OFFICIAL STATEMENT

Ratings

NEW ISSUE - BOOK ENTRY ONLY **Insured (Underlying): S&P: AAA (AA-)**
Moody's: Aaa (Aa3)
See "RATINGS" herein.

In the opinion of Bond Counsel, under existing law, interest on the Series 2006 Warrants (i) will be excludable from gross income for federal income tax purposes if the Authority and Jefferson County, Alabama comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2006 Warrants in order that interest thereon be and remain excludable from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2006 Warrants will be exempt from State of Alabama income taxation. See "TAX EXEMPTION" herein for further information and certain other federal tax consequences arising with respect to the Series 2006 Warrants.

$86,745,000
JEFFERSON COUNTY PUBLIC BUILDING AUTHORITY
Lease Revenue Warrants, Series 2006

Dated: August 1, 2006 **Due: April 1, as shown on the inside cover**

The Series 2006 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 2006 Warrants will be made so long as Cede & Co. is the registered owner of the Series 2006 Warrants. Individual purchases of the Series 2006 Warrants will be made in Book-Entry Only form, and individual purchasers ("Beneficial Owners") of the Series 2006 Warrants will not receive physical delivery of bond certificates.

Interest will be payable on the Series 2006 Warrants each April 1 and October 1, beginning October 1, 2006. Payment of debt service on Series 2006 Warrants not in Book-Entry Only form shall be made by check or draft or, at the request of the holder of the Series 2006 Warrants in an aggregate principal amount of not less than $100,000 accompanied by adequate written instructions, by wire transfer, provided that payment of principal of Series 2006 Warrants shall be made only upon surrender of such Warrants at the office of the Trustee, First Commercial Bank, Birmingham, Alabama. So long as DTC or its nominee is the registered owner of the Series 2006 Warrants, disbursements of such payments to DTC is the responsibility of the Trustee, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owner is the responsibility of DTC Participants or Indirect Participants as more fully described herein.

The Series 2006 Warrants are special, limited obligations of the Authority, payable solely from, and secured by a pledge of, the revenues and receipts derived by the Authority from the leasing of the Warrant-Financed Facilities described herein. The Series 2006 Warrants will not constitute an indebtedness of the State of Alabama or of Jefferson County, Alabama (the "County"), or give rise to a pecuniary liability or charge against the general credit or taxing powers of the State of Alabama or the County. The Authority has pledged no revenues to secure the payment of debt service on the Series 2006 Warrants other than revenues derived from or with respect to the Warrant-Financed Facilities. The Warrant-Financed Facilities will be leased to the County pursuant to a lease agreement that will terminate, if not renewed on September 30, 2006. The County will have the right to renew the lease agreement for successive one-year terms, each such renewal term to coincide with the fiscal year of the County. As additional security for the payment of debt service on the Series 2006 Warrants and certain other obligations, the Authority will grant to the Trustee, pursuant to the Indenture, a non-foreclosable mortgage lien on the Warrant-Financed Facilities. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2006 WARRANTS".

The Series 2006 Warrants will be subject to redemption prior to their respective maturities as described herein.

Payment of principal of and interest on the Series 2006 Warrants when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2006 Warrants.

Ambac

FOR MATURITIES, AMOUNTS, RATES & PRICES, SEE INSIDE COVER.

Purchase of the Series 2006 Warrants involves certain risks. See "RISK FACTORS" for a discussion of certain of these risks.

The Series 2006 Warrants are offered when, as and if issued, subject to approval of validity by Maynard, Cooper & Gale, P.C., Birmingham, Alabama. Certain legal matters will be passed on for the Underwriters by their Counsel, Waldrep Stewart & Kendrick, LLC, Birmingham, Alabama, and for the Authority by its counsel, James L. North & Associates, Birmingham, Alabama. It is expected that the Series 2006 Warrants in definitive form will be available for delivery in New York, New York, on or about August 17, 2006.

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 the making of an informed investment decision.

WACHOVIA SECURITIES **BLOUNT PARRISH & COMPANY INCORPORATED**

The date of this Official Statement is August 3, 2006.

MATURITIES, AMOUNTS, RATES AND PRICES

Year	Amount	Rate	Price	Year	Amount	Rate	Price
2008	$990,000	4.250%	100.713	2015	$4,840,000	5.000%	106.252
2009	1,035,000	4.750	102.320	2016	5,105,000	5.000	106.437
2010	1,085,000	5.000	103.849	2017	5,380,000	5.125	106.928
2011	1,135,000	4.000	100.499	2018	5,680,000	5.125	106.521
2012	4,130,000	5.000	105.397	2019	6,000,000	5.125	106.197
2013	4,355,000	5.000	105.762	2020	6,335,000	5.125	105.954
2014	4,590,000	5.000	106.037	2021	6,680,000	5.125	105.713

$29,405,000 5.00% Term Warrant due April 1, 2026; Yield 4.726%

(Accrued interest from August 1, 2006 to be added)

JEFFERSON COUNTY PUBLIC BUILDING AUTHORITY

Dr. George Munchus, III – President
Mr. Jordan Frazier – Vice President
Bishop James Lowe – Secretary-Treasurer

JEFFERSON COUNTY COMMISSION

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

BOND COUNSEL

Maynard, Cooper & Gale, P.C.
Birmingham, Alabama

UNDERWRITERS' COUNSEL

Waldrep Stewart & Kendrick, LLC
Birmingham, Alabama

AUTHORITY COUNSEL

James L. North & Associates
Birmingham, Alabama

UNDERWRITERS

Wachovia Securities
Blount Parrish & Company, Incorporated

[THIS PAGE INTENTIALLY LEFT BLANK]

TABLE OF CONTENTS

OFFICIAL STATEMENT
Regarding
$86,745,000
LEASE REVENUE WARRANTS, SERIES 2006
of the
JEFFERSON COUNTY PUBLIC BUILDING AUTHORITY

INTRODUCTION

This Official Statement is furnished in connection with the issuance of the Series 2006 Warrants referred to above (the “Series 2006 Warrants”) by the Jefferson County Public Building Authority (the “Authority”).

The Authority is a public corporation organized under the laws of the State of Alabama. The Series 2006 Warrants will be issued pursuant to a Trust Indenture dated August 1, 2006 (the “Indenture”) between the Authority and First Commercial Bank, Birmingham, Alabama (the “Trustee”). Certain provisions of the Indenture are described herein under “DESCRIPTION OF THE SERIES 2006 WARRANTS” and “SECURITY AND SOURCE OF PAYMENT”. For a description of certain other provisions of the Indenture, see “Appendix C– Summary of the Indenture and the Lease Agreement”.

The Series 2006 Warrants are special, limited obligations of the Authority, payable solely from, and secured by a pledge of, the revenues and receipts derived by the Authority from the leasing of the Warrant-Financed Facilities described herein. The Series 2006 Warrants will not constitute an indebtedness of the State of Alabama or of Jefferson County, Alabama (the “County”), or give rise to a pecuniary liability or charge against the general credit or taxing powers of the State of Alabama or the County. The Authority has pledged no revenues to secure the payment of debt service on the Series 2006 Warrants other than revenues derived from or with respect to the Warrant-Financed Facilities. The Warrant-Financed Facilities will be leased to the County pursuant to a lease agreement for an initial term ending on September 30, 2006. Pursuant to the lease agreement, the County will have the option to renew the lease agreement for successive one-year terms , each such renewal term to coincide with the fiscal year of the County. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2006 WARRANTS”.

As additional security for the payment of debt service on the Series 2006 Warrants and certain other obligations, the Authority will grant to the Trustee, pursuant to the Indenture, a non-foreclosable mortgage lien on the Warrant-Financed Facilities. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2006 WARRANTS”.

The Series 2006 Warrants are being issued for the purpose of (i) financing the capital projects described herein, (ii) providing for a debt service reserve fund and (iii) paying the costs of issuing the Series 2006 Warrants. See “THE PLAN OF FINANCING AND THE PROJECTS”.

The Series 2006 Warrants are subject to optional and mandatory redemption at the times and under the circumstances set forth herein. See “DESCRIPTION OF THE SERIES 2006 WARRANTS - Redemption Prior to Maturity”. The Series 2006 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 2006 WARRANTS”.

Payment of the principal of and interest on the Series 2006 Warrants when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation (the “Bond Insurer”) simultaneously with the issuance of the Series 2006 Warrants. See “THE FINANCIAL GUARANTY INSURANCE POLICY”.

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

Purchase of the Series 2006 Warrants involves certain risks. See “RISK FACTORS” for a discussion of certain of these risks.

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 2006 Warrants, contact Steve Saylor, Director of Finance, Jefferson County, Suite 810 Courthouse, 716 21st Street North, Birmingham, Alabama 35203.

GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT

Certain capitalized terms used frequently in this Official Statement are defined in this section of the Official Statement. In addition, certain capitalized terms used in this Official Statement and not defined in this section are defined in "Appendix C– Summary of the Indenture and the Lease Agreement".

"**Authority**" means the Jefferson County Public Building Authority, a public corporation under the laws of the State of Alabama.

"**Bond Insurer**", or "**Insurer**" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"**County**" means Jefferson County, a political subdivision of the State of Alabama.

"**Financial Guaranty Insurance Policy**" means the financial guaranty policy issued by Ambac Assurance Corporation insuring the payment when due of the principal of and interest on the Series 2006 Warrants as provided therein.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended.

"**Indenture**" means the Trust Indenture dated as of August 1, 2006 between the Authority and the Trustee pursuant to which the Series 2006 Warrants will be issued.

"**Lease Agreement**" means that certain lease agreement described more particularly under "SECURITY AND SOURCE OF PAYMENT".

"**Series 2006 Warrants**" means the Authority's $86,745,000 Lease Revenue Warrants, Series 2006, dated August 1, 2006, which are being offered by this Official Statement.

"**Trustee**" means First Commercial Bank, Birmingham, Alabama, which is the trustee, paying agent and registrar for the Series 2006 Warrants.

"**Warrant-Financed Facilities**" means those facilities described more particularly under "THE PLAN OF FINANCING".

DESCRIPTION OF THE SERIES 2006 WARRANTS

General Provisions

The Series 2006 Warrants will be fully registered warrants in the denomination of $5,000 or any multiple thereof, will be dated August 1, 2006, and will be numbered separately from 1 upward.

The Series 2006 Warrants will mature annually on April 1 in the amounts and years set forth on the inside cover page hereof. The Series 2006 Warrants will bear interest at the applicable per annum rates set forth on the inside cover page hereof. All Series 2006 Warrants with the same maturity will bear interest at the same rate. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. Interest on the Series 2006 Warrants will be payable on each April 1 and October 1, beginning October 1, 2006.

The Series 2006 Warrants will be issued pursuant to the Indenture. Certain provisions of the Indenture are described herein under "DESCRIPTION OF THE SERIES 2006 WARRANTS" and "SECURITY AND SOURCE

OF PAYMENT". For a description of certain other provisions of the Indenture, see "Appendix C– Summary of the Indenture and the Lease Agreement".

Method and Place of Payment

The Series 2006 Warrants will be issued in book-entry only form, as described below under "Book-Entry Only System", and the method and place of payment will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2006 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 to the persons who were registered holders of the Series 2006 Warrants on the regular record date for such interest payment date, which will be the 15th day of the month preceding such interest payment date. Payment of the principal of (and premium, if any, on) the Series 2006 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 2006 Warrants at the principal office of the Trustee (First Commercial Bank) in Birmingham, Alabama.

The holder of Series 2006 Warrants in an aggregate principal amount of $100,000 or more may, upon the terms and conditions of the Indenture, 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 Trustee.

Redemption Prior to Maturity

Optional Redemption. Series 2006 Warrants maturing on April 1, 2017 or thereafter, or any smaller principal amount of such Series 2006 Warrants that is a multiple of the smallest authorized denomination, may be redeemed at the option of the Authority on April 1, 2016 or any date thereafter at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Optional Redemption Upon Occurrence of Certain Calamities. All (but not less than all) Series 2006 Warrants may be redeemed at the option of the Authority, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, within 180 days after any of the following shall have occurred:

(1) the Warrant-Financed Facilities shall have been damaged or destroyed to such extent that, in the opinion of the County, they cannot be restored within a period of 12 months to substantially the condition thereof immediately prior to such damage or destruction or the County is thereby prevented from carrying on its normal operations at the Warrant-Financed Facilities for a period of not less than 12 months; or

(2) the taking by eminent domain of all or substantially all the Warrant-Financed Facilities or of any part, use or control of the Warrant-Financed Facilities that, in the opinion of the County, results in the County's being thereby prevented from carrying on its normal operations at the Warrant-Financed Facilities for a period of not less than 12 months; or

(3) as a result of a change in law or a final order of any court or other governmental authority the Lease Agreement becomes void or unenforceable or impossible of performance or unreasonable burdens or excessive liabilities are imposed on the County that, in the opinion of the County, render the Warrant-Financed Facilities uneconomic for their intended use.

Scheduled Mandatory Redemption. Those of the Series 2006 Warrants maturing on April 1, 2026 shall be subject to mandatory redemption prior to their stated maturity, at a redemption price equal to the par or face amount of each Series 2006 Warrant so redeemed plus accrued interest thereon to the date of redemption, in the following respective principal amounts on the following dates:

Date of Redemption	Principal Amount to be Redeemed
April 1, 2025	$ 14,345,000

As a result of such mandatory redemption, $15,060,000 in principal amount of Series 2006 Warrants maturing on April 1, 2026, will remain to be paid on its stated maturity date.

Provisions Generally Applicable to Redemption Prior to Maturity. If less than all Series 2006 Warrants Outstanding are to be redeemed, the particular Series 2006 Warrants to be redeemed may be specified by the Authority by written notice to the Trustee, or, in the absence of timely receipt by the Trustee of such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that (i) the principal amount of Series 2006 Warrants of each maturity to be redeemed must be a multiple of the smallest authorized denomination of Series 2006 Warrants, and (ii) if less than all Series 2006 Warrants with the same stated maturity are to be redeemed, the Series 2006 Warrants of such maturity to be redeemed shall be selected by lot by the Trustee.

Any redemption will be made upon at least 30 days' notice by registered or certified mail to the holders of Series 2006 Warrants to be redeemed.

If a trust is established for payment of less than all Series 2006 Warrants of a particular maturity, the Series 2006 Warrants of such maturity to be paid from the trust shall be selected by the Trustee within 7 days after such trust is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify holders whose Series 2006 Warrants (or portions thereof) have been selected for payment from such trust and shall direct such holders to surrender their Series 2006 Warrants to the Trustee in exchange for Series 2006 Warrants with the appropriate designation.

Upon any partial redemption of a Series 2006 Warrant, such Series 2006 Warrant shall be surrendered to the Trustee in exchange for one or more new Series 2006 Warrants in authorized form for the unredeemed portion of principal.

Any Series 2006 Warrant (or portion thereof) which is to be redeemed must be surrendered to the Trustee for payment of the redemption price. Series 2006 Warrants (or portions thereof) duly called for redemption will cease to bear interest after the redemption date, unless the Authority defaults in payment of the redemption price.

Registration and Exchange

The Series 2006 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 2006 Warrants will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2006 Warrants is discontinued.

The Series 2006 Warrants are transferable only on the warrant register maintained at the principal office of the Trustee. Upon surrender of a Series 2006 Warrant to be transferred, properly endorsed, a new Series 2006 Warrant will be issued to the designated transferee.

The Series 2006 Warrants will be issued in denominations of $5,000 or any multiple thereof and, subject to the provisions of the Indenture, may be exchanged for a like aggregate principal amount of Series 2006 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 Authority may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Right of the County to Exercise Rights and Options With Respect to Terms of the Series 2006 Warrants

For a description of certain rights of the County under the Indenture and related documents, see "Appendix C– Summary of the Indenture and the Lease Agreement".

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2006 Warrants. The Series 2006 Warrants will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee or such other name as maybe requested by an authorized representative of DTC. The Series 2006 Warrants will be issued as a single fully-registered certificate and will be deposited with DTC.

DTC, the world's largest securities depository, 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. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other 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 & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also are subsidiaries of DTCC), 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, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series 2006 Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006 Warrants on DTC's records. The ownership interest of each beneficial owner of a Series 2006 Warrant (a "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written communication from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2006 Warrants are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2006 Warrants, except in the event that use of the book-entry only system for the Series 2006 Warrants is discontinued.

To facilitate subsequent transfers, all Series 2006 Warrants deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as maybe requested by an authorized representative of DTC. The deposit of Series 2006 Warrants with DTC and their registration in the name of Cede & Co. or such other name as maybe requested by an authorized representative of DTC do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Warrants. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006 Warrants are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect 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. Beneficial Owners of Series 2006 Warrants may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006 Warrants, such as redemptions, tenders, defaults, and proposed amendments to the documents governing the terms of the Series 2006 Warrants. For example, Beneficial Owners of Series 2006 Warrants may wish to ascertain that the nominee holding the Series 2006 Warrants for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided to them directly.

Redemption notices shall be sent to DTC. If less than all of the Series 2006 Warrants are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2006 Warrants unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Authority 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 2006 Warrants are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2006 Warrants will be made to Cede & Co., or such nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon receipt of funds and corresponding detail information, in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Indirect Participants and not of DTC, the Trustee or the Authority, 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 any other DTC nominee) is the responsibility of the Trustee, 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 Authority and the Trustee 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 2006 Warrants (i) payments of principal of or interest and premium, if any, on the Series 2006 Warrants, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2006 Warrants, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2006 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 Authority nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series 2006 Warrants; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct 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 2006 Warrants; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to warrantholders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2006 Warrants; or (6) any consent given or other action taken by DTC as warrantholder.

DTC may discontinue providing its services as a depository with respect to the Series 2006 Warrants at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depositor is not obtained, Series 2006 Warrants are required to be printed and delivered. In addition, the

Authority may discontinue the book-entry only system for the Series 2006 Warrants at any time by giving reasonable notice to DTC.

Authority for Issuance

The Series 2006 Warrants are being issued under the authority of the constitution and laws of the State of Alabama, including particularly Chapter 15 of Title 11 of the Code of Alabama (1975) (the "Enabling Law"). Section 11-15-9 of the Code of Alabama (1975) authorizes any public building authority in the State of Alabama to issue revenue warrants for the purpose of acquiring, constructing, improving, enlarging, completing and equipping a building or buildings designed for use and occupancy as a county courthouse or jail or for the supplying of offices and related facilities for officers and departments of the county and any agencies for which the county may lawfully furnish office facilities or any one or more thereof, together with any lands deemed by such authority to be desirable in connection therewith. Such warrants may be issued in such denomination or denominations and may have such maturity or maturities not exceeding 30 years from their date. All such warrants shall be limited obligations of such authority payable solely out of revenues derived from the project with respect to which they are issued. Such warrants shall also be secured by a non-forecloseable mortgage lien on such project.

SECURITY AND SOURCE OF PAYMENT

General

The Series 2006 Warrants are special, limited obligations of the Authority, payable solely from, and secured by a pledge of, the revenues and receipts derived by the Authority from the leasing of the facilities described below under "THE PLAN OF FINANCING AND THE PROJECTS" (the "Warrant-Financed Facilities"). The Series 2006 Warrants will not constitute an indebtedness of the State of Alabama or of Jefferson County, Alabama, or give rise to a pecuniary liability or charge against the general credit or taxing powers of the State of Alabama or Jefferson County. The Authority has pledged no revenues to secure the payment of debt service on the Series 2006 Warrants other than revenues derived from or with respect to the Warrant-Financed Facilities.

The Warrant-Financed Facilities will be leased to the County pursuant to a lease agreement (the "Lease Agreement") for an initial term continuing until and including September 30, 2006. Thereafter, at the option of the County, the Lease Agreement may be renewed for successive one-year terms continuing to and including September 30, 2026. **If the County elects not to renew the Lease Agreement at the end of any fiscal year as therein provided, the Authority will have no funds with which to pay the principal of and interest on the Series 2006 Warrants.** See "RISK FACTORS".

