395
		3			4
3,383	3,259	2,056	390	563	40,392
					2,334
40	10	692	2,467	394	4,937
	470	244			28,349
	2	9			58
		(1)			(1)
40	482	944	2,467	394	35,677
		3			4
		1			1
		1,267	11,984	2,897	26,902
2,229	2,028				4,409
1,114	749	(159)			(9,812)
			(14,061)	(2,728)	(16,789)
3,343	2,777	1,112	(2,077)	169	4,715
$ 3,383	$ 3,259	$ 2,056	$ 390	$ 563	$ 40,392

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2003
(In Thousands)

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund
Revenues			
Taxes	$	$ 29,124	$
Intergovernmental	8,236	707	14,137
Charges for Services			
Miscellaneous	547		
Interest	3	74	
Total Revenues	8,786	29,905	14,137
Expenditures			
Current:			
General Government	10,093		1,397
Public Safety			
Highways and Roads			
Welfare			12,979
Capital Outlay	51		71
Indirect Costs	235	36	284
Total Expenditures	10,379	36	14,731
Excess (Deficiency) of Revenues Over Expenditures	(1,593)	29,869	(594)
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	5		2
Transfers In	1,881		294
Transfers Out		(30,800)	(28)
Total Other Financing Sources (Uses)	1,886	(30,800)	268
Net Change in Fund Balances	293	(931)	(326)
Fund Balances at Beginning of Year, as Restated	(1,040)	958	437
Fund Balances at End of Year	$ (747)	$ 27	$ 111

CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
$	$	$	$	$	$ 29,124
	623	1,292	427		25,422
		884		2,906	3,790
2	133	9			691
55	19	2		1	154
57	775	2,187	427	2,907	59,181
	418				11,908
		1,424			1,424
596	464				14,039
		667	22,548	2,367	25,704
40	26	75			696
636	908	2,166	22,548	2,367	53,771
(579)	(133)	21	(22,121)	540	5,410
					7
	123	151	51,281	2,092	55,822
			(278)		(31,106)
	123	151	51,003	2,092	24,723
(579)	(10)	172	28,882	2,632	30,133
3,922	2,787	940	(30,959)	(2,463)	(25,418)
$ 3,343	$ 2,777	$ 1,112	$ (2,077)	$ 169	$ 4,715

Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2003
(In Thousands)

	County Home Fund	Landfill Operations Fund
Assets		
Current Assets:		
Cash and Investments	$ 113	$ 65
Accounts Receivable, Net		935
Patient Accounts Receivable, Net	1,577	
Inventories	56	
Prepaid Expenses	2	
Total Current Assets	1,748	1,000
Noncurrent Assets:		
Capital Assets, Net Where Applicable	8,972	51,366
Deferred Charges		158
Total Noncurrent Assets	8,972	51,524
Total Assets	10,720	52,524
Liabilities		
Current Liabilities:		
Accounts Payable	168	13
Deposits Payable	34	
Accrued Wages and Benefits Payable	218	55
Accrued Interest Payable		14
Estimated Liability for Compensated Absences	55	43
Total Current Liabilities	475	125
Noncurrent Liabilities:		
Advances Due to Other Funds		19,714
Estimated Liability for Landfill Closure/Postclosure Care Costs		3,139
Estimated Liability for Compensated Absences	495	390
Total Noncurrent Liabilities	495	23,243
Total Liabilities	970	23,368
Net Assets		
Invested in Capital Assets Net of Related Debt	8,972	31,810
Unrestricted	778	(2,654)
Total Net Assets	$ 9,750	$ 29,156

Parking Deck Fund	Totals
$ 1	$ 179
1	936
	1,577
	56
	2
2	2,750
9	60,347
	158
9	60,505
11	63,255
	181
	34
1	274
	14
	98
1	601
	19,714
	3,139
	885
	23,738
1	24,339
9	40,791
1	(1,875)
$ 10	$ 38,916

Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Enterprise Funds
For the Year Ended September 30, 2003
(In Thousands)

	County Home Fund	Landfill Operations Fund
Operating Revenues		
Charges for Services	$ 9,300	$ 4,597
Other Operating Revenue	77	469
Total Revenues	9,377	5,066
Operating Expenses		
Provision for Bad Debt	641	20
Salaries	7,433	1,947
Employee Benefits and Payroll Taxes	2,001	628
Materials and Supplies	1,329	329
Utilities	582	226
Outside Services	3,149	422
Office Expense	177	23
Depreciation and Amortization	339	2,522
Closure and Postclosure Care Costs		
Miscellaneous	55	14
Total Operating Expenses	15,706	6,131
Operating Income (Loss)	(6,329)	(1,065)
Nonoperating Revenues (Expenses)		
Interest Expense		(253)
Interest Revenue		
Miscellaneous		
Amortization of Bond Issue Costs		(9)
Indirect Costs	(601)	(696)
Gain/(Loss) on Sale of Capital Assets		39
Total Nonoperating Revenues (Expenses)	(601)	(919)
Operating Transfers		
Transfers In	6,306	3,400
Transfers Out		(1,262)
Total Operating Transfers	6,306	2,138
Changes in Net Assets	(624)	154
Total Net Assets - Beginning of Year	10,374	29,002
Total Net Assets - End of Year	$ 9,750	$ 29,156