The County is required under Alabama law to maintain a jail and a courthouse within its boundaries. The County will covenant in the Lease Agreement that, so long as the Series 2006 Warrants are outstanding, the County will not relocate the County's Bessemer courthouse or jail to any alternative facility unless the Lease Agreement is expressly amended to provide that such alternative facility is made a part of the Warrant-Financed Facilities under the Lease Agreement. Further, as provided under the Enabling Law, the County has covenanted that, so long as any Series 2006 Warrants are outstanding, if any office or storage space in the Warrant-Financed Facilities shall become vacant after acquisition or construction thereof, then neither the County nor any officer, department or agency of the County shall thereafter enter into any lease or rental agreement for additional office or storage space or renew any existing lease or rental agreement for office or storage space in or about the municipality in which such Warrant-Financed Facilities are located until all such vacant space in the Warrant-Financed Facilities shall have been filled.

Pursuant to the Indenture, the Authority will assign and pledge to the Trustee all the Authority's rights under the Lease Agreement, except for certain rights relating to indemnification, reimbursement of expenses and receipt of notices and other communications, and certain other collateral (the "Trust Estate") to secure the payment of debt service on the Series 2006 Warrants.

For a description of certain other provisions of the Indenture and the Lease Agreement, see "Appendix C–Summary of the Indenture and the Lease Agreement".

Non-Foreclosable Mortgage Lien on the Warrant-Financed Facilities

As additional security for the payment of the Series 2006 Warrants and all other obligations under the Indenture, the Authority will grant to the Trustee, pursuant to the Indenture, a non-foreclosable mortgage lien on the Warrant-Financed Facilities. The mortgage will not be subject to foreclosure and will not be construed so as to compel the sale of the Warrant-Financed Facilities or any part thereof in satisfaction of the Series 2006 Warrants.

Provisions for Payment

The Series 2006 Warrants shall, prior to the maturity or redemption date thereof, be deemed to have been paid, and the pledge and assignment of the Trust Estate shall be terminated, if there shall have been deposited with the Trustee cash and/or Federal Securities (as defined in "Appendix C– Summary of the Indenture and the Lease Agreement") which (assuming due and punctual payment of the principal of and interest on such Federal Securities) will provide money sufficient to pay when due the debt service due and to become due on such Series 2006 Warrants on and prior to the redemption date or maturity date thereof, as the case may be. At such time as the Series 2006 Warrants shall be deemed paid as aforesaid, they shall no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of any payment from such cash and/or Federal Securities deposited with the Trustee and the purpose of transfer and exchange as provided in the Indenture.

Issuance of Additional Warrants

In the Indenture, the Authority will reserve the right to issue bonds or other obligations ("Additional Warrants") for any lawful purpose, without limit as to aggregate principal amount, payable from and secured by a pledge of the Trust Estate equally and ratably with the Series 2006 Warrants. Prior to the issuance of such Additional Warrants the Authority must deliver to the Trustee certain prescribed documents, which are described more particularly in "Appendix C– Summary of the Indenture and the Lease Agreement".

Remedies

If there is any default by the Authority in the payment of debt service on the Series 2006 Warrants, any holder is authorized to bring a civil action, mandamus or other proceedings enforcing payment thereof and compelling performance of all duties of the directors and officers of the Authority. Further, such holder shall be entitled as a matter of right to the appointment of a receiver for the operation and maintenance of the Warrant-Financed Facilities and the collection and application of rents therefrom. For further description of the remedies available to holders of the Series 2006 Warrants, and the limitations thereon, see "Appendix C– Summary of the Indenture and the Lease Agreement".

No Defaults on Indebtedness

The Authority has never defaulted in the payment of debt service on its bonds, warrants or other funded indebtedness, nor has it ever refunded any funded indebtedness for the purpose of preventing or avoiding such a default.

The United States Bankruptcy Code

The United States Bankruptcy Code permits municipal corporations, political subdivisions and public agencies or instrumentalities, including the Authority, that are insolvent or unable to meet their debts to file petitions for relief in the Federal bankruptcy courts.

THE FINANCIAL GUARANTY INSURANCE POLICY

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the Authority or the Underwriter as to the accuracy or completeness of the information.

The Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer and its affiliates set forth under this heading. In addition, the Insurer makes no representation regarding the Series 2006 Warrants or the advisability of investing in the Series 2006 Warrants.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2006 Warrants effective as of the date of issuance of the Series 2006 Warrants. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2006 Warrants which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2006 Warrants and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2006 Warrants become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2006 Warrants, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2006 Warrants on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2006 Warrants, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Issuer). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Warrant Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2006 Warrant which has become Due for Payment and which is made to a Holder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2006 Warrants to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2006 Warrants to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2006 Warrant, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2006 Warrant and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$9,417,000,000** (unaudited) and statutory capital of approximately **$5,879,000,000** (unaudited) as of **March 31, 2006.** Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Authority of the Series 2006 Warrants. **No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.**

Ambac Assurance makes no representation regarding the Series 2006 Warrants or the advisability of investing in the Series 2006 Warrants and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "The Insurance Policy".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;

4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006; and

5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in **"Available Information".**

THE PLAN OF FINANCING AND THE PROJECTS

The Series 2006 Warrants are being issued for the purpose of (i) financing the capital projects described below,(ii) providing for a debt service reserve fund and (iii)paying the costs of issuing the Series 2006 Warrants. The Authority, however, has reserved the right under the Indenture to use the proceeds of the 2006 Warrants for other legally permissible purposes.

The Warrant-Financed Facilities will consist of the construction of a new County Courthouse building in the City of Bessemer adjacent to the existing Courthouse and the renovation of the existing Courthouse, renovations to the existing County Jail in the City of Bessemer, Alabama and the acquisition and construction of an E911 Communications Center. Pursuant to the Lease Agreement, the Authority will cause the Project to be constructed in accordance with plans and specifications to be furnished by the County and will acquire the Equipment and cause the same to be installed in the Project.

The E911 Project consists of the acquisition of real property and the construction of an office facility to house the County's E911 system. The County began its operation of an E911 communication system in 1998. The system currently serves the unincorporated areas of the County, as well as certain smaller municipalities in the County. Rates are charged based on the total number of residential and business telephones for each subscriber. The intention of the E911 Project is to consolidate the system on a County-wide basis and begin to offer E911 communication services for any municipality in the County. As of this date, many of the larger municipalities in the County, including the City of Birmingham, have expressed their willingness to subscribe to the consolidated system. The County expects to equip the E911 Project from the proceeds of various grants available for such purposes, and expects the E911 Project to be approximately self-liquidating from the fees charged, including the operation and maintenance of the system. The County expects that the E911 system will be completed in approximately 27 months.

The Bessemer Courthouse Project consists of the renovation of the existing County Courthouse located in the City of Bessemer, Alabama, which will continue to house the family court and several County offices, and the construction of an additional building and parking deck on property adjacent to the existing building purchased by the County. The new building will house the civil and criminal courts, the circuit and district clerks, the District Attorney for the division, and will include a jury assembly room.

The Bessemer Jail Project will consist of the renovation of the existing County Jail located in the City of Bessemer, Alabama, including the construction of an additional floor and the addition of 188 new beds for minimum and medium security inmates, and a tunnel access to the new Courthouse building.

SOURCES AND USES OF FUNDS

The expected sources and uses of funds for the plan of financing are as follows (rounded to the nearest whole dollar):

Sources of Funds	
Principal amount of Series 2006 Warrants [1]	$86,745,000
Plus: original issue premium	4,354,444
Total	$91,099,444
Uses of Funds	
Warrant-Financed Facilities	$81,000,000
Reserve Fund	8,674,500
Expenses of issuance (including underwriter's discount, bond insurance premium, legal, accounting and other issuance expenses)	1,424,944
Total	$91,099,444

---

(1) Accrued interest received by the Authority upon the sale of the Series 2006 Warrants will be deposited in the Debt Service Fund established under the Indenture and applied to the payment of interest on the Series 2006 Warrants due October 1, 2006.

DEBT SERVICE REQUIREMENTS

The following table contains the estimated total annual debt service requirements on the Series 2006 Warrants:

Fiscal Year Ending September 30	Principal	Interest	Total Annual Debt Service
2007	$0	$2,708,833	$2,708,833
2008	990,000	4,353,481	5,343,481
2009	1,035,000	4,311,406	5,346,406
2010	1,085,000	4,262,244	5,347,244
2011	1,135,000	4,207,994	5,342,994
2012	4,130,000	4,162,594	8,292,594
2013	4,355,000	3,956,094	8,311,094
2014	4,590,000	3,738,344	8,328,344
2015	4,840,000	3,508,844	8,348,844
2016	5,105,000	3,266,844	8,371,844
2017	5,380,000	3,011,594	8,391,594
2018	5,680,000	2,735,869	8,415,869
2019	6,000,000	2,444,769	8,444,769
2020	6,335,000	2,137,269	8,472,269
2021	6,680,000	1,812,600	8,492,600
2022	-	1,470,250	1,470,250
2023	-	1,470,250	1,470,250
2024	-	1,470,250	1,470,250
2025	14,345,000	1,470,250	15,815,250
2026	15,060,000	753,000	15,813,000
TOTAL	$86,745,000	$57,252,777	$143,997,777

JEFFERSON COUNTY PUBLIC BUILDING AUTHORITY

The Authority is a public corporation incorporated in 1998 under the laws of the State of Alabama. The general purpose of the Authority is to provide public facilities for use by the County and its agencies. All powers of the Authority are vested in a Board of Directors, consisting of three members elected by the governing body of Jefferson County, Alabama for staggered terms. No officer of the State of Alabama, the County or any incorporated municipality is eligible to serve on the Board of Directors. Each member must be a duly qualified resident of the County and serve without compensation. The following are the current directors of the Authority and the dates of expiration of their respective terms of office:

Name	**Date of Ending of Current Term**
Dr. George Munchus, III	January 23, 2012
Mr. Jordan Frazier	January 23, 2010
Bishop James Lowe	January 23, 2008

LITIGATION

There is no litigation pending or, to the knowledge of the Authority, threatened questioning the validity of the Series 2006 Warrants, the proceedings under which they are to be issued, the security for the Series 2006 Warrants provided by the Indenture, the consummation of the transactions contemplated by the Indenture, the organization of the Authority, or the election or qualification of the Authority's officers.

RISK FACTORS

General

An investment in the Series 2006 Warrants involves certain risks which should be carefully considered by investors. The sufficiency of revenues to pay debt service on the Series 2006 Warrants may be affected by events and conditions relating to, among other things, population trends, weather conditions and economic developments, the nature and extent of which are not presently determinable.

Holders of the Series 2006 Warrants should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

Each prospective investor should carefully examine his own financial condition in order to make a judgment as to his ability to bear the risk of an investment in the Series 2006 Warrants.

Right of the County Not to Renew the Lease Agreement

The County may elect not to renew the Lease Agreement for a successive one-year term at the end of any fiscal year of the County. However, the County has covenanted in the Lease Agreement that if any office or storage space in the Warrant-Financed Facilities shall become vacant after acquisition or construction thereof, then neither the County nor any officer, department or agency of the County may thereafter enter into any lease or rental agreement for additional office or storage space or renew any existing lease or rental agreement for office or storage space in or about the municipality in which the Warrant-Financed Facilities are located until after such vacant space in the Warrant-Financed Facilities shall have been filled. Further, the County has covenanted that, so long as the Series 2006 Warrants are outstanding, the County will not relocate its Bessemer courthouse or jail to any alternative facility unless such alternative facility is expressly made subject to the Lease Agreement by amendment. If the County exercises its option not to renew the Lease Agreement prior to the final maturity of the Series 2006 Warrants, it is possible that the Warrant-Financed Facilities cannot be sold for an amount at least equal to the outstanding aggregate principal amount of the Series 2006 Warrants or re-let for sufficient rentals to pay the debt service on the Series 2006 Warrants. If such event occurs, then no assurances can be given that the Authority will have sufficient funds to pay the redemption price of the Series 2006 Warrants.

Tax-Exempt Status of Series 2006 Warrants

It is expected that the Series 2006 Warrants will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX EXEMPTION". It is anticipated that Bond Counsel will render an opinion substantially in the form attached hereto as Appendix B, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion 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.

The tax status of the Series 2006 Warrants could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2006 Warrants in order for the Series 2006 Warrants to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2006 Warrants, use of the facilities financed by the Series 2006

Warrants, investment of warrant proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the Authority.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2006 Warrants, the Authority would be treated as the taxpayer, and the owners of the Series 2006 Warrants may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2006 Warrants could adversely affect the market value and liquidity of the Series 2006 Warrants, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2006 Warrants do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2006 Warrants.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2006 Warrants could affect the tax-exempt status of the Series 2006 Warrants or the effect of investing in the Series 2006 Warrants. For example, the United States Congress could eliminate the exemption for interest on the Series 2006 Warrants, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax.

The Indenture does not provide for the payment of any additional interest or penalty if a determination is made that the Series 2006 Warrants do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects the tax-exempt status of the Series 2006 Warrants or the effect of investing in the Series 2006 Warrants.

LEGAL MATTERS

The legality and validity of the Series 2006 Warrants will be approved by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, Bond Counsel. 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 2006 Warrants have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2006 Warrants and the exemption of interest thereon from Federal and State of Alabama income taxes. Waldrep Stewart & Kendrick, LLC, Birmingham, Alabama has acted as Underwriters' Counsel and has assisted in the preparation of this Official Statement. Certain legal matters will be passed upon for the Authority by its counsel, James L. North & Associates.

It is anticipated that Bond Counsel will render an opinion substantially in the form attached hereto as Appendix B.

The various legal opinions to be delivered concurrently with the delivery of the Series 2006 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 Bond Counsel, under existing law, interest on the Series 2006 Warrants will be excludable from gross income for federal income tax purposes if the Authority and the County comply 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 2006 Warrants in order that interest thereon be and remain excludable from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2006 Warrants to be included in gross income, retroactive to the date of issuance of the Series 2006 Warrants. The Authority and the County have covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2006 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.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2006 Warrants other than the opinions expressed in the three preceding paragraphs. The form of Bond Counsel's opinion is expected to be substantially as set forth in Appendix B to this Official Statement.

Prospective purchasers of the Series 2006 Warrants should be aware that ownership of the Series 2006 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 2006 Warrants. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2006 Warrants should consult their tax advisors as to collateral federal income tax consequences.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2006 Warrants will be exempt from State of Alabama income taxation.

Premium

An amount equal to the excess of the purchase price of the Series 2006 Warrant over its stated redemption price at maturity constitutes premium on such Series 2006 Warrant. A purchaser of a Series 2006 Warrant must amortize any premium over such Series 2006 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 2006 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 2006 Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federa1 income tax deduction is allowed. Purchasers of any Series 2006 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 2006 Warrants.

NO BANK QUALIFICATION

The Authority will not designate the Series 2006 Warrants as "qualified tax-exempt obligations" under Section 265(b) of the Internal Revenue Code of 1986. As a result, the Series 2006 Warrants may not be treated by financial institutions as though they were acquired on August 7, 1986, and there may not be allowed to such financial institutions that purchase the Series 2006 Warrants a deduction of up to 80% of the interest paid to depositors that is allocable to the Series 2006 Warrants by such financial institutions.

UNDERWRITING

The Series 2006 Warrants are being purchased from the Authority by Wachovia Securities and Blount Parrish & Company, Incorporated (the "Underwriters"). The Underwriters have agreed to purchase the Series 2006 Warrants for an aggregate purchase price of $90,583,343.15 (which represents the face amount of the Series 2006 Warrants less underwriter's discount of $516,100.95 plus net original issue premium of $4,354,444.10), plus accrued interest. The initial public offering price set forth on the inside cover page may be changed by the Underwriters, and the Underwriters may offer and sell the Series 2006 Warrants to certain dealers (including dealers depositing the Series 2006 Warrants into investment trusts) and others at prices lower than the offering price set forth on the inside cover page. The Underwriters will purchase all the Series 2006 Warrants if any are purchased.

Wachovia Securities is the trade name under which Wachovia Corporation conducts its investment banking, capital markets and institutional securities business through Wachovia Capital Markets, LLC, member NYSE, NASD, SIPC and through other bank, non-bank and broker-dealer subdivisions of Wachovia Corporation, including Wachovia Bank, National Association.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders of the Series 2006 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, if it deems them to be material:

1. A delinquency in payment of principal of or interest on the Series 2006 Warrants.

2. Non-payment related defaults under the proceedings of the County authorizing the Series 2006 Warrants, whether or not such defaults constitute an event of default thereunder.

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

4. Unscheduled draws on any credit enhancement or liquidity facility with respect to the Series 2006 Warrants reflecting financial difficulties of the County.

5. Substitution of a credit enhancer for the one originally described in the Official Statement (if any), or the failure of any credit enhancer respecting the Series 2006 Warrants to perform its obligations under the agreement between the County and such credit enhancer.

6. The existence of any adverse tax opinion with respect to the Series 2006 Warrants or events affecting the tax-exempt status of interest on the Series 2006 Warrants.

7. Any modification of the rights of the registered owners of the Series 2006 Warrants.

8. Redemption of any of the Series 2006 Warrants prior to the stated maturity or mandatory redemption date thereof.

9. Defeasance of the lien of any of the Series 2006 Warrants or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2006 Warrants, or any of them, to be no longer regarded as outstanding thereunder.

10. The release, substitution or sale of the property securing repayment of the Series 2006 Warrants.

11. Any changes in published ratings affecting the Series 2006 Warrants.

In addition, the County has covenanted to provide in a timely manner to each information repository and to the appropriate state information repository (if any), notice of the County's failure to provide the Annual Financial Information on or before the date specified herein.

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 Board and any Alabama state information repository.

In order to provide the continuing disclosures identified herein in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Act of 1934, as amended, the County has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the holders of the Series 2006 Warrants with Digital Assurance Certification, LLC. ("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 the 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 any 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 2006 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 2006 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 2006 Warrants under the Indenture.

No person other than the County shall have any liability or responsibility for compliance by the County with its obligations to provide information. The Trustee has not undertaken any responsibility with respect to any required reports, notices or disclosures.

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.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned Aaa and AAA, respectively, to the Series 2006 Warrants based upon the understanding that, upon delivery of the Series 2006 Warrants, a financial guaranty insurance policy insuring the payment when due of the principal of and interest on the Series 2006 Warrants will be issued by the Bond Insurer. The underlying ratings of the Warrants by Moody's and S&P are "Aa3" and "AA-", respectively. Each of the above-referenced ratings on the Series 2006 Bonds reflects only the opinion of the respective rating agency, and any explanation of the significance of such rating may be obtained only from that rating agency. Moody's an S&P have assigned the ratings of Aa2 and AA, respectively, to the County's General Obligation debt.

The above ratings are not recommendations to buy, sell or hold the Series 2006 Warrants, and any such ratings may be subject to revision or withdrawal at any time by either or both of the rating agency. 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 2006 Warrants. Neither the Authority, the County, nor the Underwriter has undertaken any responsibility either to bring to the attention of the holders of the Series 2006 Warrants any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2006 Warrants.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation 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 the Authority.

The Series 2006 Warrants will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

Any information or expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Authority since the date hereof.

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Authority to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, population trends and political and economic developments that could adversely impact the collection of revenues. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Authority disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Series 2006 Warrants offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is being provided to prospective purchasers either in bound printed format or in electronic format. This Official Statement may be relied upon only if it is in its bound printed format or as printed in its entirety in such electronic format.

ADDITIONAL INFORMATION

For further information during the initial offering period with respect to the Series 2006 Warrants, contact Steve Saylor, Director of Finance, Jefferson County, Suite 810 Courthouse,, 716 21st Street North, Birmingham, Alabama 35203.

This Official Statement has been approved by the governing body of the Authority.

JEFFERSON COUNTY

PUBLIC BUILDING AUTHORITY

By: /s/ Dr. George Munchus, III
President

Appendix A

Information Concerning the County

[THIS PAGE INTENTIALLY LEFT BLANK]

COUNTY GOVERNMENT AND ADMINISTRATION

The governing body of the County is the Jefferson County Commission (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.

The County employs approximately 4,000 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:

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.

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 moneys 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.

The Department of Environmental Services. The Department of Environmental Services is responsible for construction, operation, and maintenance within the County of 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. See "Recent Developments" in this Appendix A for information with respect to the County's landfill operations.

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

The Department of Land and Technology Development. The Department of Land and Technology Development is responsible for activities related to the County's growth and development. Commissioner Mary M. Buckelew has been assigned the responsibility 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

General

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, 2004. In addition to the state audit, the Director of Finance of the County prepares internal financial statements that conform to the format of the state audit. A copy of the latest audit for the County is included in Appendix E for general information purposes only. Prospective investors may also review financial information with respect to the County at www.jeffcofinance.com.