Parking Deck Fund	Totals
$ 267	$ 14,164
	546
267	14,710
	661
21	9,401
6	2,635
4	1,662
41	849
6	3,577
	200
7	2,868
159	228
244	22,081
23	(7,371)
	(253)
	(9)
(63)	(1,360)
	39
(63)	(1,583)
48	9,754
	(1,262)
48	8,492
8	(462)
2	39,378
$ 10	$ 38,916

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2003
(In Thousands)

	County Home Fund	Landfill Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 10,979	$ 4,403
Other Operating Revenues	77	61
Cash Payments to Employees	(9,374)	(2,599)
Cash Payments for Goods and Services	(5,879)	(841)
Net Cash Provided (Used) by Operating Activities	(4,197)	1,024
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out		(1,262)
Operating Transfers In	6,306	3,400
Increase/(Decrease) in Cash Deficit	(1,371)	
Indirect Cost	(600)	(697)
Net Cash Provided (Used) by Non-Capital Financing Activities	4,335	1,441
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(25)	(2,180)
Proceeds from Sale of Capital Assets		39
Interest Paid		(262)
Net Cash Provided (Used) by Capital and Related Financing Activities	(25)	(2,403)
Net Increase/(Decrease) in Cash	113	62
Cash and Investments, Beginning of Year		3
Cash and Investments, End of Year	$ 113	$ 65

Parking Deck Fund	Totals
$ 266	$ 15,648
	138
(32)	(12,005)
(210)	(6,930)
24	(3,149)
	(1,262)
48	9,754
	(1,371)
(63)	(1,360)
(15)	5,761
(9)	(2,214)
	39
	(262)
(9)	(2,437)
	175
1	4
$ 1	$ 179

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2003
(In Thousands)

	County Home Fund	Landfill Operations Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income/(Loss)	$ (6,329)	$ (1,065)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	339	2,522
(Increase)/Decrease in Prepaid Expenses	(1)	
(Increase)/Decrease in Accounts Receivable	1,469	(194)
(Increase)/Decrease in Patient Receivables	208	
(Increase)/Decrease in Inventories	26	
Increase/(Decrease) in Accounts Payable	27	9
Increase/(Decrease) in Due to Other Funds		224
Increase/(Decrease) in Deposits Payable	4	
Increase/(Decrease) in Accrued Wages and Benefits Payable	34	4
Increase/(Decrease) in Estimated Liability for Compensated Absences	26	(28)
Increase/(Decrease) in Landfill Postclosure Costs		(448)
Total Adjustments	2,132	2,089
Net Cash Provided (Used) by Operating Activities	$ (4,197)	$ 1,024

Parking Deck Fund		Totals	
$	23	$	(7,371)
	7		2,868
			(1)
	(1)		1,274
			208
			26
			36
			224
			4
			38
	(5)		(7)
			(448)
	1		4,222
$	24	$	(3,149)

Combining Statement of Net Assets
Internal Service Funds
September 30, 2003
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Assets			
Current Assets:			
Cash and Investments	$ 8,012	$	$ 1
Accounts Receivable, Net			
Due from Other Governments		6,149	150
Inventories			
Prepaid Expenses	130		
Total Current Assets	8,142	6,149	151
Noncurrent Assets:			
Capital Assets, Net Where Applicable	79	312	834
Total Noncurrent Assets	79	312	834
Total Assets	8,221	6,461	985
Liabilities			
Current Liabilities:			
Cash Deficit		5,762	
Accounts Payable	68	227	24
Accrued Wages and Benefits Payable	18	103	7
Estimated Liability for Compensated Absences	7	37	4
Estimated Claims Liability	6,030		
Total Current Liabilities	6,123	6,129	35
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	67	330	37
Total Noncurrent Liabilities	67	330	37
Total Liabilities	6,190	6,459	72
Net Assets			
Invested in Capital Assets Net of Related Debt	79	312	834
Unrestricted	1,952	(310)	79
Total Net Assets	$ 2,031	$ 2	$ 913

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 1	$ 290	$	$ 149	$ 10,827	$ 19,280
20				9	29
	7	1		31	6,338
	263	5	172	684	1,124
3					133
24	560	6	321	11,551	26,904
6,247	1,907	7,790	38	7,644	24,851
6,247	1,907	7,790	38	7,644	24,851
6,271	2,467	7,796	359	19,195	51,755
		84			5,846
302	563	1	32	231	1,448
111	83	12	8	271	613
48	45	7	4	144	296
					6,030
461	691	104	44	646	14,233
430	403	58	39	1,297	2,661
430	403	58	39	1,297	2,661
891	1,094	162	83	1,943	16,894
6,247	1,907	7,790	38	7,644	24,851
(867)	(534)	(156)	238	9,608	10,010
$ 5,380	$ 1,373	$ 7,634	$ 276	$ 17,252	$ 34,861

Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds
For the Year Ended September 30, 2003
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Revenues			
Intergovernmental	$	$ 6,553	$ 309
Charges for Services	1,364		
Total Revenues	1,364	6,553	309
Operating Expenses			
Salaries	566	3,546	669
Employee Benefits and Payroll Taxes	136	814	56
Materials and Supplies	22	192	126
Utilities	1		10
Outside Services	496	3,537	6
Office Expense	3,482	380	31
Depreciation and Amortization	55	67	68
Miscellaneous	11	161	14
Total Operating Expenses	4,769	8,697	980
Operating Income (Loss)	(3,405)	(2,144)	(671)
Nonoperating Revenues (Expenses)			
Interest Revenue	26		
Miscellaneous			
Indirect Costs		(332)	(79)
Gain/(Loss) on Sale of Capital Assets			
Indirect Cost Recovery		1,404	
Total Nonoperating Revenues (Expenses)	26	1,072	(79)
Operating Transfers			
Transfers In		1,074	961
Transfers Out			
Total Operating Transfers		1,074	961
Changes in Net Assets	(3,379)	2	211
Total Net Assets Beginning of Year	5,410		702
Total Net Assets End of Year	$ 2,031	$ 2	$ 913

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$	$	$	$	$	$ 6,862
98	1,365	744	790	17,694	22,055
98	1,365	744	790	17,694	28,917
3,626	2,642	470	270	9,489	21,278
870	755	150	66	2,690	5,537
422	1,594	49	352	1,447	4,204
2	41	6		3,229	3,289
3,801	777	353	22	2,301	11,293
483	14	2	5	407	4,804
2,028	216	8	27	418	2,887
101	15		74	230	606
11,333	6,054	1,038	816	20,211	53,898
(11,235)	(4,689)	(294)	(26)	(2,517)	(24,981)
	1			43	70
	2			758	760
(251)					(662)
	16			5	21
7,251	3,979		99	1,628	14,361
7,000	3,998		99	2,434	14,550
5,367		21		119	7,542
(1)		(1)		(946)	(948)
5,366		20		(827)	6,594
1,131	(691)	(274)	73	(910)	(3,837)
4,249	2,064	7,908	203	18,162	38,698
$ 5,380	$ 1,373	$ 7,634	$ 276	$ 17,252	$ 34,861

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2003
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Cash Flows from Operating Activities			
Cash Received for Services	$ 1,364	$	$
Other Operating Revenues		5,966	176
Cash Payments to Employees	(683)	(4,287)	(712)
Cash Payments for Goods and Services	(997)	(4,247)	(262)
Net Cash Provided (Used) by Operating Activities	(316)	(2,568)	(798)
Cash Flows from Non-Capital Financing Activities			
Operating Transfers Out			
Operating Transfers In		1,074	961
Received From Auxiliary Services			
Increase/(Decrease) in Cash Deficit		668	
Indirect Cost		(332)	(79)
Indirect Cost Recovery		1,404	
Net Cash Provided (Used) by Non-Capital Financing Activities		2,814	882
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(9)	(246)	(83)
Proceeds from Sale of Capital Assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(9)	(246)	(83)
Cash Flows from Investing Activities			
Interest Received	26		
Net Cash Flows Provided by Investing Activities	26		
Net Increase/(Decrease) in Cash	(299)		1
Cash and Investments, Beginning of Year	8,311		
Cash and Investments, End of Year	$ 8,012	$	$ 1

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Service Fund	Totals
$ 79	$ 1,357	$ 745	$ 791	$ 17,764	$ 22,100
					6,142
(4,443)	(3,368)	(617)	(329)	(12,119)	(26,558)
(4,562)	(1,995)	(407)	(489)	(7,589)	(20,548)
(8,926)	(4,006)	(279)	(27)	(1,944)	(18,864)
(1)		(1)		(946)	(948)
5,367		21		119	7,542
	2			758	760
		84			752
(251)					(662)
7,251	3,979		100	1,628	14,362
12,366	3,981	104	100	1,559	21,806
(3,440)	(21)	(21)	(23)	(601)	(4,444)
	15			5	20
(3,440)	(6)	(21)	(23)	(596)	(4,424)
	1			43	70
	1			43	70
	(30)	(196)	50	(938)	(1,412)
1	320	196	99	11,765	20,692
$ 1	$ 290	$	$ 149	$ 10,827	$ 19,280

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2003
(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)	$ (3,405)	$ (2,144)	$ (671)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Amortization	55	67	68
(Increase)/Decrease in Prepaid Expenses	(4)		
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease In Due From Other Governments		(588)	(132)
(Increase)/Decrease In Inventories			
Increase/(Decrease) in Accounts Payable	27	25	(75)
Increase/(Decrease) in Accrued Wages and Benefits Payable	2	42	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	16	30	10
Increase in Estimated Claims Liability	2,993		
Total Adjustments	3,089	(424)	(127)
Net Cash Provided (Used) by Operating Activities	$ (316)	$ (2,568)	$ (798)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Service Fund	Totals
$ (11,235)	$ (4,689)	$ (294)	$ (26)	$ (2,517)	$ (24,981)
2,028	216	8	27	418	2,887
6				2	4
(18)				68	50
	(7)	1		1	(725)
	29	2	(23)	(6)	2
240	416	1	(12)	30	652
22	15	1	1	42	127
31	14	2	6	18	127
					2,993
2,309	683	15	(1)	573	6,117
$ (8,926)	$ (4,006)	$ (279)	$ (27)	$ (1,944)	$ (18,864)

Combining Statement of Fiduciary Net Assets
All Agency Funds
September 30, 2003
(In Thousands)

	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals
Assets			
Cash and Investments	$ 2,462	$ 963	$ 3,425
Loans Receivable, Net		405	405
Prepaid Expenses	1		1
Total Assets	2,463	1,368	3,831
Liabilities			
Due to External Organizations	2,463		2,463
Due to Other Governments		1,368	1,368
Total Liabilities	$ 2,463	$ 1,368	$ 3,831

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended September 30, 2003
(In Thousands)

	Balance October 1, 2002	Additions	Deductions	Balance September 30, 2003
Storm Water Management Authority Fund				
Assets				
Cash and Investments	$ 2,228	$ 2,312	$ 2,078	$ 2,462
Prepaid Expenses		1		1
Total Assets	2,228	2,313	2,078	2,463
Liabilities				
Due to External Organizations	2,228	2,313	2,078	2,463
Total Liabilities	2,228	2,313	2,078	2,463
City of Birmingham Revolving Loan Fund				
Assets				
Cash and Investments	884	79		963
Loans Receivable, Net	465		60	405
Total Assets	1,349	79	60	1,368
Liabilities				
Due to Other Governments	1,349	79	60	1,368
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Investments	3,112	2,391	2,078	3,425
Loans Receivable, Net	465		60	405
Prepaid Expenses		1		1
Total Assets	3,577	2,392	2,138	3,831
Liabilities				
Due to External Organizations	2,228	2,313	2,078	2,463
Due to Other Governments	1,349	79	60	1,368
Total Liabilities	$ 3,577	$ 2,392	$ 2,138	$ 3,831

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

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		
Passed Through Alabama Department of Senior Services		
Nutrition Services Incentive	10.570	
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	B99-UC-01-0001
	14.218	B00-UC-01-0001
	14.218	B01-UC-01-0001
	14.218	B02-UC-01-0001
Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants		
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
Sub-Total HOME Investment Partnerships Program		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10/01/2002 - 09/30/2003	$ 6,287.09	$ 6,287.09	$ 6,287.09	$ 6,287.09
10/01/2002 - 09/30/2003	34,384.80	34,384.80	34,384.80	34,384.80
10/01/2002 - 09/30/2003	63,440.00	63,440.00	63,440.00	63,440.00
	97,824.80	97,824.80	97,824.80	97,824.80
	104,111.89	104,111.89	104,111.89	104,111.89
10/01/2002 - 09/30/2003	310,065.00	310,065.00	269,109.01	269,109.01
	414,176.89	414,176.89	373,220.90	373,220.90
07/25/1986 - 09/30/2003				455,932.31
				455,932.31
10/01/1999 - 09/30/2003	2,745,000.00	2,745,000.00		5,107.00
10/01/2000 - 09/30/2003	2,724,000.00	2,724,000.00	839,872.20	638,911.35
10/01/2001 - 09/30/2003	2,809,000.00	2,809,000.00	2,622,747.37	959,684.15
10/01/2002 - 09/30/2003	2,773,000.00	2,773,000.00		1,858,917.07
10/01/2002 - 09/30/2003				2,694,643.84
	11,051,000.00	11,051,000.00	3,462,619.57	6,157,263.41
10/01/1997 - 09/30/2003	1,118,750.00	895,000.00	20,633.46	20,633.46
10/01/1999 - 09/30/2003	1,272,500.00	1,018,000.00	168,812.32	168,812.32
10/01/2000 - 09/30/2003	1,240,675.00	1,023,000.00	213,454.27	213,454.27
10/01/2001 - 09/30/2003	1,274,331.00	1,051,000.00	111,651.66	111,651.66
10/01/2002 - 09/30/2003	1,308,750.00	1,047,000.00	108,114.39	108,114.39
	6,215,006.00	5,034,000.00	622,666.10	622,666.10
	$ 17,680,182.89	$ 16,499,176.89	$ 4,458,506.57	$ 7,609,082.72