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 Office of Budget Management 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 Office of Budget Management, the Commission historically has held public hearings at which the requests of the individual County departments and the recommendations of the Office of Budget Management 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 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 in the financial statements of the County included in Appendix E to this Official Statement.

Governmental Fund Types

(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 **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.

(iv) 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.

[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 Alabama 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, 2004, there were 4,986 vested and non-vested members of the Pension System, retirees and beneficiaries currently receiving benefits and terminated employees electing deferred of benefits. .

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.

According to the most recent valuation by its independent auditor , the Pension System had as of September 30, 2004, actuarial accrued liabilities of $689,975,542. The assets of the Pension System as of September 30, 2004, consisted of actuarial value of assets valued at $769,273,841.

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, 2004 is attached hereto as Appendix E. 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
2004	86,730,044
2005	91,945,154

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
2004	58,566,066
2005	61,010,652

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 anyone 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 I 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
2005	$6,692,146,321	$897,408,174	$7,589,554,495
2004	6,355,450,406	852,022,748	7,207,473,154
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.

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, 2005, are shown below:

1.	Alabama Power Company	$526,805,490
2.	Bellsouth Telecommunications	283,539,690
3.	USX Corporation	88,956,958
4.	Colonial Realty Ltd. Partnership	55,458,660
5.	HealthSouth Corporation	53,102,390
6.	AmSouth Bancshares	47,177,430
7.	Alabama Gas	34,400,600
8.	SouthTrust Corporation	31,463,880
9	American Cast Iron Pipe Co.	27,974,500
10.	Protective Life Insurance Co.	27,884,880

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 Levv
2005	$445,840,218	$437,722,350	98.17%	$5,272,900	$442,995,250	99.36%
2004	420,329,738	415,119,655	98.76%	6,368,992	421,488,647	100.16%
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

DEBT MANAGEMENT

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 that 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. Certain 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.

Outstanding Indebtedness

Long-Term Indebtedness. The indebtedness of the County apart from (1) current liabilities incurred in the regular and ordinary operations of the County and (2) certain conduit financings for which the County has no payment obligation or other liability) consists of the following outstanding warrants of the County:

Obligations Not Subject to Debt Limit	**Principal Amount Outstanding as of May 1, 2006**
Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, maturing February 1,2007, through February 1,2027	$57,030,000
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 Revenue Refunding Warrants, Series 2003-A, maturing February 15, 2007 through February 15, 2015	31,210,000
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
Limited Obligation School Warrants, Series 2004-A, maturing January 1,2007 through January 1, 2025	650,000,000
Limited Obligation School Warrants, Series 2005-A, maturing January 1, 2027	176,800,000
Limited Obligation School Warrants, Series 2005-B, maturing January 1, 2027	200,000,000
TOTAL	4,287,695,000
Obligations Subject to Debt Limit	
General Obligation Warrants, Series 200l-A, maturing April 1, 2007 through April 1, 2011	45,070,000
General Obligation Warrants, Series 2001-B, maturing April 1, 2021	120,000,000
General Obligation Refunding Warrants, Series 2002-A, maturing April 1, 2007	5,270,000
General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, maturing April 1, 2007 through April 1, 2023	72,310,000
General Obligation Capital Improvement Warrants, Series 2004-A, maturing April 1, 2011 through April 1, 2024	51,020,000
Other General Obligation Indebtedness (l)	
TOTAL	293,670,000

Short-Term Indebtedness. The County has no short-term indebtedness outstanding.

Anticipated Indebtedness

The County has no authorized but unissued debt outstanding. The County has no current plans to issue any additional debt, but continuously monitors and evaluates any potential refinancing opportunities.

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 200l-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 5.225 %.

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 $103,605,000 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 Apri11, 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 restructured the swap transaction 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 Steams 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.

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 County’s special privilege or license tax (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-l *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 2005-A in the aggregate amount of $7,410,000 (collectively "the JCEIA Bonds"). The JCEIA 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 payor otherwise discharge such obligations.

LITIGATION

General

Except as described below, there is no litigation pending or, to the knowledge of the County, threatened questioning the validity of the Series 2006 Warrants or the County's obligations pursuant to the Lease, the proceedings under which they are to be issued, the consummation of the transactions contemplated by the Indenture and the Lease, the organization of the County, the operations of the County, or the election or qualification of the County's officers.

Education Tax Litigation

In December, 2004 the County issued its $650,000,000 aggregate principal amount of Limited Obligation School Warrants, Series 2004-A, and in January, 2005 the County issued its Limited Obligation School Warrants, Series 2005 in the aggregate principal amount of $400,000,000 (collectively, the "County School Warrants"). The County School Warrants are payable from a special privilege, license and excise tax (commonly called a sales and use tax) levied by the Jefferson County Commission (the "Education Tax") pursuant to an ordinance of the Commission (the "Sales Tax Ordinance"). The proceeds from the sale of the County School Warrants are being held in escrow pending the outcome of certain litigation described in more detail below (the "Education Tax Litigation").

Moore v. Jefferson County Commission, Civil Action No. 04-1313, was filed on October 7, 2004 in the Circuit Court of Jefferson County - Bessemer Division. The suit alleges that the Education Tax and the statute that authorized the Education Tax, Section 40-12-4 of the Code of Alabama (1975), are unconstitutional because they violate Article XIV § 261 of the Constitution of Alabama. Section 261 provides that not more than 4% of "all moneys raised or which may hereafter be appropriated for the support of public schools" may be used for purposes other than the payment of teacher salaries, except that the legislature may suspend the operation of Section 261 upon a two-thirds vote of both houses. The County is vigorously defending the constitutionality of the Education Tax in this lawsuit, and expects to prevail, on the grounds, among others, that (i) Section 261 has no application to revenues derived from local taxes and (ii) in any event, the Alabama Legislature effectively suspended the operation of Section 261 when it adopted Section 40-12-4 by a two-thirds vote of both houses. The County received an opinion from Bond Counsel that the claims asserted in this lawsuit are without merit and the final disposition of such lawsuit will not adversely affect (i) the validity of the Sales Tax Ordinance or the levy and collection of the Education Tax provided for therein, or (ii) the validity of the Series 2004/2005 Warrants or the obligation of the County to provide for the full and timely payment thereof in accordance with the Indenture. The Circuit Court has ruled in favor of the County, and the plaintiffs have appealed the judgment to the Alabama Supreme Court. That court heard oral argument on June 13, 2006.

Chism v. Jefferson County, Civil Action No. 040746, was filed on November 23, 2004 in the Circuit Court of Jefferson County. This suit seeks a declaratory judgment that the Sales Tax Ordinance is invalid on the following grounds: (i) that the County allegedly has no authority under Section 11-28-1 *et seq.* of the Code of Alabama (1975) to issue the Series 2004/2005 Warrants because the capital expenditures being financed with proceeds allegedly are not "needed for the performance of governmental functions and responsibilities of [the] County," (ii) that the Series 2004/2005 Warrants allegedly are chargeable against the debt limit of the County and would cause the County's debt limit to be exceeded, (iii) that Section 40-12-4 of the Code of Alabama (1975) allegedly requires the revenues derived by the Education Tax to be distributed directly to the local school boards based on annual determinations of the costs of the Foundation Program instead of being used to pay debt service on indebtedness the proceeds of which will be distributed to such school boards in accordance with such formula, and (iv) that Section 40-12-4 allegedly prohibits the County from restricting the use of proceeds of the Series 2004/2005 Warrants to capital expenditures and debt retirement.

On December 30, 2004, the county filed an Answer, Counterclaim and Third-Party Complaint, which (i) seeks certification that the *Chism* plaintiffs are representatives of a defendant class consisting of taxpayers whose interests and rights may be affected by the Sales Tax Ordinance and the Education Tax and (ii) names the Jefferson county District Attorney as an additional representative of such defendant class. The County affirmatively avers that there is no merit to each and every objection to the constitutionality and validity of the Sales Tax Ordinance, the Education Tax, the Series 2004/2005 Warrants and the use of the proceeds thereof to make grants to the local school boards for the purposes stated.

The County is vigorously defending the lawsuit and expects to prevail. All the local school boards were required to approve and consent to the County's plan of financing prior to the issuance of the Series 2004/2005 Warrants. No grants will be made to any local school boards until after the Series 2004/2005 Warrants are no longer subject to extraordinary mandatory redemption under the terms of the Indenture. The County received an opinion of Bond Counsel that the claims asserted in the lawsuit are without merit and the final disposition of such lawsuit will not adversely affect (i) the validity of the Sales Tax Ordinance or the levy and collection of the Education Tax provided for therein, or (ii) the validity of the Series 2004/2005 Warrants or the obligation of the County to provide for the full and timely payment thereof in accordance with the Indenture in accordance with the Indenture. The Circuit Court has ruled in favor of the County, and the plaintiffs have appealed the judgment to the Alabama Supreme Court. . That court heard oral argument on June 13, 2006.

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 paid service credit toward a County pension by converting County unpaid service time and certain unpaid service time with any other governmental jurisdiction subject to the Jefferson County Merit System. The County will be required by Act 03-343 to pay to the Pension System 6% of the employee's current salary plus all amounts necessary to make the pension system actuarially sound for each year of unpaid service time that is converted to paid service time. The Actuary for the County's Pension System has estimated that Act 03-343 will cost the County $64 million dollars if every employee entitled by Act 03-343 to buy back unpaid service time does so. The trial court has entered a non-final and therefore non-appealable order finding Act 03-343 valid and directing the County and Pension System to implement the Act. The County and Pension System are implementing the Act. The County has also adopted a resolution which provides that individuals who elect to convert unpaid service to paid service pursuant to Act 03-343 are ineligible to participate in certain discretionary retirement benefits, including health insurance, provided by the County to its retirees. That resolution should partially offset the County's cost of implementing Act 03-343. The County intends to appeal the trial court order when it becomes final and appealable.

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 that its residential credit 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 eliminates the County's authority to record a lien on the property owned by landlords for the delinquent sewer service charges of their tenants. 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 has filed a declaratory judgment suit to declare Act No. 2004-522 unconstitutional and null and void. The suit is styled *Jefferson County* v. *Tice Brothers et al.,* Jefferson County Circuit Court Case No. CV 04-4223.

The Circuit Court granted the County's Motion for Summary Judgment in the *Tice Brothers* litigation which Defendants appealed to the Alabama Court of Civil Appeals. The Defendants/Appellants voluntarily dismissed this appeal ending this litigation. However, a companion case, *Lunsford, et al. v. Jefferson County, et al.*, Jefferson County Circuit Court Case No. CV 05-3884, wherein the County's Motion for Summary Judgment was also granted, Plaintiffs appealed to the Alabama Supreme Court. The case has been fully briefed and is under submission at this time. The County expects that the Supreme Court will affirm the County's authority under Amendment 73 to the State Constitution and declare Act 2004-522 unconstitutional, null and void.

Another case styled *Lloyd Colvin, et al. v. Jefferson Co. Comm., et al.,* Jefferson County Circuit Court Case No. CV 05-4635, challenges the County's lien authority and the Birmingham Water Works Authority's failure to disconnect delinquent customers' water service. This case is on the administrative docket pending resolution of the *Lunsford* case, but the County is confident it will prevail in this litigation.

Sanitary Sewer Impact Fee Litigation

Jefferson County imposes a sanitary sewer impact fee of $225 for every fixture or drain added to the sanitary sewer system through new construction. The authority for the imposition of this fee is derived from the County's overall plenary power to operate, maintain and charge customers for sanitary sewer service under Amendment 73 to the Alabama Constitution and Act 1949-619. The purpose of the impact fee is to cover the costs of improving waste water treatment plants as well as the sewer collection system to handle increased flow caused by additional construction. Jefferson County resident Michael Lynn Hankins has challenged the constitutionality of the imposition of these sewer impact fees in the case styled *Michael Lynn Hankins v. Jefferson County Comm., et al.*, Jefferson County Circuit Court Case No. CV 05-4257 TMS. The County has successfully defeated an attempt to create a class action lawsuit in this case and anticipates successfully defending its authority under Amendment 73 and Act 619 to impose sanitary sewer impact fees.

Clean Water Act 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 County's sanitary sewer system (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 and/or partially 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 been assessed any penalties by EPA.

A significant feature of the Consent Decree is a mechanism to provide for the establishment of a unified countywide 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.

To date the County has completed 87% of all remedial work under the Consent Decree and is on schedule to finish required upgrades ahead of schedule.

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 $3.0 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.

Other Litigation

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.

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 663,047 in 2000, is the center of the new seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA),[1] which covers approximately 5,310 square miles. The total population of the 7 counties now comprising the Birmingham--Hoover MSA was 1,075,248[1] in 2003, making it the 48th most populated area among the 316 metropolitan areas in the U.S. [2]

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

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

Banking and finance is also a major pillar of the region's economic base. Birmingham is the Southeast's largest banking center outside Charlotte, North Carolina. Headquarters to three of the nation's top fifty largest banks, Birmingham ranks among the nation's top ten cities in total banking assets. See "Recent Developments" in this Appendix A with respect to a proposed merger between two of these banks.

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

---

[1] The Birmingham Standard Metropolitan Statistical Area (SMSA) was established in 1967, and originally included Jefferson, Shelby and Walker Counties. SI. 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.

Population

The County and the Birmingham MSA have experienced steady population growth over the years. Although the City of Birmingham experienced an 8.7 percent loss in population between 1990 and 2000, the Birmingham-Hoover MSA grew 12.37 percent from 1990 to 2003. 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 of the City of Birmingham and that the city will continue to serve as an employment, service and cultural center for residents of the suburban areas. The following table summarizes historical population growth for Jefferson County, the Birmingham-Hoover MSA, and the State of Alabama.

Population Trends

Year	Jefferson County	Birmingham-Hoover MSA	State of Alabama
2004*	656,840	1,079,089	4,517,136
2003	658,141	1,075,248	4,500,752
2000	662,047	1,052,238	4,447,100
1990	651,527	956,858	4,040,389
1980	671,324	884,040	3,893,888
1970	644,991	794,083	3,444,165
1960	634,864	772,044	3,266,740
1950	558,928	708,721	3,061,743

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

Employment and Labor Force

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

Jefferson County
Nonagricultural Employment by Industry

	Number Employed	Percentage
Mining	1,647	0.46%
Construction	21,754	6.02%
Manufacturing	29,885	8.27%
Wholesale & Retail Trade	66,460	18.40%
Transportation & Warehousing	8,689	2.40%
Utilities & Information	16,747	4.64%
Finance & Insurance	25,884	7.16%
Real Estate, Rental & Leasing	5,237	1.45%
Health Care & Social Assistance	43,708	12.10%
Accommodation & Food Services	26,219	7.26%
Prof., Tech. & Business Services	67,352	18.64%
State & Local Government	47,702	13.20%
Other	9	0.00%
Total wage and salary employees	361,293	100.0%

Source: Alabama Department of Industrial Relations.

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

	1998	1999	2000	2001	2002	2003	2004	2005
Civilian Labor Force	337,870	336,940	349,390	331,980	325,050	332,540	325,242	324,003
Employment (1)	327,380	325,420	338,130	319,360	309,390	315,740	308,135	310,030
Unemployment (2)	10,490	11,520	11,260	12,620	15,660	16,800	17,107	13,983
Unemployment Rate	3.1%	3.4%	3.2%	3.8%	4.8%	5.1%	5.3%	4.3%

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

The following table lists the thirty largest employers in the Birmingham-Hoover MSA.

BIRMINGHAM-HOOVER METROPOLITAN AREA LARGEST EMPLOYERS*

Employer	Employees
1. University of Alabama at Birmingham *(education, healthcare)*	18,750
2. Baptist Health System (*healthcare*)	5,890
3. BellSouth *(utilities)*	5,696
4. Jefferson County Board of Education (*education*)	5,000
5. Birmingham Board of Education (*education*)	5,000
6. City of Birmingham *(government)*	4,985
7. AmSouth Bank (financial services)	4,200
8. Jefferson County Commission *(government)*	3,875
9. SouthTrust Bank *(financial services)*	3,094
10. Bruno's Supermarkets, Inc. *(grocers-retail)*	3,477
11. Children's Hospital *(healthcare)*	3,067
12. Shelby County Board of Education *(education)*	3,034
13. Alabama Power Company *(utilities)*	3,000
14. HEALTHSOUTH Corporation *(healthcare)*	2,950
15. Drummond Company, Inc. *(manufacturing; mining)*	2,800
16. U.S. Postal Service *(federal government)*	2,800
17. Blue Cross and Blue Shield of Alabama *(healthcare)*	2,650
18. Compass Bancshares, Inc. *(financial services)*	2,500
19. American Cast Iron Pipe Company *(manufacturing)*	2,400
20. United States Steel *(manufacturing – heavy)*	2,400
21. Brookwood Medical Center *(healthcare)*	2,300
22. Eastern Health System Inc. *(healthcare)*	2,300
23. Saks Incorporated *(retail; corporate headquarters)*	2,083
24. McWane, Inc., including Empire Coke Company *(manufacturing – heavy)*	2,000
25. St. Vincent's Hospital *(healthcare)*	2,000
26. EBSCO Industries Inc. *(publishing; printing)*	1,867
27. Social Security Administration *(federal government)*	1,800
28. Regions Bank *(financial services)*	1,797
29. Southern Company Services, Inc. *(utilities)*	1,500
30. Southern Progress Corporation *(publishing)*	1,400

Source: Birmingham Regional Chamber of Commerce

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	51,000	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.

Retail Sales

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

Total Retail Sales (000s omitted)

	2004	2003	2002	2001	2000
State of Alabama				$41,142,810	$40,496,678
Jefferson County	$8,051,814	$7,648,110	$7,568,041	$7,386,612	$7,582,260

Sources: University of Alabama CBER and Jefferson County Department of Revenue.

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

Source: Birmingham Regional Chamber of Commerce

Transportation

Commercial airline service is available through Birmingham's airport, which is served by eight major carriers (American Airlines, Continental Airlines, Delta Air Lines, Delta Connect/Comair, Northwest Airlines, Southwest Airlines, United Express and US Airways and America West). Birmingham International Airport currently ranks in the country's top 75 airports in terms of total passengers served annually.

TOTAL PASSENGER TRAFFIC AT BIRMINGHAM INTERNATIONAL AIRPORT

Year	# of Passengers
2005	3,138,429
2004	2,890,091
2003	2,672,637
2002	2,810,990
2001	3,012,729
2000	3,067,777
1999	3,046,220
1998	2,853,333
1997	2,747,225
1996	2,749,403
1995	2,508,175

Source: Birmingham International Airport Authority

Almost 100 truck lines have terminals in the area. Additionally, Birmingham is served by three major railroads – Norfolk Southern, CSX Transportation, and Burlington Northern Santa Fe Railroad 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 merges into Birmingham as I-59/20 serving Tuscaloosa to the southwest.

Barge transportation is available from seven barge lines 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.

Health Care

The County is a major center for health care and biomedical research. Altogether, 18 hospitals are located in the County. U.S. News and World Report magazine ranked The University of Alabama at Birmingham Hospital among the top 50 hospitals in the country for its specialties in cancer, hormonal disorders, gynecology, kidney disease, orthopedics, ear, nose and throat and rheumatology. Other major medical centers in the County include Baptist Medical Centers, Carraway Methodist Medical Centers, Medical Center East, St. Vincent's Hospital, HealthSouth Medical Center and Brookwood Medical Center. Southern Research Institute (SRI) is one of the oldest independent not-for-profit contract research organizations in the South. In addition to its pharmaceutical and biotechnical research, SRI also conducts research in the areas of utilities and manufacturing.

Manufacturing

The Birmingham area is a principal producer of cast iron pipe and other foundry products. According to the Federal Reserve Bank of Atlanta, 55% of the cast iron pipe manufactured in the U. S. is produced in Birmingham. Fabricated metal products, paints, apparel, electronics, motor vehicles, chemicals, office furniture, containers, paper products and truck bodies are among other items produced in the area.