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Emergency Shelter Grants Program	14.231	S01-UC-01-0006
	14.231	S02-UC-01-0006
Sub-Total Emergency Shelter Grants Program (Direct Programs)		
Passed Through Alabama Department of Economic and Community Affairs		
Emergency Shelter Grants Program	14.231	ESG-01-036
Total Emergency Shelter Grants Program		
Community Development Block Grants/State's Program	14.228	DRI-98-001
Total U. S. Department of Housing and Urban Development		
U. S. Department of Justice		
Direct Programs		
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (M)	16.580	2002-DD-BX-0027
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-2463
Bullet Proof Vest Partnership Program	16.607	2009175
Public Safety Partnership and Community Policing Grants	16.710	1999-SH-WX-0529
	16.710	2002-SH-WX-0654
	16.710	2002-HS-WX-0038
Sub-Total Public Safety Partnership and Community Policing Grants		
Total U. S. Department of Justice		
U. S. Department of Labor		
Direct Programs		
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60
Homeless Veterans Reintegration Project	17.805	E-9-5-0-0039
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 17,680,182.89	$ 16,499,176.89	$ 4,458,506.57	$ 7,609,082.72
10/01/2001 - 09/30/2003	96,000.00	96,000.00	9,870.29	9,870.29
10/01/2002 - 09/30/2003	96,000.00	96,000.00	90,508.14	90,508.14
	192,000.00	192,000.00	100,378.43	100,378.43
06/04/2001 - 06/04/2003	216,500.00	111,500.00	21,664.65	21,664.65
	408,500.00	303,500.00	122,043.08	122,043.08
10/04/1999 - 04/30/2003	1,830,000.00	1,500,000.00	335,507.17	335,507.17
	19,504,506.00	17,888,500.00	4,542,835.92	7,237,479.76
05/01/2002 - 10/31/2003	900,000.00	900,000.00	655,972.10	655,972.10
10/15/2002 - 10/14/2004	426,456.00	426,456.00	426,456.00	426,456.00
03/01/1999 - 02/28/2003	995.00	995.00	994.63	994.63
09/01/1999 - 08/31/2003	1,035,670.00	1,035,670.00	320,354.74	320,354.74
09/01/2002 - 08/31/2005	517,870.00	517,870.00	65,554.21	65,554.21
09/01/2002 - 08/31/2003	75,250.00	75,250.00	3,120.00	3,120.00
	1,628,790.00	1,628,790.00	389,028.95	389,028.95
	2,956,241.00	2,956,241.00	1,472,451.68	1,472,451.68
03/20/2000 - 06/30/2004	13,750,000.00	13,750,000.00	4,082,332.54	4,082,332.54
04/01/2000 - 09/30/2003	718,750.00	718,750.00	7,195.20	7,195.20
	$ 37,343,673.89	$ 35,727,667.89	$ 10,478,036.24	$ 13,628,612.39

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Passed Through Senior Service America, Inc.		
Senior Community Service Employment Program	17.235	
Senior Community Service Employment Program	17.235	
Sub-Total Passed Through Senior Service America, Inc.		
Passed Through Alabama Department of Senior Services		
Senior Community Service Employment Program	17.235	
Senior Community Service Employment Program	17.235	
Sub-Total Passed Through Alabama Department of Senior Services		
Total Senior Community Service Employment Program		
Passed Through Alabama Department of Economic and Community Affairs		
Employment Service	17.207	6N308303
Welfare-to-Work Grants to States and Localities	17.253	84WTW
	17.253	92WTW
Sub-Total Welfare-to-Work Grants to States and Localities		
Workforce Investment Act	17.255	02
WIA Adult Program	17.258	12
WIA Adult Program	17.258	22
Sub-Total WIA Adult Program		
WIA Youth Activities	17.259	12
WIA Youth Activities	17.259	22
Sub-Total WIA Youth Activities		
WIA Dislocated Workers	17.260	12
WIA Dislocated Workers	17.260	22
Sub-Total WIA Dislocated Workers		
Total WIA Cluster		
Total U. S. Department of Labor		
U. S. Department of the Treasury		
Direct Program		
Gang Resistance Education and Training	21.053	ATC020090
Total U. S. Department of the Treasury		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 37,343,673.89	$ 35,727,667.89	$ 10,478,036.24	$ 13,628,612.39
07/01/2002 - 06/30/2003	392,500.00	349,105.00	264,219.00	264,219.00
07/01/2003 - 06/30/2004	404,852.00	358,277.00	147,781.00	147,781.00
	797,352.00	707,382.00	412,000.00	412,000.00
07/01/2002 - 06/30/2003	190,677.00	171,609.00	108,179.00	108,179.00
07/01/2003 - 06/30/2004	190,778.00	171,700.00	56,960.00	56,960.00
	381,455.00	343,309.00	165,139.00	165,139.00
	1,178,807.00	1,050,691.00	577,139.00	577,139.00
05/01/2002 - 06/30/2003	499,476.30	499,476.30	249,001.23	249,001.23
07/01/2000 - 06/30/2003	2,291,268.11	2,291,268.11	720,070.78	720,070.78
07/01/2001 - 09/28/2004	2,117,352.00	2,117,352.00	692,434.05	692,434.05
	4,408,620.11	4,408,620.11	1,412,504.83	1,412,504.83
07/01/2000 - 06/30/2003	1,693,481.02	1,693,481.02	268,815.51	268,815.51
07/01/2001 - 06/30/2003	662,054.00	662,054.00	505,201.32	505,201.32
07/01/2002 - 06/30/2004	1,205,585.00	1,205,585.00	751,249.78	751,249.78
	1,867,639.00	1,867,639.00	1,256,451.10	1,256,451.10
07/01/2001 - 06/30/2003	951,413.00	951,413.00	699,813.16	699,813.16
07/01/2002 - 06/30/2004	1,110,011.00	1,110,011.00	579,393.76	579,393.76
	2,061,424.00	2,061,424.00	1,279,206.92	1,279,206.92
07/01/2001 - 06/30/2003	609,999.00	609,999.00	469,206.57	469,206.57
07/01/2002 - 06/30/2004	1,093,374.00	1,093,374.00	413,480.09	413,480.09
	1,703,373.00	1,703,373.00	882,686.66	882,686.66
	5,632,436.00	5,632,436.00	3,418,344.68	3,418,344.68
	27,881,570.43	27,753,454.43	10,015,332.99	10,015,332.99
01/16/2002 - 01/15/2003	49,525.00	49,525.00	16,703.82	16,703.82
	49,525.00	49,525.00	16,703.82	16,703.82
	$ 50,806,019.32	$ 49,061,897.32	$ 16,420,545.31	$ 19,571,121.46