Retail and Wholesale Trade

The following table provides information regarding retail sales in the Birmingham MSA and the County:

TOTAL SALES AT RETAIL LEVEL
($000)

Year	Birmingham MSA* Sales($)	Jefferson County Sales ($)
2001	$9,297,467	$7,386,612
2000	9,457,672	7,582,260
1999	8,917,407	7,289,359
1998	9,222,263	7,374,882
1997	8,629,972	7,165,366
1996	8,382,105	7,007,714

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

Post-Secondary Education

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	469
Birmingham-Southern College	Private	1,453
Miles College	Private	1,715
Samford University	Private	4,416
Southeastern Bible College	Private	256
University of Alabama at Birmingham	State Supported	16,693
Two-Year		
Bessemer State Technical College	State Supported	1,390
Herzing College of Business & Technology	Private	500
ITT Technical Institute	Private	587
Jefferson State Junior College	State Supported	7,376
Lawson State Community College	State Supported	2,433
Virginia College	Private	5,000

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

Primary and Secondary Education

The Jefferson County School System consists of approximately 60 schools with an enrollment of approximately 42,000 students. The City of Birmingham has approximately 75 schools in its system and approximately 38,000 students. The nine other public school systems in the County encompass approximately 45 schools and more than 30,000 students. In addition, the Birmingham MSA has approximately 80 private and denominational schools with grades ranging from kindergarten through high school.

Jefferson County, Alabama Statistical Comparison

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
2002

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

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.

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: 1-65 between Huntsville-Decatur to the north and Montgomery to the south; and I-59 from Gadsden in the northeast and 1-20 from Anniston in the east, which merge in Birmingham as 1-20/59 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.

RECENT DEVELOPMENTS

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

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

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

On May 25, 2006, Regions Financial Corp. (the holding company of Regions Bank) and AmSouth Bancorporation, a Birmingham, Alabama based company, announced plans for a merger and that the merger is expected to be completed in the fourth quarter of 2006. The combined company will have its headquarters in Birmingham, Alabama, and will be called Regions Bank. One of the announced reasons for the merger is the realization of cost savings from the merger. It is impossible at this point to predict the financial impact upon the County from the proposed merger or the potential number of jobs that may be cut as a result of the merger. On May 31, 2006, an AmSouth shareholder filed a lawsuit seeking class action status and asking the Court to block the merger.

Early in the spring of 2006, the County entered into a “life-of site” lease agreement with Santek of Alabama, LLC., leasing all of the County’s landfill and landfill operations to Santek. The County expects to save approximately $5,000,000 per year over the life of the agreement in expenses it would otherwise be required to pay in connection with the operation of its landfills, and, in addition, to receive approximately $1,000,000 in annual royalties over the life of theagreement.

[THIS PAGE INTENTIALLY LEFT BLANK]

Appendix B

Proposed Opinion of Bond Counsel

[THIS PAGE INTENTIALLY LEFT BLANK]

(Form of Opinion of Bond Counsel)

[Closing Date]

Holders of the Series 2006 Warrants
referred to below

Re: **$86,745,000 Lease Revenue Warrants, Series 2006 dated August 17, 2006, issued by the Jefferson County Public Building Authority**

We have acted as bond counsel in connection with the issuance of the above-referenced warrants (the "Series 2006 Warrants") by the Jefferson County Public Building Authority, a public corporation organized under the laws of the State of Alabama (the "Authority"), including particularly Chapter 15 of Title 11 of the Code of Alabama (1975) (the "Enabling Law"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2006 Warrants are issued pursuant to a Trust Indenture dated August 1, 2006 (the "Indenture"), between the Authority and First Commercial Bank, an Alabama banking corporation (the "Trustee").

Pursuant to a Lease Agreement dated August 1, 2006 (the "Lease Agreement") between the Authority and Jefferson County, a political subdivision of the State of Alabama (the "County"), the Authority has leased certain facilities described more particularly in the Lease Agreement (the "Warrant-Financed Facilities") to the County and the County has agreed to pay rentals at times and in amounts sufficient to pay debt service on the Series 2006 Warrants.

Pursuant to the Indenture, the Authority has assigned and pledged to the Trustee all the Authority's rights under the Lease Agreement, except for certain rights relating to indemnification, reimbursement of expenses and receipt of notices and other communications, and certain other collateral (the "Trust Estate") to secure the payment of debt service on the Series 2006 Warrants. The Series 2006 Warrants and all other payment obligations under the Indenture are limited obligations of the Authority payable solely out of the Trust Estate, including payments by the County pursuant to the Lease Agreement.

As additional security for the payment of debt service on the Series 2006 Warrants and certain other obligations, the Authority has granted to the Trustee, pursuant to the Indenture, a non-foreclosable mortgage lien on the Warrant-Financed Facilities.

Payment of principal and interest on the Series 2006 Warrants will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation (the "Bond Insurer") simultaneously with the delivery of the Series 2006 Warrants.

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.

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

1. The Authority is validly existing as a public corporation under the Enabling Law.

2. The Authority has corporate power and authority to enter into and perform its obligations under the Indenture and to issue and deliver the Series 2006 Warrants. The execution, delivery and performance by the Authority of its obligations under the Indenture and the issuance and delivery of the Series 2006 Warrants have been duly authorized by all requisite corporate action, and the Series 2006 Warrants have been duly executed and delivered by the Authority.

3. The Series 2006 Warrants constitute valid and binding limited obligations of the Authority, payable as to principal, premium (if any) and interest solely out of the Trust Estate.

4. The Indenture creates a valid pledge and assignment of the Trust Estate for the security of the Series 2006 Warrants on a parity with all other bonds (if any) issued under the Indenture.

5. Interest on the Series 2006 Warrants (including any original issue discount properly allocable to an owner thereof) 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; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2006 Warrants in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the County have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2006 Warrants to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2006 Warrants.

6. Interest on the Series 2006 Warrants is exempt from State of Alabama income taxation.

We express no opinion regarding federal tax consequences arising with regard to the Series 2006 Warrants, other than the opinions expressed in paragraph 5 above.

The rights of the holders of the Series 2006 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.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2006 Warrants.

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,

Appendix C

Summary of the Indenture and Lease Agreement

[THIS PAGE INTENTIALLY LEFT BLANK]

APPENDIX C
SUMMARY OF THE INDENTURE AND THE LEASE AGREEMENT

The following is a summary of certain provisions of the Indenture and the Lease Agreement. This summary does not purport to be a complete description and contains only a summary of the provisions of the Indenture and the Lease Agreement. Certain provisions of the Indenture and the Lease Agreement summarized elsewhere in this Official Statement are not repeated here.

Definitions of Certain Terms

Certain capitalized terms used frequently in this Official Statement are defined below. In addition, certain capitalized terms used in this Official Statement and not defined below are defined in "GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT".

"**Acquisition Costs**", when used with respect to the Series 2006 Warrants, shall mean costs of acquiring, constructing and installing the Warrant-Financed Facilities, including without limitation (a) fees for issuance or continuation of the Bond Insurance Policy, and (b) any rebate due to the United States Treasury with respect to the Series 2006 Warrants pursuant to Section 148(f) of the Internal Revenue Code.

"**Act of Bankruptcy**" shall mean the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against a person under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect.

"**Additional Warrants**" shall mean a series of Warrants issued pursuant to the additional warrants provisions of the Indenture and the related Supplemental Indenture.

"**Affiliate**" of any specified person shall mean any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Bond Insurer Default**" shall mean any one or more of the following events:

(1) the Bond Insurer shall fail to pay a claim properly made under the terms of the Bond Insurance Policy; or

(2) the Bond Insurer shall declare that it is not obligated to honor future claims on the Bond Insurance Policy; or

(3) an Act of Bankruptcy shall occur with respect to the Bond Insurer, or the Bond Insurer or a receiver (or other similar person with authority to control the disposition of the Bond Insurer's assets) shall declare that the Bond Insurer will not be able to pay in full, on a timely basis, future claims on the Bond Insurance Policy.

A Bond Insurer Default shall "exist" if a Bond Insurer Default shall have occurred and be continuing.

"**Costs of Issuance**" shall mean the expenses incurred in connection with the issuance of the Warrants, including legal, consulting, accounting and underwriting fees and expenses.

"**Debt Service**" shall mean the principal, premium (if any) and interest payable on the Warrants.

"**Favorable Tax Opinion**" shall mean an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Warrants made or to be made in connection with such action, will not cause interest on the Warrants to become includible in gross income of the Holders for purposes of federal income taxation.

“**Federal Securities**” shall mean noncallable, nonprepayable, direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America, excluding unit investment trusts and mutual funds.

“**Financing Participants**” shall mean the Authority, the County, the Trustee and the Bond Insurer.

“**Holder**” when used with respect to any Warrant shall mean the person in whose name such Warrant is registered in the warrant register.

“**Indenture Default**” shall have the meaning stated in the Indenture. An Indenture Default shall “exist” if an Indenture Default shall have occurred and be continuing.

“**Indenture Funds**” shall mean any fund or account established pursuant to the Indenture.

“**Indenture Indebtedness**” shall mean all indebtedness of the Authority at the time secured by the Indenture, including without limitation (a) all Debt Service on the Warrants and (b) all reasonable fees, charges and disbursements of the Trustee for services performed and disbursements made under the Indenture.

“**Lease Default**” shall have the meaning stated in the Lease Agreement. A Lease Default shall “exist” if a Lease Default shall have occurred and be continuing.

“**Lease Payments**” shall mean payments by the County pursuant to the Lease Agreement.

“**Minimum Reserve Fund Requirement**” shall mean:

(a) the lesser of (i) the maximum annual Debt Service payable on the Warrants during the Fiscal Year when such determination is made or any subsequent Fiscal Year; (ii) 125% of average annual Debt Service; or (iii) 10% of the par amount of Warrants sold; and

(b) if any series of Additional Warrants is issued in a floating rate mode, then the Debt Service on such Additional Warrants shall be an amount equal to the annual Debt Service that would be payable on all Warrants Outstanding on the date of determination assuming that such Warrants bear interest at the Index Rate and that the principal and interest on such Warrants is payable in equal annual installments over a period equal to the lesser of 25 years or the number of years (treating any partial year as a whole year) remaining until the final Maturity of Warrants then Outstanding;

provided, however, that the Authority may reduce the Minimum Reserve Fund Requirement to the maximum amount that, according to an Opinion of Counsel delivered to the Trustee, may be invested without yield restriction under law applicable to tax-exempt obligations.

“**Moody’s**” shall mean Moody’s Investors Service, Inc.

“**Obligor Warrants**” shall mean Warrants registered in the name of (or in the name of a nominee for) the Authority, the County, or any Affiliate of the Authority or the County. The Trustee may assume that no Warrants are Obligor Warrants unless it has actual notice to the contrary.

“**Opinion of Counsel**” shall mean an opinion from an attorney or firm of attorneys with experience in the matters to be covered in the opinion. Except as otherwise expressly provided in the Indenture, the attorney or attorneys rendering such opinion may be counsel for one or more of the Financing Participants.

“**Outstanding**” when used with respect to Warrants shall mean, as of the date of determination, all Warrants authenticated and delivered under the Indenture, except:

(1) Warrants cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Warrants for whose payment or redemption money in the necessary amount has been deposited with the Trustee in trust for the Holders of such Warrants, provided that, if such Warrants are to

be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made; and

(3) Warrants in exchange for or in lieu of which other Warrants have been authenticated and delivered under the Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Warrants Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Obligor Warrants shall be disregarded and deemed not to be Outstanding. Obligor Warrants which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Warrants and that Warrants registered in the name of such pledgee as beneficial owner would not be considered Obligor Warrants.

"**Qualified Investments**" shall mean:

(1) Federal Securities.

(2) An interest in any trust or fund that invests solely in Federal Securities or repurchase agreements with respect to Federal Securities.

(3) investment agreements approved in writing by the Bond Insurer.

(4) A certificate of deposit issued by, or other interest-bearing deposit with, any bank organized under the laws of the United States of America or any state thereof (including without limitation the Trustee), provided that (1) long-term deposits with such bank are rated by Moody's or S & P in one of the three highest rating categories, or (2) such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate less the amount of such deposit insured by the Federal Deposit Insurance Corporation.

(5) A repurchase agreement with respect to Federal Securities, provided that the Federal Securities subject to such repurchase agreement are held by or under the control of the Trustee pursuant to a perfected security interest free and clear of third-party liens.

(6) Any other investment permitted by law.

"**Rating Agency**" shall mean Moody's, S & P and any other nationally recognized securities rating agency.

"**S & P**" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies.

"**Supplemental Indenture**" shall mean an instrument supplementing, modifying or amending the Indenture.

"**Warrant**" shall mean any warrant issued pursuant to the Indenture, including Series 2006 Warrants and any Additional Warrants.

"**Warrant Documents**" shall mean the Warrants, the Indenture, the Lease Agreement, and any guaranty agreement entered into by the County in connection with the issuance of Additional Warrants.

"**Warrant-Financed Facilities**" shall mean the facilities being financed by the Series 2006 Warrants, more particularly described under "THE PLAN OF FINANCING".

"**Warrantholder**" when used with respect to any Warrant shall mean the person in whose name such Warrant is registered in the Warrant Register.

The Indenture

Pledge of Trust Estate

To secure the payment of Debt Service on the Warrants and all other Indenture Indebtedness and the performance of the covenants in the Indenture, the Authority will pledge and assign to the Trustee, and will grant to the Trustee a security interest in, the following property:

(1) ***Indenture Funds.*** Money and investments from time to time on deposit in, or forming a part of, the Indenture Funds.

(2) ***Warrant-Financed Facilities.*** The following Warrant-Financed Facilities:

(a) The real property and interests therein described under "THE PLAN OF FINANCING", together with all easements, permits, licenses, rights-of-way, contracts, leases, tenements, hereditaments, appurtenances, rights, privileges and immunities pertaining or applicable to said real property and interests therein.

(b) All buildings and structures now or hereafter located on such real property, including without limitation the buildings and structures to be acquired, constructed, altered or improved as part of the Warrant-Financed Facilities financed by the Warrants.

(c) The following personal property and fixtures: (1) all personal property and fixtures to be acquired and installed on such real property as part of the Warrant-Financed Facilities financed by the Warrants, (2) all personal property and fixtures acquired by (or in the name of) the Authority and installed on such real property as a substitute or replacement for personal property or fixtures transferred or otherwise disposed of pursuant to the terms of the Lease Agreement, and (3) all personal property and fixtures acquired by (or in the name of) the Authority and installed on such real property with the proceeds of any insurance or condemnation award pursuant to the terms of the Lease Agreement.

(d) All awards or payments, including all interest thereon, together with the right to receive the same, that may be made to the Authority with respect to the Warrant-Financed Facilities as a result of the exercise of the right of eminent domain, any damage to or destruction of the Warrant-Financed Facilities or any part thereof, or any other injury to or decrease in the value of the Warrant-Financed Facilities, and all right, title and interest of the Authority in and to any policies of insurance with respect to any damage to or destruction of the Warrant-Financed Facilities.

(3) ***Lease Payments and Lease Agreement.*** All Lease Payments by the County and all right, title and interest of the Authority in and to the Lease Agreement, subject to certain exceptions.

(4) ***Other Property.*** Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of the Indenture as additional security by the Authority or anyone on its part or with its consent, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee or a receiver appointed pursuant to the Indenture.

Additional Warrants

Prior to the issuance of any Additional Warrants, the Authority shall deliver to the Trustee the Additional Warrants proposed to be issued, duly executed and accompanied by the following:

(1) ***Proceedings.*** A certified copy of the proceedings taken by the Authority authorizing such Additional Warrants and the Supplemental Indenture providing therefor, which shall include the following: (a) a representation that no Indenture Default exists, (b) the purpose or purposes for which such Additional Warrants are being issued, and (c) the person or persons to whom such Additional Warrants have been sold and the purchase price to be paid therefor.

(2) ***Supplemental Indenture***. A Supplemental Indenture duly executed on behalf of the Authority and containing (to the extent applicable) (a) a description of the Additional Warrants proposed to be issued, including the aggregate principal amount, the series designation, the maturity or maturities of principal of such Additional Warrants, the interest rate or rates (or provisions for the determination thereof), the due dates of interest on such Additional Warrants, the redemption provisions with respect to such Additional Warrants, and the form of such Additional Warrants, (b) a statement of the purpose or purposes for which such Additional Warrants are to be issued, (c) provisions subjecting to the lien of the Indenture all property acquired and to be acquired in connection with any additions, improvements and modifications to the Warrant-Financed Facilities, (d) a confirmation of the lien of the Indenture on all property then constituting a part of the trust estate, and (e) any other matters deemed appropriate by the Authority and not inconsistent with the terms of the Indenture.

(3) ***Supplement to Lease Agreement.*** A supplement to the Lease Agreement duly executed on behalf of the Authority and the County and containing (to the extent applicable) (a) a description of the facilities to be financed by the issuance of such Additional Warrants, (b) provisions subjecting to the demise of the Lease Agreement all property acquired and to be acquired in connection with any additions, improvements and modifications to the Warrant-Financed Facilities, (c) a confirmation of the demise pursuant to the Lease Agreement of all property then constituting a part of the Warrant-Financed Facilities, (d) an agreement by the County to make Lease Payments at times and in amounts sufficient to pay Debt Service on the Additional Warrants, and (e) any other matters deemed appropriate by the Authority and the County and not inconsistent with the terms of the Lease Agreement or the Indenture.

(4) ***Opinion of Bond Counsel.*** An Opinion of Bond Counsel stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that (a) such Additional Warrants are valid and binding obligations of the Authority in accordance with their terms and are entitled to the benefit and security of the Indenture equally and proportionately with all other Warrants Outstanding under the Indenture and (b) the Indenture (as so supplemented) and the Lease Agreement (as so supplemented) constitute valid and binding obligations of the Authority in accordance with their terms.

(5) ***Opinion of Counsel for the County.*** An Opinion of Counsel for the County stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that the Lease Agreement (as so supplemented) constitutes a valid and binding obligation of the County in accordance with its terms.

(6) ***Consent of Bond Insurer.*** Consent of the Bond Insurer with respect to the Series 2006 Warrants, provided, however, that no such consent shall be required if the Additional Warrants are to be issued for the purpose of achieving debt service savings

(7) ***Favorable Tax Opinion.*** An opinion of Counsel stating in effect that the propsed action will not cause the interest on the Warrants to become includable in the gross income of the holders for purposes of federal income taxation.

Any Additional Warrants issued pursuant to and in compliance with the terms of the Indenture shall be entitled to the benefit and protection of the Indenture equally and proportionately with all other Warrants issued thereunder.

Flow of Funds

Debt Service Fund. The Indenture establishes a special trust fund which is designated the “Debt Service Fund”. The Trustee shall be the depository, custodian and disbursing agent for the Debt Service Fund. On each warrant payment date money in the Debt Service Fund shall be applied by the Trustee to pay Debt Service on the Warrants. The County is required by the Lease Agreement to make Lease Payments at times and in amounts sufficient to pay Debt Service on the Warrants. Such Lease Payments are to be deposited in the Debt Service Fund.

Acquisition Fund. The Indenture establishes with the Trustee a trust fund which is designated the “Lease Revenue Warrants, Series 2006 Acquisition Fund”. A deposit to the Acquisition Fund will be made from proceeds of the Series 2006 Warrants. See “THE PLAN OF FINANCING” AND “SOURCES AND USES OF FUNDS”. Money in the Acquisition Fund shall be paid out by the Trustee from time to time for the purpose of paying

Acquisition Costs (including reimbursement of the County for any such costs paid by it) and Costs of Issuance with respect to the Series 2006 Warrants upon delivery to the Trustee of an appropriate requisition.

Reserve Fund. The Indenture establishes a special trust fund which is designated the "Reserve Fund". The Trustee shall be the depository, custodian and disbursing agent for the Reserve Fund.

Deposits to the Reserve Fund shall be made on the following dates (each such date being referred to as a "funding date"):

(1) On the date of issuance of the Series 2006 Warrants (the initial funding date), a deposit shall be made to the Reserve Fund in an amount equal to the Minimum Reserve Fund Requirement.

(2) On each Warrant Payment Date after the initial funding date, and whenever Additional Warrants are issued after the initial funding date, the Authority shall deposit in the Reserve Fund such additional amount (if any) as shall be required to make the balance in the Reserve Fund equal to the Minimum Reserve Fund Requirement.

Withdrawals from the Reserve Fund shall be made as follows:

(1) On each Warrant Payment Date money in the Reserve Fund shall be transferred to the Debt Service Fund and applied by the Trustee to pay Debt Service on the Warrants, but only if and to the extent that funds available in the Debt Service Fund are not sufficient for such purpose and payment from the Reserve Fund is necessary to prevent a default in the payment of such Debt Service.