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Forward		
Appalachian Regional Commission		
Direct Program		
Appalachian Area Development	23.002	AL-13542
Total Appalachian Regional Commission		
U. S. Department of Education		
Passed Through Alabama Department of Economic and Community Affairs		
Safe and Drug-Free Schools and Communities - State Grants	84.186	02-GV-DR-032
Total U. S. Department of Education		
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
Consolidated Knowledge Development and Application (KD&A) Program	93.230	6 H79 TI12422-03-1
Health Care and Other Facilities	93.887	4C76HF00183-01-01
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6H76HA00098-09-03
	93.918	6H76HA00098-10-03
Sub-Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (M)		
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	03-01-01-03A
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	03-01-01-03A
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-01-03A
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-01-03A
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-01-03A
Sub-Total Title III, Part B		
Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-01-03A
Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-01-03A
Sub-Total Title III, Part C		
Total Aging Cluster (M)		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 50,806,019.32	$ 49,061,897.32	$ 16,420,545.31	$ 19,571,121.46
10/01/2002 - 09/30/2003	469,000.00	469,000.00	20,000.00	20,000.00
	469,000.00	469,000.00	20,000.00	20,000.00
10/01/2002 - 09/30/2003	5,434.30	5,434.30	5,434.30	5,434.30
	5,434.30	5,434.30	5,434.30	5,434.30
09/30/2002 - 09/29/2003	149,354.00	149,354.00	50,000.00	50,000.00
09/30/2002 - 09/29/2003	191,343.00	191,343.00	188,062.21	188,062.21
09/20/2002 - 09/19/2003	987,673.00	957,381.00	330,000.00	330,000.00
01/01/2002 - 12/31/2002	1,015,955.00	1,015,955.00	75,000.00	75,000.00
01/01/2003 - 12/31/2003	1,015,650.00	1,015,650.00	990,955.00	990,955.00
	2,031,605.00	2,031,605.00	1,065,955.00	1,065,955.00
10/01/2002 - 09/30/2003	18,843.00	16,959.00	16,959.00	16,959.00
10/01/2002 - 09/30/2003	37,072.00	33,365.00	33,365.00	33,365.00
10/01/2002 - 09/30/2003	52,125.00	46,476.00	46,476.00	46,476.00
10/01/2002 - 09/30/2003	153,231.00	114,923.00	114,923.00	114,923.00
10/01/2002 - 09/30/2003	616,304.00	553,730.00	507,762.09	507,762.09
	769,535.00	668,653.00	622,685.09	622,685.09
10/01/2002 - 09/30/2003	1,010,620.00	660,490.00	600,845.40	600,845.40
10/01/2002 - 09/30/2003	1,142,063.00	606,672.00	503,108.63	503,108.63
	2,152,683.00	1,267,162.00	1,103,954.03	1,103,954.03
	2,922,218.00	1,935,815.00	1,726,639.12	1,726,639.12
	$ 57,670,686.62	$ 54,898,629.62	$ 19,903,435.94	$ 23,054,012.09

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Title IV - and Title II - Discretionary Projects	93.048	03-01-01-03A
National Family Caregiver Support	93.052	03-01-01-03A
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	03-01-01-03A
Total U. S. Department of Health and Human Services		
U. S. Department of Homeland Security Passed Through Alabama Department of Economic and Community Affairs		
Hazard Mitigation Grant	97.039	HMGP1208-0025
Hazard Mitigation Grant	97.039	FMA-PJ-04AL-2000001
Sub-Total Hazard Mitigation Grant		
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

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

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 57,670,686.62	$ 54,898,629.62	$ 19,903,435.94	$ 23,054,012.09
10/01/2002 - 09/30/2003	83,212.00	67,986.00	45,546.00	45,546.00
10/01/2002 - 09/30/2003	586,655.00	524,790.00	475,864.08	475,864.08
10/01/2002 - 09/30/2003	50,787.00	50,787.00	21,675.00	21,675.00
	5,903,894.00	4,798,868.00	2,821,524.20	2,821,524.20
05/01/2001 - 04/30/2003	263,353.00	263,353.00	68,905.75	68,905.75
07/03/2001 - 07/02/2003	25,400.00	25,400.00	10,000.00	10,000.00
	288,753.00	288,753.00	78,905.75	78,905.75
	288,753.00	288,753.00	78,905.75	78,905.75
	$ 58,680,093.62	$ 55,830,945.62	$ 20,525,426.77	$ 23,676,002.92

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2003

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant – Entitlement Grants	14.218	$2,930,852.82
Community Development Block Grant – State's Program	14.228	$ 347,129.88
Emergency Shelter Grants Program	14.231	$ 117,495.84
Employment Service	17.207	$ 249,001.23
Welfare-to-Work Grants to States and Localities	17.253	$1,895,566.60
Workforce Investment Act:		
Workforce Investment Act	17.255	
WIA Cluster:		
WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Workers	17.260	
Total Workforce Investment Act		$3,325,823.67
Youth Opportunity Grant	17.263	$3,727,354.24
Homeless Veterans Reintegration Project	17.805	$ 7,195.19
Consolidated Knowledge Development and Application (KD&A) Program	93.230	$ 188,062.21
Hazard Mitigation Grant	97.039	$ 20,942.80

Note 3 – Workforce Investment Act

Pursuant to instructions from the pass-through entity, CFDA Number 17.255 is being separately displayed in the schedule. These programs have been consolidated into the WIA Cluster (CFDA Number 17.258, 17.259 and 17.260).

Note 4 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2003:

	CFDA Number	Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Economic Development Technical Assistance	11.303	$ 415,420	($ 34,503)	$ 380,917
Community Development Block Grants/Entitlement Grants	14.218	$1,927,590	($ 79,682)	$1,847,908
HOME Investment Partnership Program	14.239	$2,285,691	($258,000)	$2,027,691

Additional Information

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Commission Members and Administrative Personnel
October 1, 2002 through September 30, 2003

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
Hon. Jeff Germany	Member	927 Brandy Lane Birmingham, AL 35214	2002
Hon. Steve Small, Jr.	Member	401 19th Street South, Unit 404 Birmingham, AL 35233	2002

Administrative Personnel

Mr. Steve Sayler	Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263
Mr. Travis Hulsey	Assistant Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263
Mr. Danny Panos	Chief Accountant	Room 820 Jefferson County Courthouse Birmingham, AL 35263

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

We have audited the financial statements of the Jefferson County Commission as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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.

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

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

February 6, 2004

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

Compliance

We have audited the compliance of the Jefferson County Commission with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to each of its major federal programs for the year ended September 30, 2003. 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, 2003.

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 Internal Control Over Compliance in Accordance With OMB Circular A-133

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Jefferson County Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

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

February 6, 2004

Section I - Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	X No
Reportable condition(s) identified that are not considered to be material weakness(es)?	X Yes	______ None reported
Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	X No
Reportable condition(s) identified that are not considered to be material weakness(es)?	X Yes	______ 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?	X Yes	______ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
17.263	Youth Opportunity Grants
93.044 and 93.045	Aging Cluster
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

Dollar threshold used to distinguish Between Type A and Type B programs:	$629,440.77	
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. Of fifty-eight (58) new customer notifications tested, thirteen (13) were not set up for sewer billing by Bessemer Water Service. **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
2003-2	17.263	U. S. Department of Labor; Youth Opportunity Grant Contract Number AZ-10126-00-60 for the period March 20, 2000 through June 30, 2004	**Finding:** The compliance requirement for subrecipient monitoring requires that all subrecipients be monitored to ensure compliance with all federal regulations. Procedures were not in place to monitor the subrecipient of the Youth Opportunity Grant to ensure that compliance requirements were timely and properly met. Some claims for reimbursement were submitted several months after the period of performance. The agency hired to monitor the subrecipient did not provide any monitoring reports to the Office of Community Development as required. **Recommendation:** The Jefferson County Office of Community Development should implement procedures to ensure that subrecipients of the Youth Opportunity Grant are in compliance with all requirements.	