(2) Investment earnings from the Reserve Fund shall be transferred to the Debt Service Fund so long as the balance in the Reserve Fund, after giving effect to such transfer, is not less than the Minimum Reserve Fund Requirement.

(3) Upon request of the Authority, the amount by which the balance in the Reserve Fund exceeds the Minimum Reserve Fund Requirement on any funding date shall be transferred to the Authority.

The "Minimum Reserve Fund Requirement" and the balance in the Reserve Fund shall be determined as follows:

(1) On the initial funding date and on each date that Additional Warrants are issued the Authority shall deliver to the Trustee a certificate of the County's chief financial officer stating the Minimum Reserve Fund Requirement as of such date, based on Warrants Outstanding on such funding date. At the option of the Authority, a certificate of the County's chief financial officer may be delivered to the Trustee on any other funding date stating the Minimum Reserve Fund Requirement as of such date. The Minimum Reserve Fund Requirement shall be determined according to the most recent certificate delivered to the Trustee.

(2) The balance in the Reserve Fund on each funding date shall be determined by valuing Qualified Investments on deposit at fair market value as of such date. Any Qualified Investments deposited in the Reserve Fund shall be valued at fair market value on the date of deposit.

Investment of Indenture Funds

Money in the Indenture Funds may be invested or reinvested in Qualified Investments by the Trustee in accordance with the instructions of the Authority to the extent that such investment is, in the opinion of the Trustee, feasible and consistent with the purposes for which such fund was created.

Events of Default

Any one or more of the following will constitute an event of default (an "Indenture Default") under the Indenture: (1) failure to pay debt service on the Warrants when due; (2) default in the performance, or breach, of any covenant or warranty of the Authority in the Indenture (other than a covenant or warranty a default in the performance or breach of which is elsewhere in the Indenture specifically dealt with), and continuance of such default or breach for a period of 30 days after notice of such default or breach, stating that such notice is a "notice of default" thereunder, has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Warrants, unless, in the case of a default or breach that cannot be cured by the payment of money, the Authority initiates efforts to correct such default or breach within 30 days from the receipt of such notice and diligently pursues such action until the default or breach is corrected; or (3) a Lease Default shall occur and be continuing.

Remedies in Event of Indenture Default

If an Indenture Default exists, then and in every such case, the Trustee or the Holders of not less than 25% in principal amount of the Warrants Outstanding may declare the principal of all the Warrants and the interest accrued thereon to be due and payable immediately, by notice to the Authority (and to the Trustee, if given by Warrantholders), and upon any such declaration such Debt Service shall become immediately due and payable. At any time after such a declaration of acceleration has been made pursuant to the Indenture, the Holders of a majority in principal amount of the Warrants Outstanding may, by notice to the Authority and the Trustee, rescind and annul such declaration and its consequences if (1) the Authority has deposited with the Trustee a sum sufficient to pay (a) all overdue installments of interest on all Warrants, (b) the principal of (and premium, if any, on) any Warrants which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Warrants, (c) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Warrants, and (d) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (2) all Indenture Defaults, other than the non-payment of the principal of Warrants which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

All rights, remedies and powers provided by the Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of the Indenture are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render the Indenture invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

If an Indenture Default exists, anything in the Indenture to the contrary notwithstanding, the maturity of the Series 2006 Warrants may not be accelerated without the consent of the Bond Insurer, and the Bond Insurer shall have the right to provide directions on behalf of Holders of the Series 2006 Warrants (without notice to or consent of such Holders) with respect to (1) the time, method and place of conducting any remedy available to the Trustee and Warrantholders, or of exercising any trust or power conferred on the Trustee or Warrantholders (including without limitation the right to approve any plan of reorganization of the Authority or the County under the Federal Bankruptcy Code) and (2) the waiver of any Indenture Default and its consequences. The Trustee shall follow such directions notwithstanding contrary directions from Holders of Series 2006 Warrants.

If an Indenture Default for non-payment of debt service on the Warrants occurs as a result of the County's exercise of its right not to renew the Lease Agreement, then the Authority shall exclude the County from the Warrant-Financed Facilities and, at the Trustee's direction, re-let the Warrant-Financed Facilities for so long as the Trustee shall direct. Any revenues received by the Trustee pursuant to this paragraph shall be applied in the manner prescribed in the Indenture.

Limitation on Suits by Warrantholders

No Holder of any Warrant shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (1) such Holder has previously given notice to the Trustee of a continuing Indenture Default; (2) the Holders of not less than 25% in principal amount of the Outstanding Warrants shall have made request to the Trustee to institute proceedings in respect of such Indenture Default in its own name as Trustee thereunder; (3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Warrants.

Directions for Pursuit of Remedies

The Holders of a majority in principal amount of the Outstanding Warrants shall have the right, during the continuance of an Indenture Default, (1) to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Warrants or otherwise, and (2) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee thereunder, provided that (a) such direction shall not be in conflict with any rule of law or the Indenture, (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (c) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction.

Amendments of Warrant Documents

The Trustee may, on behalf of the Warrantholders, from time to time enter into, or consent to, an amendment of any Warrant Document only as permitted by the Indenture.

An amendment of the Warrant Documents for any of the following purposes may be made, or consented to, by the Trustee without the consent of the Holders of any Warrants:

(1) to correct or amplify the description of any property at any time subject to the lien of any Warrant Document, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the lien of any Warrant Document, or to subject to the lien of any Warrant Document, additional property; or

(2) to evidence the succession of another person to any Financing Participant and the assumption by any such successor of the covenants of such Financing Participant (provided that the requirements of the related Warrant Document for such succession and assumption are otherwise satisfied); or

(3) to add to the covenants of any Financing Participant for the benefit of Warrantholders and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under the specified Warrant Documents permitting the enforcement of all or any of the several remedies provided therein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default;

(4) to surrender any right or power conferred upon any Financing Participant other than rights or powers for the benefit of Warrantholders; or

(5) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Holders of the Warrants; or

(6) to appoint a separate agent of the Authority or the Trustee to perform any one or more of the following functions: (a) registration of transfers and exchanges of Warrants, or (b) payment of Debt Service on the Warrants; provided, however, that any such agent must be a bank or trust company with long-term obligations, at the time such appointment is made, in one of the three highest rating categories of at least one Rating Agency.

An amendment of the Warrant Documents for any of the following purposes may be entered into, or consented to, by the Trustee only with the consent of the Holder of each Warrant affected:

(1) to change the stated maturity of the principal of, or any installment of interest on, any Warrant, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Warrant, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(2) to reduce the percentage in principal amount of the Outstanding Warrants, the consent of whose Holders is required for any amendment of the Warrant Documents, or the consent of whose Holders is required for any waiver provided for in the Warrant Documents; or

(3) to modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(4) to modify any of the provisions of the Indenture permitting amendments or specifying events of default, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Warrant affected thereby; or

(5) to permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the trust estate or terminate the lien of the Indenture on any property at any time subject hereto or deprive the Holder of any Warrant of the security afforded by the lien of the Indenture; or

(6) to eliminate, reduce or delay the obligation of the County to make Lease Payments at times and in amounts sufficient to pay Debt Service on the Warrants; or

(7) to permit the cancellation of the Bond Insurance Policy.

An amendment of the Warrant Documents for any purpose not described in the prior two paragraphs may be entered into, or consented to, by the Trustee only with the consent of the Holders of a majority in principal amount of Warrants Outstanding.

Defeasance; Satisfaction of Indenture

The Indenture provides that whenever the entire indebtedness secured by the Indenture shall have been fully paid, the Trustee shall cancel and discharge the lien of the Indenture.

For purposes of the Indenture, any Warrant shall be deemed to have been paid if a trust for the payment of all remaining debt service on such Warrant shall have been established with the Trustee and all Warrants to be retired with funds from such trust either mature or have been called for redemption , and sufficient funds are being held by the Trustee to pay debt service on the Warrants through and including such maturity or redemption date. Such trust may consist of any combination of cash and/or Federal Securities, and the anticipated income from such Federal Securities may be included in the calculation of the required deposit to such trust. If a trust for payment of the Warrants is established, the Trustee must receive, among other things, (1) a Favorable Tax Opinion and (2) a report satisfactory to the Trustee stating in effect that the expected cash flow from such trust, without reinvestment, will be sufficient to make the required payments of debt service with respect to the Warrants.

Concerning the Trustee

The Indenture provides that the Trustee shall not be liable thereunder except for its willful misconduct or negligence. The Trustee may consult with counsel, who may or may not be counsel to the Trustee, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith. The Trustee is not required to expend its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture without reasonable assurance of repayment or indemnity.

The Trustee may, but is not required to, make advances to effect the performance by the Authority of its covenants and agreements. All sums so expended by the Trustee, together with interest at the rate prescribed in the Indenture, shall be secured by the Indenture and shall be entitled to priority of payment over any of the Warrants.

The Trustee may resign and be discharged from the trusts of the Indenture upon written notice to the Authority. The Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Warrants by notice delivered to the Trustee and the Authority. If no Indenture Default exists, the Trustee may be removed at any time by the Authority by notice delivered to the Trustee. If the Trustee resigns, is removed or becomes otherwise incapable of serving, a successor may be appointed by the Authority.

The County and the Lease Agreement

If no Lease Default exists, the County may, on behalf of the Authority, exercise all rights and options of the Authority with respect to the terms of the Warrants, including without limitation: (1) the exercise of any optional redemption rights, (2) the selection of Warrants for redemption, and (3) the establishment or termination of a book-entry only system of registration and transfer of Warrants. If a Lease Default exists but the Lease Agreement has not been terminated, the Authority will exercise such rights and options with respect to the Warrants only with the consent of the County. If the Lease Agreement has been terminated, the Authority may exercise all such rights and options with respect to the Warrants without notice to or consent of the County.

Without relieving the Authority from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it under the Indenture, the County, on behalf of the Authority, may perform any such covenant or agreement.

If no Lease Default exists, no amendment may be made to the Warrant Documents without the consent of the County. If no Lease Default exists, the County may, on behalf of the Authority, remove the Trustee pursuant to the terms of the Indenture. If no Lease Default exists, the Trustee may not be removed and no successor Trustee may be appointed without the consent of the County.

Rights of the Bond Insurer

If no Bond Insurer Default exists, the Bond Insurer shall have the following rights with respect to defaults and remedies:

(1) If an Indenture Default exists, without relieving the Authority from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it under the Indenture, the Bond Insurer, on behalf of the Authority, may perform any such agreement or covenant.

(2) The Bond Insurer shall, on behalf of all Holders of Series 2006 Warrants, have the right to control the exercise of available remedies under the Indenture or the granting of any waiver under the Indenture, as described above under "Directions for Pursuit of Remedies"; provided, however, that the Bond Insurer may not prevent the Trustee from making claims on the Bond Insurance Policy.

If no Bond Insurer Default exists, (1) no amendment may be made to the Warrant Documents without the consent of the Bond Insurer and (2) the Bond Insurer may, on behalf of all Holders of Series 2006 Warrants (and without notice to or consent of such Holders), consent to any amendment of the Warrant Documents other than an amendment requiring consent of all affected Holders of Series 2006 Warrants.

If no Bond Insurer Default exists, the Trustee may not be removed and no successor Trustee may be appointed without consent of the Bond Insurer.

The Lease Agreement

Lease Term; Right to Renew

The initial term of the Lease Agreement shall begin on the date of the delivery of the Lease Agreement and, unless renewed and extended in accordance with the terms of the Lease Agreement, shall continue until midnight of September 30, 2006. However, the County shall have the option to renew the Lease Agreement at the end of any fiscal year of the County for successive one-year terms, each such renewal term to coincide with the fiscal year of the County.

Rental Payments

The Lease Agreement requires the County to make payments at times and in amounts sufficient to pay debt service on the Series 2006 Warrants when due. The Lease Agreement also requires the County to make certain payments to the Trustee.

Unconditional Obligation

The Lease Agreement provides that the obligations of the County to make rental payments and to perform and observe its other agreements and covenants under the Lease Agreement are to be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority or the Trustee.

Maintenance of the Facilities

The County will, at its own expense, maintain the Warrant-Financed Facilities in good condition, repair and working order and make all necessary repairs, renewals, replacements and improvements to the Warrant-Financed Facilities. The County will, at its own expense, pay all gas, electric, water, sewer and other utility charges for the operation, use and upkeep of the Warrant-Financed Facilities.

Improvements and Alterations

The County may, at its own expense, make additions, improvements or alterations to the buildings and structures constituting a part of the Warrant-Financed Facilities. At the written request of the County, the Authority will enter into a contract for such additions, improvements, or alterations.

Assignment and Subletting

The County may not assign its rights under the Lease Agreement or mortgage its leasehold interest in the Warrant-Financed Facilities, or sublease the Warrant-Financed Facilities or any part thereof, without the prior written consent of the Authority.

Damage to or Destruction of Warrant-Financed Facilities

If the Warrant-Financed Facilities are damaged or destroyed by fire or other casualty, the Authority shall not be required to repair or replace the Warrant-Financed Facilities damaged or destroyed, and the County may, if it so chooses, repair or replace such Warrant-Financed Facilities at its own expense, or the County may, if it so chooses, repair or replace such Warrant-Financed Facilities through the application of insurance proceeds. At the request of the County, the Authority will enter into contracts or purchase orders for the repair or replacement of the Warrant-Financed Facilities, provided that the County shall pay all costs of such repair or replacement with its own funds. Any property acquired by the Authority in connection with such repair or replacement shall become a part of the Warrant-Financed Facilities subject to the Lease Agreement.

Self Insurance

The County is self–insured and will carry no casualty or liability insurance with respect to the Warrant-Financed Facilities.

Covenants Regarding Occupancy

The County agrees in the Lease Agreement that if any office or storage space in the Warrant-Financed Facilities shall become vacant after acquisition or construction thereof, then neither the County nor any officer, department or agency of the County may thereafter enter into any lease or rental agreement for additional office or storage space in or about the municipality in which the Warrant-Financed Facilities are located or renew any existing lease or rental agreement for office or storage space until after such vacant space in the Warrant-Financed Facilities shall have been filled.

The County further covenants that, so long as the Series 2006 Warrants are outstanding, the County will not relocate the County's courthouse or jail facilities to any other facility that is not part of the Warrant-Financed Facilities unless the Lease Agreement is expressly amended to provide that such alternative facility is made a part of the Warrant-Financed Facilities.

Termination Option

If no Lease Default exists, the County shall have the option to cancel or terminate the Lease Agreement at any time after the Indenture Indebtedness has been fully paid, by giving the Authority notice in writing of such termination. Such termination shall become effective 10 days after such notice is given.

Purchase Option

If no Lease Default exists, the County shall have the right to purchase the Warrant-Financed Facilities for a Purchase Price of $1.00 after the Indenture Indebtedness has been fully paid. Such option may be exercised prior to the termination of the Lease Agreement, and shall be deemed to have been automatically exercised if the County does not give notice that it does not intend to exercise such option.

Events of Default

Any one or more of the following shall constitute an event of default (a "Lease Default") under the Lease Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body): (a) default in the payment of any rental payment when such rental payment becomes due and payable; or (b) default in the performance, or breach, of any covenant or warranty of the County in the Lease Agreement (other than a covenant or warranty, a default in the performance or breach of which is elsewhere in the Lease Agreement specifically dealt with), and the continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the County and the Bond Insurer by the Authority or by the Trustee a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" under the Lease Agreement; or (c) the occurrence of an event of default, as therein defined, under the Indenture, and the expiration of the applicable grace period, if any, specified therein.

Remedies Upon Default

If a Lease Default occurs and is continuing, the Authority may exercise any of the following remedies:

(1) declare all installments of rental payments for the remainder of the term of the Lease Agreement to be immediately due and payable in an amount not to exceed the principal amount of all Outstanding Series 2006 Warrants, plus the redemption premium (if any) payable with respect thereto, plus the interest accrued thereon to the date of such declaration;

(b) terminate the Lease Agreement and re-let the Warrant-Financed Facilities to any third party at the Authority's sole discretion;

(c) exclude the County from the Warrant-Financed Facilities without terminating the Lease Agreement; and

(d) take whatever legal proceedings may appear necessary or desirable to collect the Basic Rental Payments then due, whether by declaration or otherwise, or to enforce any obligation or covenant or agreement of the County under the Lease Agreement or by law including specifically, without limitation, the covenants contained in Section 7.3 of the Lease Agreement.

The Authority's sole remedy for settlement of any and all disputes arising under the terms of the Lease Agreement shall be limited to the filing of a claim with the Board of Adjustment of the State of Alabama, as described more particularly in Article 4 of Chapter 9 of Title 41 of the Code of Alabama 1975.

Delegation of Certain Obligations to the County

Under the Lease Agreement, the Authority delegates to the County the obligation to acquire, construct, and maintain the Warrant-Financed Facilities and the obligation to comply with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code.

[THIS PAGE INTENTIALLY LEFT BLANK]

Appendix D

Specimen Financial Guaranty Insurance Policy

[THIS PAGE INTENTIALLY LEFT BLANK]

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

[THIS PAGE INTENTIALLY LEFT BLANK]

Appendix E

Audited Financial Statements of the County for the fiscal year ended September 30, 2004

[THIS PAGE INTENTIALLY LEFT BLANK]

Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2003 through September 30, 2004

Filed: March 25, 2005

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

05-240

Table of Contents

Table of Contents

Table of Contents

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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, 2003 through September 30, 2004.

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) prepared by the management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.

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

5. ***Required Supplementary Information*** – includes Budget to Actual Comparisons (Exhibits 11 through 14) 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 15 through 24), a Schedule of Expenditures of Federal Awards (Exhibit 25), 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 26) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

   Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 27) – 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 28) – 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 29) – 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.

Summary Schedule of Prior Audit Findings (Exhibit 30) – a report, prepared by the Commission, on the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to federal awards.

Auditee Response/Corrective Action Plan (Exhibit 31) – 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 Commission. For the fiscal year ended September 30, 2004, Bessemer Water Service had not engaged an auditor to provide a report on the entity's internal controls that may be relevant to the Commission's internal controls.

The Commission has entered into various interest rate swap agreements as discussed in Note 23 of the Notes to the Financial Statements. The following is a history of the Commission's net swap transactions to date.

Fiscal Year	Income	Expense	Net
1997	$ 713,395.89	$	$ 713,395.89
1998	5,434,814.00	1,620,406.12	3,814,407.88
1999			
2000		492,417.62	(492,417.62)
2001	20,410,647.18	9,106,981.48	11,303,665.70
2002	22,539,219.62	22,825,576.70	(286,357.08)
2003	41,843,172.67	66,970,833.38	(25,127,660.71)
2004	76,176,713.02	150,793,614.24	(74,616,901.22)
Total	$167,117,962.38	$251,809,829.54	$(84,691,867.16)

This indicates that the Commission had to pay $84,691,867.16 more in interest than required by bond covenants.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

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

STATUS OF PRIOR AUDIT

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

- Procedures were not in place to ensure that all customers who are receiving sewer services are being billed. Although the Commission's Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers, this does not always occur.

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

- At September 30, 2004, the following funds had deficit fund balances or deficit net assets.

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

RECOMMENDATIONS

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

- Procedures should be implemented to assure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.

- The Commission should eliminate deficit fund balances and deficit net assets.

Sworn to and subscribed before me this the 16th day of March, 2005.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this the 16th day of March, 2005.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this the 16th day of March, 2005.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this the 16th day of March, 2005.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this the 16th day of March, 2005.

Cheryl S. McAlister
Notary Public

Respectfully submitted,

Elizabeth L. Crowson

Elizabeth L. Crowson
Examiner of Public Accounts

Angela G. Money

Angela G. Money
Examiner of Public Accounts

Cathy M. Cook

Cathy M. Cook
Examiner of Public Accounts

Whitney Brown

Whitney Brown
Examiner of Public Accounts

Larry S. McPherson
Examiner of Public Accounts

rb

This Page Intentionally Blank

Independent Auditor's Report

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

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

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

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

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

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

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

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

February 9, 2005

Management's Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Jefferson County, Alabama's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2004. 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 $90 million, or 6%. Net assets of business-type activities decreased $74 million, or 6%, net assets of governmental activities reflected a $16 million, or 9%, decrease.

- $333 million of the decrease in total current and other assets and long-term liabilities is due to reclassification of Deferred Loss on Refunding in the sanitary operations fund.

- $140 million of the decrease in total current and other assets is reflected in the increase in capital assets, primarily from business-type activities.

- Total revenues decreased $25 million, or 5%. However, total program expenses decreased $45 million, or 7%.