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Auditee Response/Corrective Action Plan

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JEFFERSON COUNTY COMMISSION

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

LARRY P. LANGFORD–COMMISSIONER
Finance and General Services

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

VIA Email
Christine.harden@examiners.state.al.us

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

Corrective Action Plan
For the Year Ended September 30, 2003

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, Section .315(c), the Jefferson County Commission has prepared and hereby submits the following Correction Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2003.

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. Of fifty-eight (58) new customer notifications tested, thirteen (13) were not set up for sewer billing by Bessemer Water Service.

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.

Finding #2003-2: The compliance requirement for subrecipient monitoring requires that all subrecipients be monitored to ensure compliance with all federal regulations. Procedures were not in place to monitor the subrecipient of the Youth Opportunity Grant to ensure that compliance requirements were timely and properly met. Some claims for reimbursement were submitted several months after the period of performance. The agency hired to monitor the subrecipient did not provide any monitoring reports to the Office of Community Development as required.

Response: The Office of Community Development has begun a stringent reorganization of this program's oversight and operation during fiscal year 2004 in partnership with the State and Federal agencies involved with the program. The Office is confident that these changes will eliminate these compliance problems and documentation of these changes all available for your review.

Other Matters in Report to the Chief Examiner
For the Year

Finding: At September 30, 2003, the following funds had deficit fund balances:

Road Fund	$ 4,139,000
Senior Citizen's Activities Fund	$ 747,000
Capital Improvements Fund	$ 2,077,000

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

Steve Sayler, Director of Finance of County Commission

EXHIBIT B

FORMS OF OPINIONS OF CO-BOND COUNSEL

[Closing Date]

Holders of the Series 2004-A Warrants referred to below

Re: $51,020,000 General Obligation Warrants, Series 2004-A, dated August 1, 2004, issued by Jefferson County, Alabama

We have acted as co-bond counsel in connection with the issuance of the above-referenced warrants (the "Series 2004-A Warrants") by Jefferson County, a political subdivision of the State of Alabama (the "County"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to various questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

In connection with the rendering of this opinion, we have served as counsel to the County.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Series 2004-A Warrants constitute valid and binding orders on the Director of Finance of the County for the payment thereof as therein provided. The indebtedness evidenced by the Series 2004-A Warrants is a general obligation of the County for the payment of which the County has validly and irrevocably pledged its full faith and credit.

2. Interest on the Series 2004-A Warrants is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), that must be satisfied subsequent to the issuance of the Series 2004-A Warrants in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2004-A Warrants to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2004-A Warrants.

3. Interest on the Series 2004-A Warrants is exempt from State of Alabama income taxation.

We express no opinion regarding federal tax consequences arising with regard to the Series 2004-A Warrants, other than the opinions expressed in paragraph 2 above.

The rights of the holders of the Series 2004-A Warrants and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Faithfully yours,

Maynard, Cooper & Gale, P.C.

[Closing Date]

Holders of the Series 2004-A Warrants referred to below

Re: $51,020,000 General Obligation Warrants, Series 2004-A, dated August 1, 2004, issued by Jefferson County, Alabama

I have acted as co-bond counsel in connection with the issuance of the above-referenced warrants (the "Series 2004-A Warrants") by Jefferson County, a political subdivision of the State of Alabama (the "County"). In such capacity, I have examined such law and such certified proceedings and other documents as I have deemed necessary to render this opinion.

As to various questions of fact material to our opinion, I have relied upon the certified proceedings and other certificates of public officials and others furnished to me without undertaking to verify the same by independent investigation.

In connection with the rendering of this opinion, I have served as counsel to the County.

Based on the foregoing, I am of the opinion that, under existing law:

1. The Series 2004-A Warrants constitute valid and binding orders on the Director of Finance of the County for the payment thereof as therein provided. The indebtedness evidenced by the Series 2004-A Warrants is a general obligation of the County for the payment of which the County has validly and irrevocably pledged its full faith and credit.

2. Interest on the Series 2004-A Warrants is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), that must be satisfied subsequent to the issuance of the Series 2004-A Warrants in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2004-A Warrants to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2004-A Warrants.

3. Interest on the Series 2004-A Warrants is exempt from State of Alabama income taxation.

I express no opinion regarding federal tax consequences arising with regard to the Series 2004-A Warrants, other than the opinions expressed in paragraph 2 above.

The rights of the holders of the Series 2004-A Warrants and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof and I assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to my attention or any changes in law that may hereafter occur.

Faithfully yours,

Valeria Frye Walker, Esq.

EXHIBIT C

SPECIMEN BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

COUNTERSIGNED: **MBIA Insurance Corporation**

Resident Licensed Agent

President

City, State

Attest: Assistant Secretary

STD-RCS-6
4/95

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