- Charges for services from business-type activities increased almost $12 million as a result of the sewer rate going from $4.90 per hundred cubit feet of water used to $5.39.

USING THIS ANNUAL REPORT

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

Reporting the County as a Whole

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

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

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

- Governmental activities – Most of the County's basic services are reported here, including general government, public safety, highways and streets, health and welfare, and culture and recreation. Property and sales taxes, occupation license fees, and state grants finance most of these activities.

- Business-type activities – The County charges fees to users to help it cover all or most of the cost of certain services it provides. The County's indigent care hospital, nursing home, landfill, sanitary operations, and parking facilities are reported here.

Reporting the County's Most Significant Funds

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

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

- Proprietary funds – When the County charges users for the services it provides – whether to outside users or to other departments of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities – such as the County's Building Services Fund.

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

THE COUNTY AS A WHOLE

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

Net Assets
FY 2003 Restated
($000 omitted)

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

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

Changes In Net Assets
($000 omitted)

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

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

Governmental Activities

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

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

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

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

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

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

The following presents the 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	
	2004	2003	2004	2003
General government	$ 111,829	$ 121,127	$ 39,955	$ 45,543
Public safety	70,884	71,248	66,189	64,856
Highways and roads	40,875	41,901	30,291	30,509
Welfare	13,253	16,453	(861)	1,692
Culture and recreation	15,860	18,250	15,860	18,250
All others	13,848	14,465	13,850	14,465
Totals	$ 266,549	$ 283,444	$ 165,284	$ 175,315

Business-type Activities

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

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

THE COUNTY'S FUNDS

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

- A net change of Fund Balance of $2 million this year replaced a $17 million deficiency last year. Total revenues increased $7 million while total expenditures increased only $5 million. Operating transfers from the Capital Improvements Fund and Debt Service Fund increased $6.9 million.

- Operating transfers from the General Fund decreased $16 million from the prior year. The major beneficiaries of these were the Road Fund ($16.6 million), Office of Senior Citizen's Services ($2.3 million), Cooper Green Hospital ($1.5 million), Nursing Home ($6.1 million), and the Landfill Fund ($1.7 million).

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

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

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

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

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

BUDGETS

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

Perhaps most notable is the lack of material budgetary activity. Strong management pressure at all levels for cost containment resulted in few budget amendments and $16 million decrease in governmental program expenditures and $28 million decrease in business-type program expenditures.

CAPITAL ASSET AND DEBT ADMININSTRATION

Capital Assets

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

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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	$ 13,429	$ 12,103	$ 46,566	$ 45,920	$ 59,995	$ 58,023
Buildings and Improvements	49,277	56,260	1,095,204	882,805	1,144,481	939,065
Equipment	23,753	28,241	9,213	11,969	32,966	40,210
Infrastructure	23,937	19,150	1,186,868	1,222,263	1,210,805	1,241,413
Construction in Progress	172,446	155,724	1,040,756	1,086,419	1,213,202	1,242,143

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

Debt

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

Outstanding Debt
($000 omitted)

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

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

CURRENTLY KNOWN FACTS AND CONDITIONS

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Statement of Net Assets
September 30, 2004
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Investments	$ 49,547	$ 11,037	$ 60,584
Accounts Receivable, Net	78	17,922	18,000
Loans Receivable, Net	3,341		3,341
Patient Accounts Receivable, Net		10,345	10,345
Property Taxes Receivable, Net	79,983	4,374	84,357
Interest Receivable	9	3,136	3,145
Due from Other Governments	55,337	1,093	56,430
Inventories	3,668	2,094	5,762
Prepaid Expenses	57	550	607
Deferred Charges - Issuance Costs		1,420	1,420
Total Current Assets	192,020	51,971	243,991
Noncurrent Assets:			
Deferred Charges - Issuance Costs		49,268	49,268
Advances Due from Other Funds	19,906	(19,906)	
Restricted Assets - Noncurrent	134,495	762,108	896,603
Capital Assets, Net of Depreciation	282,842	3,378,607	3,661,449
Total Noncurrent Assets	437,243	4,170,077	4,607,320
Total Assets	629,263	4,222,048	4,851,311
Liabilities			
Current Liabilities:			
Accounts Payable	4,951	16,576	21,527
Deposits Payable		26	26
Due to Other Governments	5,838		5,838
Deferred Revenue	84,676	4,603	89,279
Accrued Wages and Benefits Payable	7,017	2,059	9,076
Accrued Interest Payable	6,781	21,961	28,742
Retainage Payable	1,306	13,008	14,314
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	21,175	4,365	25,540
Add: Unamortized Premiums	570		570
Less: Deferred Loss on Refunding	(256)	(10,748)	(11,004)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41	41
Estimated Liability for Compensated Absences	1,927	824	2,751
Estimated Claims Liability	6,263		6,263
Total Current Liabilities	$ 140,248	$ 52,715	$ 192,963

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

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities:			
Portion Due or Payable After One Year:			
Arbitrage Rebate Payable	$	$ 1,260	$ 1,260
Warrants Payable	309,650	3,264,750	3,574,400
Add: Unamortized Premiums	4,075		4,075
Less: Deferred Loss on Refunding	(1,153)	(333,560)	(334,713)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,259	3,259
Estimated Liability for Compensated Absences	14,583	6,043	20,626
Total Noncurrent Liabilities	327,155	2,941,752	3,268,907
Total Liabilities	467,403	2,994,467	3,461,870
Net Assets			
Invested in Capital Assets, Net of Related Debt	104,450	1,121,098	1,225,548
Restricted for:			
Debt Service	13,079	279,116	292,195
Capital Projects		382,641	382,641
Other Purposes	14,045	13,008	27,053
Unrestricted	30,286	(568,282)	(537,996)
Total Net Assets	$ 161,860	$ 1,227,581	$ 1,389,441

Statement of Activities
For the Year Ended September 30, 2004
(In Thousands)

	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	$ 111,829	$ (2,808)	$ 39,873	$ 29,193
Public Safety	70,884	2,790	3,078	3,279
Highways and Roads	40,875		1,381	9,203
Welfare	13,253	16	9	14,121
Culture and Recreation	15,860			
Education	234	2		
Interest and Fiscal Charges	13,614			
Total Governmental Activities	266,549		44,341	55,796
Business-Type Activities:				
Hospital	77,952		28,595	
Nursing Operations	15,965		10,200	
Landfill	7,022		3,477	
Sanitary Operations	256,559		128,711	
Parking	174		285	
Total Business-Type Activities	357,672		171,268	
Total Primary Government	$ 624,221	$	$ 215,609	$ 55,796

General Revenues:
Taxes:
Property Taxes
Sales Tax
Other Taxes
Occupational License
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year, as Restated (Note 24)

Net Assets End of Year

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

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

Balance Sheet - Governmental Funds
September 30, 2004
(In Thousands)

	General Fund	Indigent Care Fund
Assets		
Cash and Investments	$ 4,149	$ 6,504
Accounts Receivable, Net	34	
Loans Receivable, Net		
Property Taxes Receivable, Net	34,993	
Interest Receivable		
Due from Other Governments	34,527	6,608
Inventories	149	
Prepaid Expenses	22	
Advances Due from Other Funds		
Total Assets	73,874	13,112
Liabilities and Fund Balances		
Liabilities:		
Cash Deficit		
Accounts Payable	969	
Due to Other Governments	229	
Deferred Revenue	36,864	
Retainage Payable		
Accrued Wages and Benefits Payable	5,365	
Accrued Interest Payable		
Estimated Liability for Compensated Absences	1,142	
Total Liabilities	44,569	
Fund Balances:		
Reserved for:		
Advances Due from Other Funds		
Inventories	149	
Petty Cash	91	
Mapping and Reappraisal	1,259	
E911	(126)	
Cooper Green Hospital Foundation		279
Debt Service		
Encumbrances	5,798	
Prepaid Expenses	22	
Loans Receivable		
Unreserved Reported in:		
General Fund	22,112	
Special Revenue		12,833
Capital Projects		
Total Fund Balances	29,305	13,112
Total Liabilities and Fund Balances	$ 73,874	$ 13,112

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

Road Fund	Bridge and Public Building Fund	Other Governmental Funds	Total Governmental Funds
$ 990	$ 1,183	$ 159,656	$ 172,482
		2	36
		3,341	3,341
13,122	31,868		79,983
		9	9
846	443	4,118	46,542
2,329			2,478
6		5	33
		19,906	19,906
17,293	33,494	187,037	324,810
		2,275	2,275
220		2,119	3,308
5,609			5,838
13,808	33,534	470	84,676
1,306			1,306
689		94	6,148
		6,781	6,781
415			1,557
22,047	33,534	11,739	111,889
		19,906	19,906
2,329			2,478
		1	92
			1,259
			(126)
			279
		148,843	148,843
677		21,664	28,139
6		5	33
		3,341	3,341
			22,112
(7,766)	(40)	(8,949)	(3,922)
		(9,513)	(9,513)
(4,754)	(40)	175,298	212,921
$ 17,293	$ 33,494	$ 187,037	$ 324,810

This Page Intentionally Blank

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets September 30, 2004 (In Thousands)

Total Fund Balances - Governmental Funds (Exhibit 3)			$	212,921
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:				259,628
Deferred Loss on Early Retirement of Debt is Not Reported in the Funds				1,409
Deferred charges related to premiums on long-term liabilities are not reported in the funds.				(4,645)
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.				35,237
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:				
General Obligation Warrants Payable	$	(330,825)		
Estimated Liability for Compensated Absences	$	(11,865)		
Total Long-Term Liabilities				(342,690)
Total Net Assets - Governmental Activities (Exhibit 1)			$	161,860

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, 2004
(In Thousands)

	General Fund	Indigent Care Fund
Revenues		
Taxes	$ 71,144	$ 41,216
Licenses and Permits	65,208	
Intergovernmental	21,982	
Charges for Services	23,103	
Indirect Cost Recovery	13,619	
Miscellaneous	376	2,055
Interest	2,200	1
Total Revenues	197,632	43,272
Expenditures		
Current:		
General Government	73,322	2,250
Public Safety	62,155	
Highways and Roads		
Welfare	848	
Culture and Recreation	15,784	
Education	234	
Capital Outlay	2,842	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Indirect Costs	17,952	2
Total Expenditures	173,137	2,252
Excess (Deficiency) of Revenues Over Expenditures	24,495	41,020
Other Financing Sources (Uses)		
Debt Issued		
Premiums on Debt Issued		
Sale of Capital Assets	67	
Transfers In	6,921	
Transfers Out	(29,411)	(34,489)
Total Other Financing Sources (Uses)	(22,423)	(34,489)
Net Change in Fund Balances	2,072	6,531
Fund Balances at Beginning of Year, as Restated (Note 24)	27,233	6,581
Fund Balances at End of Year	$ 29,305	$ 13,112

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

	Road Fund	Bridge and Public Building Fund	Other Governmental Funds	Total Governmental Funds
	$ 14,316	$ 32,708	$	$ 159,384
				65,208
	8,490	713	25,740	56,925
	332		1,061	24,496
				13,619
	110		630	3,171
		48	460	2,709
	23,248	33,469	27,891	325,512
			13,100	88,672
			2,446	64,601
	34,898			34,898
			10,487	11,335
				15,784
				234
	758		23,218	26,818
			18,025	18,025
			13,614	13,614
			692	692
	3,945	6	965	22,870
	39,601	6	82,547	297,543
	(16,353)	33,463	(54,656)	27,969
			51,020	51,020
			791	791
	124			191
	16,615		98,230	121,766
	(1,000)	(33,500)	(99,979)	(198,379)
	15,739	(33,500)	50,062	(24,611)
	(614)	(37)	(4,594)	3,358
	(4,140)	(3)	179,892	209,563
	$ (4,754)	$ (40)	$ 175,298	$ 212,921

This Page Intentionally Blank

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, 2004 (In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$	3,358
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 ($26,818) exceeded depreciation ($13,366) in the current period.			13,452
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	$ (51,020)		
Premium on Refunding	(791)		
Repayments:			
Principal	$ 18,025		(33,786)
Some expenditures reported in the governmental funds are deferred on the statement of net assets, this includes bond issuance costs and premiums			692
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The current year increases in Estimated Liability for Compensated Absences ($23) was exceeded by the Amortization of Deferred Charges ($310).			287
Governmental Funds Report Proceeds from Sale of Fixed Assets as other financing sources. However, the Statement of Activities reports a gain or loss on the sale of capital assets. The difference between the Proceeds from Sale of Capital Assets ($191) and the Loss on the Sale of Capital Assets ($258).			(449)
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.			489
Change in net assets of governmental activities (Exhibit 2)		$	(15,957)

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

Statement of Net Assets - Proprietary Funds
September 30, 2004
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Assets		
Current Assets:		
Cash and Investments	$ 5,955	$ 4,695
Accounts Receivable, Net	65	16,797
Patient Accounts Receivable, Net	8,172	
Property Taxes Receivable, Net		4,374
Interest Receivable		3,136
Due from Other Governments	250	843
Inventories	1,154	886
Prepaid Expenses	535	11
Deferred Charges - Issuance Costs		1,411
Total Current Assets	16,131	32,153
Noncurrent Assets:		
Deferred Charges - Issuance Costs		49,128
Restricted Assets - Noncurrent Cash		762,108
Capital Assets, Net Where Applicable	11,105	3,310,147
Total Noncurrent Assets	11,105	4,121,383
Total Assets	$ 27,236	$ 4,153,536

Other Enterprise Funds	Totals	Internal Service Funds
$ 387	$ 11,037	$ 21,688
1,060	17,922	41
2,173	10,345	
	4,374	
	3,136	
	1,093	8,798
54	2,094	1,190
4	550	24
9	1,420	
3,687	51,971	31,741
140	49,268	
	762,108	
57,355	3,378,607	23,213
57,495	4,189,983	23,213
$ 61,182	$ 4,241,954	$ 54,954

Statement of Net Assets - Proprietary Funds
September 30, 2004
(In Thousands)

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

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

Other Enterprise Funds	Totals	Internal Service Funds
$	$	$ 7,852
161	16,576	1,642
26	26	
	4,603	
349	2,059	870
21	21,961	
	13,008	
124	824	370
	4,365	
	(10,748)	
41	41	
		6,263
722	52,715	16,997
19,906	19,906	
	1,260	
	3,264,750	
	(333,560)	
3,259	3,259	
910	6,043	2,719
24,075	2,961,658	2,719
24,797	3,014,373	19,716
37,598	1,121,098	23,213
	279,116	
	382,641	
	13,008	
(1,213)	(568,282)	12,025
$ 36,385	$ 1,227,581	$ 35,238

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)

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

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

Other Enterprise Funds	Totals	Internal Service Funds
$	$ 4,630	$
		10,674
13,907	170,259	22,888
55	1,009	
13,962	175,898	33,562
	1,679	
9,411	58,101	21,885
2,725	14,766	5,963
1,329	13,802	3,043
874	7,898	3,411
2,670	20,756	12,495
	5,116	
	7,100	
1,121	6,496	2,992
2,997	91,282	2,858
202	202	
	212	17
21,329	227,410	52,664
(7,367)	(51,512)	(19,102)
(200)	(109,668)	
1	32,600	35
41	201	951
(9)	(12,168)	
(1,623)	(7,115)	(859)
99	(1,212)	13
		17,381
(1,691)	(97,362)	17,521
7,800	75,809	3,379
(1,267)	(1,267)	(1,308)
6,533	74,542	2,071
(2,525)	(74,332)	490
38,910	1,301,913	34,748
$ 36,385	$ 1,227,581	$ 35,238

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)

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

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

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)

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

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

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

This Page Intentionally Blank

Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2004
(In Thousands)

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

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 2002 fiscal year. The Commission will retroactively report infrastructure (assets acquired prior to October 1, 2001) by or before the fiscal year ending September 30, 2006.

A. Reporting Entity

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

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

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

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

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

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

Other non-major governmental funds are as follows:

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

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

- ***CDBG/EDA Revolving Loan Fund*** – This fund is used to account for the Commission's administration of various loan programs for rental housing rehabilitation and economic development.

- ***Home Grant Fund*** – This fund is used to account for the expenditure of funds received from the U. S. Department of Housing and Urban Development.

- ***Emergency Management Fund*** – This fund is used to account for the expenditure of funds received for disaster assistance programs.

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

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

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

The Commission reports the following major enterprise funds:

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

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

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 Commission's landfill systems. Revenues are generated primarily through user charges.

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

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

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

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

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

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

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

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

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

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

The Commission also reports the following fiduciary fund type:

Agency Funds

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

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

The Commission reports the following fund types:

Proprietary Fund Types

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

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

Fiduciary Fund Type

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

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

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

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

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

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

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

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

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

1. Deposits and Investments

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

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

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

2. Receivables

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

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

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

	(In Thousands) Enterprise Funds
Patient Receivables	$24,747
Allowance Accounts	(14,402)
Net Patient Receivables	$10,345

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

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

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 Statement 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, 2004, the unamortized deferred charge of the 2003-C issue was $23,239,000.

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, 2004, the unamortized deferred charge of the 2003-B issue was $10,418,000.

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

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

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

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

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

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

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

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

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

Bond discount/issue 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, 2004, the unamortized deferred charge of the 2001-B issue was $317,000 for the governmental funds and $149,000 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 ½ 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, 2004, the liability for accrued vacation and compensatory leave is approximately $14,540,000. Of this amount $10,297,000 is reported in the government activities, and $4,243,000 is reported in the business-type activities.

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

9. Net Assets/Fund Equity

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

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

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

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

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

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

Explanation of Certain Differences Between the Statement of 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	$ 8,049
Interest	36
Transfers In	3,379
Total Revenues	11,464
Expenses:	
General Government	9,058
Public Safety	311
Highways and Roads	168
Health and Welfare	54
Culture and Recreation	76
Transfers Out	1,308
Total Expenses	10,975
Total Revenues Over Expenses	$ 489

Note 3 – Stewardship, Compliance, and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length 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, 2004, the following governmental funds had a deficit fund balance:

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

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

Note 4 – Deposits and Investments

Deposits

The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement 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	$285,248	$285,248	$285,248
Repurchase Agreements	392,621	392,621	392,621
Certificate of Deposit	5,000	5,000	5,000
Total Investments	$682,869	$682,869	$682,869

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 $14,648,000 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, 2004, was as follows:

	(In Thousands)			
	Balance 10/01/2003, as Restated (*)	Additions	Deletions	Balance 9/30/2004
Governmental Activities:				
Capital Assets, not Being Depreciated				
Land	$ 12,103	$ 1,405	$ (79)	$ 13,429
Construction in Progress	155,724	16,738	(16)	172,446
General Infrastructure – C.I.P.	19,150	4,787		23,937
Total Capital Assets, not Being Depreciated	186,977	22,930	(95)	209,812
Capital Assets Being Depreciated:				
Buildings	197,884			197,884
Improvements Other than Land/Building	8,436	9	(14)	8,431
Maintenance Equipment	4,826	28	(4)	4,850
Motor Vehicle (Non Fleet)	18,806	571	(255)	19,122
Office Furniture and Fixtures	4,494	52	(63)	4,483
Motor Vehicle Fleet	37,103	1,177	(2,531)	35,749
Miscellaneous Equipment	38,041	3,293	(793)	40,541
Total Capital Assets Being Depreciated	309,590	5,130	(3,660)	311,060
Less Accumulated Depreciation for:				
Buildings	(145,424)	(6,471)		(151,895)
Improvements Other than Land/Building	(4,636)	(521)	14	(5,143)
Maintenance Equipment	(4,373)	(198)	4	(4,568)
Motor Vehicle (Non Fleet)	(11,668)	(1,503)	194	(12,977)
Office Furniture and Fixtures	(2,540)	(391)	63	(2,868)
Motor Vehicle Fleet	(28,236)	(3,472)	2,508	(29,200)
Miscellaneous Equipment	(28,212)	(3,669)	502	(31,379)
Total Accumulated Depreciation	(225,089)	(16,225)	3,284	(238,030)
Total Capital Assets, Being Depreciated, Net	83,501	(11,095)	(376)	73,030
Governmental Activities Capital Assets, Net	$ 271,478	$ 11,835	$ (471)	$ 282,842

(*) Capital Assets were restated to correct prior year errors. Total amount of restatement $1,999,000.

	Balance 10/01/2003	Additions	Deletions	Reclassification	Balance 9/30/2004
	(In Thousands)				
Business-Type Activities:					
Capital Assets, not Being Depreciated					
Land	$ 45,920	$ 480	$	$ 166	$ 46,566
Construction in Progress	1,086,419	220,751	(10)	(266,404)	1,040,756
Total Capital Assets, not Being Depreciated	1,132,339	221,231	(10)	(266,238)	1,087,322
Capital Assets Being Depreciated:					
Buildings	394,336		(5)	124,731	519,062
Improvements Other than Land/Building	899,038		(1,458)	141,507	1,039,087
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,971				5,971
Motor Vehicle (Non Fleet)	9,046	13	(161)		8,898
Office Furniture and Equipment	10,047		(5)		10,042
Motor Vehicle Fleet	11,644		(548)		11,096
Miscellaneous Equipment	13,958	702	(46)		14,614
Total Capital Assets Being Depreciated	2,759,850	715	(2,223)	266,238	3,024,580
Less Accumulated Depreciation for:					
Buildings	(144,035)	(13,687)	3		(157,719)
Improvements Other than Land/Building	(266,534)	(38,732)	40		(305,226)
Infrastructure North	(70,617)	(13,333)			(83,950)
Infrastructure South	(122,930)	(22,062)			(144,992)
Maintenance Equipment	(5,610)	(147)			(5,757)
Motor Vehicle (Non Fleet)	(4,562)	(785)	161		(5,186)
Office Furniture and Fixtures	(9,532)	(94)	4		(9,622)
Motor Vehicle Fleet	(8,915)	(1,096)	548		(9,463)
Miscellaneous Equipment	(10,078)	(1,346)	44		(11,380)
Total Accumulated Depreciation	(642,813)	(91,282)	800		(733,295)
Total Capital Assets, Being Depreciated, Net	2,117,037	(90,567)	(1,423)	266,238	2,291,285
Business-Type Activities Capital Assets, Net	$3,249,376	$130,664	$(1,433)	$	$3,378,607

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

	(In Thousands)
Governmental Activities:	
General Government	$ 7,932
Public Safety	1,866
Highways and Roads	3,463
Health and Welfare	105
Total Depreciation Expense – Governmental Activities	$13,366

	(In Thousands)
Business-Type Activities:	
Hospital	$ 1,633
Nursing Operations	320
Landfill	2,674
Sanitary Operations	86,653
Parking Services	2
Total Depreciation Expense – Business-Type Activities	$91,282

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, 2004. The report may be reviewed at the Jefferson County Courthouse, Room 430, Birmingham, Alabama.

B. Funding Policy

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

C. Annual Pension Cost

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

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

(In Thousands)			
Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2004	$9,258	100%	$0
9/30/2003	$8,580	100%	$0
9/30/2002	$8,189	100%	$0

D. Schedule of Funding Progress

(In Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as of Percentage of Covered Payroll [(b-a)/c]
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%)
9/30/2004	$769,274	$689,976	($79,298)	111.5%	$151,337	(52.4%)

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 392 retirees meet eligibility requirements. The Commission subsidizes a portion of the retirees health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from $12.25 to $713 per month, and total insurance premiums range from $288 to $835. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $583,000 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

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

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, 2004 amounted to $10,000.

The Commission is a defendant in various lawsuits. Management is unable to predict the outcome of the litigation, but believes it has strong grounds upon which to defend these proceedings. Accordingly, no provision for possible loss, if any, is included in the financial statements.

Note 10 – Deferred Revenues

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

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

Note 11 – Lease Obligations

Operating Leases

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

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

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

Note 12 – County Appropriation Agreement

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

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

Note 13 – Long-Term Debt

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Warrant Issuance Costs and Premiums

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

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

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

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

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

Prior Year Defeasance of Debt

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

Note 14 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $3,269,115,000 at September 30, 2004. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 2001-A Taxable Sewer Revenue Capital 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, 2004, exceeded the bond indenture requirements and were as follows:

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

Note 15 – Continuing Disclosure

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

Fiscal Year Ending September 30,	2004	2003	2002	2001
Active Accounts	145,099	143,056	143,038	142,305
Average Daily Treatment Volume (millions of gallons treated)	100	120	116	97
Sewer Charges	$127,825,621	$92,409,648	$84,470,770	$72,129,478
% Revenue - Largest Customer	3.23%	3.98%	2.74%	2.66%
% Revenue - Top Ten Customers	11.40%	12.66%	11.13%	12.53%

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

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

Note 16 – Landfill Closure and Postclosure Care Costs

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

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

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

Note 17 – Conduit Debt Obligations

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

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

Note 18 – Risk Management

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

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

- ***Workers' Compensation*** – Self-insured with a retention of $500,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.

- ***Property Insurance*** – Commercial insurance coverage purchased in the amount of $150 million per occurrence, except a separate annual aggregate of $50 million flood and earthquake, to include the following sub-limits: 1) the County participates in an Owner Controlled Insurance Program with respects to property in the course of construction, builder's risks and installation or erection; 2) $10 million per occurrence as included in the $150 million loss limit subject to the policy terms and conditions; 3) $5 million as respects to extra expense and 4) $500,000 as respects to transit.

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

- ***Hospital and Nursing Home Medical Malpractice and General Liability*** – Medical professional employees purchase individual insurance protection that is applicable to their County employment. Jefferson County Commission reimburses premiums for medical malpractice - professional liability insurance coverage for County medical professional employees in amounts up to $120 per year. Coverage consists of $1 million per occurrence and $6 million aggregate.

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

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

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

Employee Health Insurance

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

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

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

(In Thousands)			
Balance 10/01/2003	Claims Incurred	Claims Paid	Balance 9/30/2004
$1,500	$26,021	($23,871)	$3,650

Note 19 – Advances to Other Funds

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

	(In Thousands)
	Advances from Other Funds
	Sanitary Landfill Operations Fund
Advances To Other Funds	
Debt Service Fund	$19,906

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2004, were as follows:

	(In Thousands)			
	Transfers In			
	General Fund	Road Fund	Cooper Green Hospital	Sanitary Operations
Transfers Out				
General Fund	$	$16,615	$ 1,490	$29
Indigent Care Fund			34,489	
Road Fund				
Bridge and Public Building Fund				
Nonmajor Governmental Funds	6,916		32,000	
Internal Service Funds	5			1
Nonmajor Proprietary Funds				
Totals	$6,921	$16,615	$67,979	$30

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.

(In Thousands)

Transfers In			
Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds	Totals
$ 2,964	$ 513	$7,800	$ 29,411
			34,489
1,000			1,000
33,500			33,500
58,800	2,263		99,979
700	602		1,308
1,266	1		1,267
$98,230	$3,379	$7,800	$200,954

Note 20 – Subsequent Events

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

The Commission issued Limited Obligation School Warrants, Series 2004-A in the amount of $650,000,000, Series 2005-A in the amount of $200,000,000, and Series 2005-B in the amount of $200,000,000. The warrants were issued to provide grants to the various boards of education located in Jefferson County to fund capital improvements or debt retirement. The principal and interest on these warrants will be paid solely from the proceeds of the special sales tax levied for educational purposes.

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

Note 21 – Deficit Cash Balance

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

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

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 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

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

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

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.9200%
Variable Payment from Counterparty	67% of LIBOR	1.2328%
Net Interest Rate Swap Payments		2.6872%
Variable-Rate Bond Payments		1.6084%
Synthetic Interest Rate on Bonds		4.2956%

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

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

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

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

2003-B1 - B7 Sewer Refunding Warrants

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

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

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

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

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

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

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

2003-C Sewer Refunding Warrants

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

Terms - The Swaps were executed with JPMorgan Chase Bank and Bank of America, NA with notional amounts of $789,018,750 and $263,006,250 respectively. The swaps commenced on August 7, 2003 and mature on February 1, 2042. Under the swaps, the County pays a fixed rate of 3.596% and receives a variable rate computed as the BMA Municipal Swap Index (BMA) until February 1, 2005 and 67% of the 1-Month London Interbank Offered Rate (LIBOR) thereafter. The swaps have a combined notional amount of $1,052,025,000 and the associated variable-rate bond has a $1,052,025,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap (up to 2/1/2005):		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	BMA	1.6900%
Net Interest Rate Swap Payments		1.9060%
Variable-Rate Bond Payments		1.4835%
Synthetic Interest Rate on Bonds		3.3895%

	Terms	Rates
Interest Rate Swap (after 2/1/2005):		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	67% of LIBOR	1.2328%
Net Interest Rate Swap Payments		2.3632%
Variable-Rate Bond Payments		1.4835%
Synthetic Interest Rate on Bonds		3.8467%

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

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

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

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

2001-B General Obligation Refunding Warrants

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

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

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

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

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

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

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

2002-A Sewer Revenue Warrants

Objective of the Swap - As a means of lowering its borrowing costs, when compared against fixed-rate bonds at the time of issuance in February 2002, the County entered into an interest rate swap in connection with its $110,000,000 variable rate revenue warrants. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The Swap was executed with JPMorgan Chase Bank. The swap commenced on February 15, 2002 and matures on February 15, 2042. Under the swap, the County pays a fixed rate of 5.06% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of $110,000,000 and the associated variable-rate bonds have an $110,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	5.0600%
Variable Payment from Counterparty	BMA	1.6900%
Net Interest Rate Swap Payments		3.3700%
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		5.0700%

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

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

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

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 1,870	$ 3,707	$ 5,577
2006		1,870	3,707	5,577
2007		1,870	3,707	5,577
2008		1,870	3,707	5,577
2009-2013		9,350	18,535	27,885
2014-2018		9,350	18,535	27,885
2019-2023		9,350	18,535	27,885
2024-2028		9,350	18,535	27,885
2029-2033		9,350	18,535	27,885
2034-2038		9,350	18,535	27,885
2039-2042	110,000	6,545	12,975	129,520
Totals	$110,000	$70,125	$139,013	$319,138

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 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 of 1.52% per year until February of 2004.

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

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

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

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

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In January of 2001, the County entered into a fixed-to-variable interest rate swap for $175 million of various outstanding bonds to become effective February of 2002. In May of 2001, the County executed a short-term interim reversal to become effective February of 2002 of this swap to lock in a positive spread 1.455% per year until February of 2004.

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

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

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

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

	Terms	Rates
Rates applicable until February 1, 2007		
Interest Rate Swap:		
Fixed Payment to Counterparty		0.0000%
Variable Payment from Counterparty to 2/1/2007		1.2250%
Net Interest Rate Swap Payments to 2/1/2007		(1.2550%)
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds to 2/1/2007		0.4750%

	Terms	Rates
Rates applicable after February 1, 2007		
Interest Rate Swap:		
Variable Payment from Counterparty	BMA	1.6900%
Fixed Payment to Counterparty		5.1700%
Net Interest Rate Swap Payments		(3.4800%)
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		(1.7800%)

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

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. After February 1, 2004, the swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2007.

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

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

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

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

	Terms	Rates
Interest Rate Swap:		
Variable Payment from Counterparty	BMA	1.6900%
Fixed Payment to Counterparty	Fixed	4.8150%
Net Interest Rate Swap Payments		(3.1250%)
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		(1.4250%)

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

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

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

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

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

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In October of 2003, the County entered into a fixed-to-variable interest rate swap for $111,825,000 of various amounts effective May 1, 2004.

Terms - The Swap was executed with JP Morgan Chase Bank. Under the swap, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 4.325%. The Notional of the Swap is $111,825,000 and matures on February 1, 2024. JPMorgan Chase Bank has the option to cancel this swap on or after November 1, 2005.

	Terms	Rates
Interest Rate Swap:		
Variable Payment from Counterparty	BMA	1.6900%
Fixed Payment to Counterparty	Fixed	4.3250%
Net Interest Rate Swap Payments		(2.6350%)
Variable-Rate Bond Payments		0.0000%
Synthetic Interest Rate on Bonds		(2.6350%)

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

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

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

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

Restructuring of 2002A, 2002C and 2003B Swaps

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

Terms - The swaps were executed with Bear Stearns Capital Markets & Bank of America, NA. and had combined notional amounts of $1,567,778,000 and $379,847,000, respectively. The 2002A swap with a notional of $110,000,000 commenced on June 24, 2004 and matures on February 1, 2042. The 2002C swap with a notional of $824,700,000 commences on February 1, 2011 and matures on February 1, 2040. The 2003B swap with a notional of $1,012,925,000 commences on August 1, 2012 and matures on February 1, 2042. The County's floating legs of the Swaps are equal to the BMA index on the 2002-A Swap and 67% of 1-Month USD-LIBOR-BBA on the 2002-C and 2003-B Swaps and that the Counterparties' floating legs of the Swap are equal to 56% of 1-Month London Interbank Offered Rate (LIBOR) plus a fixed spread of 49 basis points. The County also received an upfront payment of $25,448,000. The Counterparties' floating legs were structured to historically match the BMA index and the remaining spread was paid as the upfront payment to the County.

	Terms	Rates
Interest Rate Swap (BMA Basis Swap):		
Variable Payment to Counterparty	BMA	1.6900%
Variable Payment from Counterparty	56% of LIBOR + .0049	1.5204%
Net Interest Rate Swap Payments		0.1696%
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		1.8696%

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

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because each of the total swap portfolios, documented under each of the respective ISDA Master Agreements with Bear Stearns Capital Markets & Bank of America, NA., each had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. Each of the Schedules to the Master Agreement include an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swaps expose the County to basis risk and tax risk should the relationship between LIBOR and the bonds converge, changing the synthetic rate on the bonds. Tax Risk is the possibility that there could be changes in the structure of the federal tax system or in the marginal tax rates, which could cause LIBOR to permanently trade at a higher percentage than the historical relationships that were used to structure the swaps.

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

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

Note 24 – Restatements

As of October 1, 2003, the beginning fund balances of the governmental funds was restated to correct prior year errors and the reallocation of interest.

	(In Thousands)					
	General Fund	Indigent Care Fund	Road Fund	Bridge and Public Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance, September 30, 2003, as Previously Reported	$27,724	$6,638	($4,139)	$27	$180,052	$210,302
Restatements to Correct Prior Year Errors	(5)		(1)		244	238
Restatement to Correct Allocation of Interest	(486)	(57)		(30)	(404)	(977)
Fund Balance, September 30, 2003, as Restated	$27,233	$6,581	($4,140)	$ (3)	$179,892	209,563
Net Assets September 30, 2003						176,671
Restatement of Capital Assets						1,999
Restatements to Correct Prior Year Errors						202
Restatement to Correct Allocation of Interest						(1,055)
Governmental Activities Net Assets September 30, 2003						$177,817

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

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

	(In Thousands)			
	Cooper Green Hospital Fund	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Fund Equity, September 30, 2003, as Previously Reported	$3,817	$1,204,468	$38,916	$1,247,201
Restatements to Correct Prior Year Errors	(22)	4	(5)	(23)
Restatement to Record Escrow Restructuring Accounts		56,708		56,708
Restatement to Correct Allocation of Interest	(3)	(1,969)	(1)	(1,973)
Fund Equity, September 30, 2003, as Restated	$3,792	$1,259,211	$38,910	1,301,913
Net Assets September 30, 2003				1,247,201
Restatements to Correct Prior Year Errors				(23)
Restatement to Record Escrow Restructuring Accounts				56,708
Restatement to Correct Allocation of Interest				(1,973)
Business-Type Activities Net Assets September 30, 2003				$1,301,913

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

	(In Thousands) Internal Service Funds
Net Assets, September 30, 2003, as Previously Reported	$34,861
Restatements to Correct Prior Year Errors	(35)
Restatement to Correct Allocation of Interest	(78)
Net Assets, September 30, 2003, as Restated	$34,748

Note 25 – Jointly Governed Organization

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

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended September 30, 2004 (In Thousands)

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

		Budget to GAAP Differences Over (Under)		Actual Amounts GAAP Basis
(1)	$	6	$	71,144
				65,208
				21,982
				23,103
				13,619
				376
				2,200
		6		197,632
				73,322
				62,155
				848
				15,784
				234
				2,842
				17,952
				173,137
	$	6	$	24,495

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2004
(In Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis
Other Financing Sources (Uses)			
Sale of Capital Assets	$	$ 2	$ 67
Transfers In	10,000	6,916	6,921
Transfers Out	(30,312)	(33,091)	(29,411)
Total Other Financing Sources (Uses)	(20,312)	(26,173)	(22,423)
Net Change in Fund Balances	5,077	(2,286)	2,066
Fund Balances at Beginning of Year, as Restated	22,363	27,728	29,106
Fund Balances at End of Year	$ 27,440	$ 25,442	$ 31,172

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

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

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

	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	$	$ 67
		6,921
		(29,411)
		(22,423)
	6	2,072
(2)	(1,873)	27,233
	$ (1,867)	$ 29,305

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Indigent Care Fund
For the Year Ended September 30, 2004
(In Thousands)

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

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

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Road Fund For the Year Ended September 30, 2004 (In Thousands)

	Budget Amounts Original	Budget Amounts Final	Actual Amounts Budgetary Basis
Revenues			
Taxes	$ 14,950	$ 14,950	$ 14,311
Intergovernmental	7,998	9,033	8,490
Charges for Services	175	218	332
Miscellaneous	228	31	110
Total Revenues	23,351	24,232	23,243
Expenditures			
Current:			
Highways and Roads	38,221	35,303	34,898
Capital Outlay		787	758
Indirect Costs		3,945	3,945
Total Expenditures	38,221	40,035	39,601
Excess (Deficiency) of Revenues Over Expenditures	(14,870)	(15,803)	(16,358)
Other Financing Sources (Uses)			
Sale of Capital Assets		202	124
Transfers In	14,870	16,616	16,615
Transfers Out		(1,000)	(1,000)
Total Other Financing Sources (Uses)	14,870	15,818	15,739
Net Change in Fund Balances		15	(619)
Fund Balances at Beginning of Year, as Restated			(3,452)
Fund Balances at End of Year	$	$ 15	$ (4,071)

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

Net Changes in Fund Balance - Road Fund - Budgetary Basis	$ (619)
(1) The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis.	5
Net Changes in Fund Balance for Road Fund (Exhibit 5)	$ (614)

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

	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
(1)	$ 5	$ 14,316
		8,490
		332
		110
	5	23,248
		34,898
		758
		3,945
		39,601
	5	(16,353)
		124
		16,615
		(1,000)
		15,739
	5	(614)
(2)	(688)	(4,140)
	$ (683)	$ (4,754)

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Bridge and Public Building Fund For the Year Ended September 30, 2004 (In Thousands)

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

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

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

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

	Budget to GAAP Difference Over (Under)	Actual Amounts GAAP Basis
(1)	$ 13	$ 32,708
		713
		48
	13	33,469
		6
		6
	13	33,463
		(33,500)
		(33,500)
	13	(37)
(2)	(1,671)	(3)
	$ (1,658)	$ (40)

This Page Intentionally Blank

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2004
(In Thousands)

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

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2004
(In Thousands)

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

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ 656	$ 2,346	$ 1,038	$ 1,129	$	$ 25,740
		3		1,049	1,061
159	20				630
34	2	371			460
849	2,368	1,412	1,129	1,049	27,891
144					13,100
	2,446				2,446
600					10,487
	348		19,351	3,412	23,218
		18,025			18,025
		13,614			13,614
		692			692
21	113	138			965
765	2,907	32,469	19,351	3,412	82,547
84	(539)	(31,057)	(18,222)	(2,363)	(54,656)
		51,020			51,020
		791			791
49	113	34,766	58,160	2,375	98,230
		(61,800)	(38,179)		(99,979)
49	113	24,777	19,981	2,375	50,062
133	(426)	(6,280)	1,759	12	(4,594)
2,777	1,106	175,029	(2,131)	167	179,892
$ 2,910	$ 680	$ 168,749	$ (372)	$ 179	$ 175,298

Combining Statement of Net Assets - Nonmajor Enterprise Funds
September 30, 2004
(In Thousands)

	County Home Fund	Landfill Operations Fund
Assets		
Current Assets:		
Cash and Investments	$ 203	$ 66
Accounts Receivable, Net		1,059
Patient Accounts Receivable, Net	2,173	
Inventories	54	
Prepaid Expenses	4	
Deferred Charges - Issuance Costs		9
Total Current Assets	2,434	1,134
Noncurrent Assets:		
Capital Assets, Net Where Applicable	8,657	48,692
Deferred Charges - Issuance Costs		140
Total Noncurrent Assets	8,657	48,832
Total Assets	11,091	49,966
Liabilities		
Current Liabilities:		
Accounts Payable	159	
Deposits Payable	26	
Accrued Wages and Benefits Payable	276	72
Accrued Interest Payable		21
Estimated Liability for Compensated Absences	66	58
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41
Total Current Liabilities	527	192
Noncurrent Liabilities:		
Advances Due to Other Funds		19,906
Estimated Liability for Landfill Closure/Postclosure Care Costs		3,259
Estimated Liability for Compensated Absences	484	426
Total Noncurrent Liabilities	484	23,591
Total Liabilities	1,011	23,783
Net Assets		
Invested in Capital Assets, Net of Related Debt	8,657	28,935
Unrestricted	1,423	(2,752)
Total Net Assets	$ 10,080	$ 26,183

Parking Deck Fund	Totals
$ 118	$ 387
1	1,060
	2,173
	54
	4
	9
119	3,687
6	57,355
	140
6	57,495
125	61,182
2	161
	26
1	349
	21
	124
	41
3	722
	19,906
	3,259
	910
	24,075
3	24,797
6	37,598
116	(1,213)
$ 122	$ 36,385

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

	County Home Fund	Landfill Operations Fund
Operating Revenues		
Charges for Services	$ 10,148	$ 3,474
Other Operating Revenue	52	3
Total Revenues	10,200	3,477
Operating Expenses		
Salaries	7,544	1,846
Employee Benefits and Payroll Taxes	2,137	582
Materials and Supplies	1,149	176
Utilities	616	227
Outside Services	2,149	423
Office Expense	1,102	19
Depreciation	320	2,674
Closure and Postclosure Care Costs		202
Total Operating Expenses	15,017	6,149
Operating Income (Loss)	(4,817)	(2,672)
Nonoperating Revenues (Expenses)		
Interest Expense		(200)
Interest Revenue	1	
Miscellaneous		41
Amortization of Bond Issue Costs		(9)
Indirect Costs	(948)	(664)
Gain/(Loss) on Sale of Capital Assets	1	98
Total Nonoperating Revenues (Expenses)	(946)	(734)
Operating Transfers		
Transfers In	6,100	1,700
Transfers Out	(1)	(1,266)
Total Operating Transfers	6,099	434
Changes in Net Assets	336	(2,972)
Total Net Assets - Beginning of Year, as Restated	9,744	29,155
Total Net Assets - End of Year	$ 10,080	$ 26,183

Parking Deck Fund	Totals
$ 285	$ 13,907
	55
285	13,962
21	9,411
6	2,725
4	1,329
31	874
98	2,670
	1,121
3	2,997
	202
163	21,329
122	(7,367)
	(200)
	1
	41
	(9)
(11)	(1,623)
	99
(11)	(1,691)
	7,800
	(1,267)
	6,533
111	(2,525)
11	38,910
$ 122	$ 36,385

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2004
(In Thousands)

	County Home Fund	Landfill Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 9,552	$ 3,348
Other Revenues	52	3
Cash Payments to Employees	(9,623)	(2,360)
Cash Payments for Goods and Services	(5,038)	(707)
Net Cash Provided (Used) by Operating Activities	(5,057)	284
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out	(1)	(1,266)
Operating Transfers In	6,100	1,700
Miscellaneous		42
Indirect Cost	(948)	(664)
Net Cash Provided (Used) by Non-Capital Financing Activities	5,151	(188)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(5)	
Proceeds from Sale of Capital Assets	1	97
Interest Paid		(192)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4)	(95)
Cash Flows from Investing Activities		
Interest Received	1	
Net Cash Flows Provided by Investing Activities	1	
Net Increase/(Decrease) in Cash	91	1
Cash and Investments, Beginning of Year	113	65
Restatement	(1)	
Cash and Investments, Beginning of Year - as Restated	112	65
Cash and Investments, End of Year	$ 203	$ 66

Parking Deck Fund	Totals
$ 285	$ 13,185
	55
(25)	(12,008)
(132)	(5,877)
128	(4,645)
	(1,267)
	7,800
	42
(11)	(1,623)
(11)	4,952
	(5)
	98
	(192)
	(99)
	1
	1
117	209
1	179
	(1)
1	178
$ 118	$ 387

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2004
(In Thousands)

	County Home Fund	Landfill Operations Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (4,817)	$ (2,672)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	320	2,674
(Increase)/Decrease in Prepaid Expenses	(2)	
(Increase)/Decrease in Accounts Receivable		(125)
(increase)/Decrease in Patient Receivables	(596)	
(Increase)/Decrease in Inventories	2	
Increase/(Decrease) in Accounts Payable	(14)	(13)
Increase/(Decrease) in Due to Other Funds		192
Increase/(Decrease) in Deposits Payable	(8)	
Increase/(Decrease) in Accrued Wages and Benefits Payable	58	16
Increase/(Decrease) in Estimated Liability for Compensated Absences		51
Increase/(Decrease) in Landfill Postclosure Costs		161
Total Adjustments	(240)	2,956
Net Cash Provided (Used) by Operating Activities	$ (5,057)	$ 284

Parking Deck Fund	Totals
$ 122	$ (7,367)
3	2,997
	(2)
	(125)
	(596)
	2
2	(25)
	192
	(8)
	74
1	52
	161
6	2,722
$ 128	$ (4,645)

Combining Statement of Net Assets - Internal Service Funds
September 30, 2004
(In Thousands)

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

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

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended September 30, 2004
(In Thousands)

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

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$	$	$	$	$	$ 10,674
727	1,107	645	744	18,283	22,888
727	1,107	645	744	18,283	33,562
4,005	2,740	389	250	9,358	21,885
938	831	150	67	2,781	5,963
181	1,175	35	261	1,175	3,043
2	43	2		3,353	3,411
3,106	60	7	131	3,618	12,495
763	705	345	3	707	2,992
2,005	197	8	17	403	2,858
1		16			17
11,001	5,751	952	729	21,395	52,664
(10,274)	(4,644)	(307)	15	(3,112)	(19,102)
				20	35
	59			892	951
(508)					(859)
	7	2		4	13
8,106	4,105	75	37	3,687	17,381
7,598	4,171	77	37	4,603	17,521
1,714	600	400		3	3,379
				(603)	(1,308)
1,714	600	400		(600)	2,071
(962)	127	170	52	891	490
5,377	1,370	7,633	276	17,200	34,748
$ 4,415	$ 1,497	$ 7,803	$ 328	$ 18,091	$ 35,238

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2004
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Cash Flows from Operating Activities			
Cash Received for Services	$ 1,383	$	$
Other Revenues		7,862	387
Cash Payments to Employees	(844)	(4,806)	(614)
Cash Payments for Goods and Services	(307)	(4,878)	(227)
Net Cash Provided (Used) by Operating Activities	232	(1,822)	(454)
Cash Flows from Non-Capital Financing Activities			
Operating Transfers Out	(5)	(700)	
Operating Transfers In	62		600
Received from Auxiliary Services			
Increase/(Decrease) in Cash Deficit		2,090	
Indirect Cost		(245)	(106)
Indirect Cost Recovery		1,371	
Net Cash Provided (Used) by Non-Capital Financing Activities	57	2,516	494
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(7)	(694)	(19)
Proceeds from Sale of Capital Assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(7)	(694)	(19)
Cash Flows from Investing Activities			
Interest Received	15		
Net Cash Flows Provided by Investing Activities	15		
Net Increase/(Decrease) in Cash	297		21
Cash and Investments, Beginning of Year	8,012		1
Restatement	(42)		
Cash and Investments, Beginning of Year, as Restated	7,970		1
Cash and Investments, End of Year	$ 8,267	$	$ 22

	Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
	$ 713	$ 1,107	$ 647	$ 705	$ 18,285	$ 22,840
						8,249
	(4,856)	(3,543)	(561)	(317)	(11,917)	(27,458)
	(4,125)	(2,257)	(408)	(451)	(8,873)	(21,526)
	(8,268)	(4,693)	(322)	(63)	(2,505)	(17,895)
					(603)	(1,308)
	1,714	600	400		3	3,379
		59			892	951
			(84)			2,006
	(508)					(859)
	8,106	4,105	75	37	3,687	17,381
	9,312	4,764	391	37	3,979	21,550
	(303)	(73)		(3)	(143)	(1,242)
		15	18		4	37
	(303)	(58)	18	(3)	(139)	(1,205)
					20	35
					20	35
	741	13	87	(29)	1,355	2,485
	1	290		149	10,827	19,280
		(1)	(1)		(33)	(77)
	1	289	(1)	149	10,794	19,203
	$ 742	$ 302	$ 86	$ 120	$ 12,149	$ 21,688

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2004
(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)	$ (104)	$ (450)	$ (226)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	54	101	73
(Increase)/Decrease in Prepaid Expenses	108	(2)	
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due from Other Governments		(2,149)	(275)
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	(73)	615	(23)
Increase/(Decrease) in Accrued Wages Payable	9	39	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	5	24	(5)
Increase in Estimated Claims Liability	233		
Total Adjustments	336	(1,372)	(228)
Net Cash Provided (Used) by Operating Activities	$ 232	$ (1,822)	$ (454)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ (10,274)	$ (4,644)	$ (307)	$ 15	$ (3,112)	$ (19,102)
2,005	197	8	17	403	2,858
2					108
(13)				1	(12)
	1	1	(39)	1	(2,460)
	43	(2)	(51)	(57)	(67)
(74)	(318)	(1)	(6)	38	158
30	22	3	3	151	259
56	6	(24)	(2)	70	130
					233
2,006	(49)	(15)	(78)	607	1,207
$ (8,268)	$ (4,693)	$ (322)	$ (63)	$ (2,505)	$ (17,895)

Combining Statement of Fiduciary Net Assets
Agency Funds
September 30, 2004
(In Thousands)

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

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended September 30, 2004
(In Thousands)

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
Storm Water Management Authority Fund				
Assets				
Cash and Investments	$ 2,462	$ 1,572	$ 1,772	$ 2,262
Prepaid Expenses	1		1	
Total Assets	2,463	1,572	1,773	2,262
Liabilities				
Due to External Organizations	2,463	1,572	1,773	2,262
Total Liabilities	2,463	1,572	1,773	2,262
City of Birmingham Revolving Loan Fund				
Assets				
Cash and Investments	963	45	275	733
Loans Receivable, Net	405	9	27	387
Total Assets	1,368	54	302	1,120
Liabilities				
Due to Other Governments	1,368	54	302	1,120
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Investments	3,425	1,617	2,047	2,995
Loans Receivable, Net	405	9	27	387
Prepaid Expenses	1		1	
Total Assets	3,831	1,626	2,075	3,382
Liabilities				
Due to External Organizations	2,463	1,572	1,773	2,262
Due to Other Governments	1,368	54	302	1,120
Total Liabilities	$ 3,831	$ 1,626	$ 2,075	$ 3,382

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

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	B00-UC-01-0001
	14.218	B01-UC-01-0001
	14.218	B02-UC-01-0001
	14.218	B03-UC-01-0001
Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants		
HOME Investment Partnerships Program	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
	14.239	M01-UC-01-0202
	14.239	M02-UC-01-0202
	14.239	M03-UC-01-0202
Sub-Total HOME Investment Partnerships Program		
Emergency Shelter Grants Program	14.231	S01-UC-01-0006
	14.231	S02-UC-01-0006
	14.231	S03-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-03-009
Total Emergency Shelter Grants Program		
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10/01/2003 - 09/30/2004	$ 4,693.75	$ 4,693.75	$ 4,693.75	$ 4,693.75
10/01/2003 - 09/30/2004	35,356.80	35,356.80	35,356.80	35,356.80
10/01/2003 - 09/30/2004	65,076.80	65,076.80	65,076.80	65,076.80
	100,433.60	100,433.60	100,433.60	100,433.60
	105,127.35	105,127.35	105,127.35	105,127.35
10/01/2003 - 09/30/2004	319,636.07	319,636.07	319,636.07	319,636.07
	424,763.42	424,763.42	424,763.42	424,763.42
07/25/1986 - 09/30/2004				422,136.49
				422,136.49
10/01/2000 - 09/30/2004	2,724,000.00	2,724,000.00		437,993.42
10/01/2001 - 09/30/2004	2,809,000.00	2,809,000.00	186,252.63	453,119.41
10/01/2002 - 09/30/2004	2,773,000.00	2,773,000.00	2,773,000.00	680,971.07
10/01/2003 - 09/30/2004	2,596,000.00	2,596,000.00	295,342.07	1,682,510.80
10/01/2003 - 09/30/2004				1,940,588.68
	10,902,000.00	10,902,000.00	3,254,594.70	5,195,183.38
10/01/1999 - 09/30/2004	1,272,500.00	1,018,000.00	99,736.00	99,736.00
10/01/2000 - 09/30/2004	1,240,675.00	1,023,000.00	28,067.57	28,067.57
10/01/2001 - 09/30/2004	1,274,331.00	1,051,000.00	346,226.83	346,226.83
10/01/2002 - 09/30/2004	1,308,750.00	1,047,000.00	98,522.77	98,522.77
10/01/2003 - 09/30/2004	1,308,750.00	1,047,000.00	143,006.29	143,006.29
	6,405,006.00	5,186,000.00	715,559.46	715,559.46
10/01/2001 - 09/30/2004	96,000.00	96,000.00	144.91	144.91
10/01/2002 - 09/30/2004	96,000.00	96,000.00	5,491.86	5,491.86
10/01/2003 - 09/30/2004	95,000.00	95,000.00	95,000.00	95,000.00
	287,000.00	287,000.00	100,636.77	100,636.77
05/27/2003 - 05/26/2005	400,000.00	200,000.00	156,443.20	156,443.20
	687,000.00	487,000.00	257,079.97	257,079.97
	17,994,006.00	16,575,000.00	4,227,234.13	6,167,822.81
	$ 18,418,769.42	$ 16,999,763.42	$ 4,651,997.55	$ 7,014,722.72

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Justice		
Direct Programs		
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2002-DD-BX-0027
	16.580	2003-DD-BX-0248
Sub-Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-2182
Bulletproof Vest Partnership Program	16.607	
Public Safety Partnership and Community Policing Grants (M)	16.710	1999-SH-WX-0529
	16.710	2002-SH-WX-0654
	16.710	2002-HS-WX-0038
	16.710	2002-CK-WX-0011
	16.710	2003-UL-WX-0016
	16.710	2003-CK-WX-0276
Sub-Total Public Safety Partnership and Community Policing Grants (M)		
Gang Resistance Education and Training	16.737	2004-JV-FX-0100
Passed Through Alabama Department of Economic and Community Affairs		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	02-JF-C3-009
	16.540	02-JF-C3-014
Sub-Total Juvenile Justice and Delinquency Prevention - Allocation to States		
Total U. S. Department of Justice		
Sub-Total Forward		

	Budget			
Assistance Period	Total	Federal Share	Revenue Recognized	Expenditures
	$ 18,418,769.42	$ 16,999,763.42	$ 4,651,997.55	$ 7,014,722.72
05/01/2002 - 10/31/2004	2,390,160.00	2,390,160.00	1,043,334.20	1,043,334.20
07/01/2003 - 06/30/2005	496,750.00	496,750.00	38,250.00	38,250.00
	2,886,910.00	2,886,910.00	1,081,584.20	1,081,584.20
09/22/2003 - 09/21/2005	346,098.00	311,488.00	311,488.00	311,488.00
10/01/2003 - 09/30/2004	5,316.98	5,316.98	5,316.98	5,316.98
09/01/1999 - 08/31/2003	1,035,670.00	1,035,670.00	210,811.49	210,811.49
09/01/2002 - 08/31/2005	517,870.00	517,870.00	163,022.40	163,022.40
09/01/2002 - 02/28/2005	75,250.00	75,250.00	46,151.09	46,151.09
10/01/2001 - 03/31/2004	800,000.00	800,000.00	800,000.00	800,000.00
06/01/2003 - 05/31/2006	750,000.00	750,000.00	185,453.35	185,453.35
02/20/2003 - 02/19/2005	496,750.00	496,750.00	113,746.13	113,746.13
	3,675,540.00	3,675,540.00	1,519,184.46	1,519,184.46
01/01/2004 - 12/31/2004	42,096.00	42,096.00	41,986.49	41,986.49
08/01/2003 - 10/15/2004	36,470.00	36,470.00	31,977.25	31,977.25
10/01/2003 - 10/30/2004	62,590.00	62,590.00	62,590.00	62,590.00
	99,060.00	99,060.00	94,567.25	94,567.25
	7,055,020.98	7,020,410.98	3,054,127.38	3,054,127.38
	$ 25,473,790.40	$ 24,020,174.40	$ 7,706,124.93	$ 10,068,850.10

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Labor		
Direct Program		
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60
Passed Through Senior Service America, Inc.		
Senior Community Service Employment Program	17.235	AD-10530-00-55
Passed Through Alabama Department of Senior Services		
Senior Community Service Employment Program	17.235	05-502-99-3A
Total Senior Community Service Employment Program		
Passed Through Alabama Department of Economic and Community Affairs		
Welfare-to-Work Grants to States and Localities	17.253	92WTW
WIA Cluster:		
WIA Adult Program	17.258	22
WIA Adult Program	17.258	32
WIA Adult Program	17.258	42
Sub-Total WIA Adult Program		
WIA Youth Activities	17.259	22
WIA Youth Activities	17.259	32
WIA Youth Activities	17.259	42
Sub-Total WIA Youth Activities		
WIA Dislocated Workers	17.260	22
WIA Dislocated Workers	17.260	32
WIA Dislocated Workers	17.260	42
Sub-Total WIA Dislocated Workers		
Total WIA Cluster (M)		
Total U. S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 25,473,790.40	$ 24,020,174.40	$ 7,706,124.93	$ 10,068,850.10
03/20/2000 - 06/30/2005	19,804,385.00	19,804,385.00	3,394,591.89	3,394,591.89
07/01/2003 - 06/30/2004	404,852.00	358,277.00	299,348.00	299,348.00
07/01/2003 - 06/30/2004	190,778.00	171,700.00	145,289.00	145,289.00
	595,630.00	529,977.00	444,637.00	444,637.00
07/01/2001 - 09/28/2004	3,750,665.00	3,750,665.00	1,492,203.42	1,492,203.42
07/01/2002 - 06/30/2004	1,159,894.59	1,159,894.59	468,644.81	468,644.81
07/01/2003 - 06/30/2005	1,476,317.00	1,476,317.00	988,989.25	988,989.25
07/01/2004 - 06/30/2006	196,965.00	196,965.00	21,597.27	21,597.27
	2,833,176.59	2,833,176.59	1,479,231.33	1,479,231.33
07/01/2002 - 06/30/2004	1,110,011.00	1,110,011.00	530,617.24	530,617.24
07/01/2003 - 06/30/2005	857,166.00	857,166.00	857,166.00	857,166.00
07/01/2004 - 06/30/2006	887,896.00	887,896.00	367,474.52	367,474.52
	2,855,073.00	2,855,073.00	1,755,257.76	1,755,257.76
07/01/2002 - 06/30/2004	1,115,349.93	1,115,349.93	641,869.84	641,869.84
07/01/2003 - 06/30/2005	1,193,004.00	627,854.00	232,418.12	232,418.12
07/01/2004 - 06/30/2006	350,517.00	350,517.00	20,906.90	20,906.90
	2,658,870.93	2,093,720.93	895,194.86	895,194.86
	8,347,120.52	7,781,970.52	4,129,683.95	4,129,683.95
	32,497,800.52	31,866,997.52	9,461,116.26	9,461,116.26
	$ 57,971,590.92	$ 55,887,171.92	$ 17,167,241.19	$ 19,529,966.36

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Forward		
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-038
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
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	H57/CCH423134-01
Health Care and Other Facilities	93.887	4C76HF00183-01-01
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6H76HA00098-10-03
	93.918	6H76HA00098-11-00
Sub-Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		
Passed Through Alabama Department of Senior Services		
Special Programs for the Aging		
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	03-01-04-03a
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	03-01-04-03a
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-04-03a
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-04-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-04-03a
Sub-Total Title III, Part B		
Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-04-03a
Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-04-03a
Sub-Total Title III, Part C		
Total Aging Cluster		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 57,971,590.92	$ 55,887,171.92	$ 17,167,241.19	$ 19,529,966.36
02/01/2004 - 09/30/2004	25,000.00	25,000.00	16,795.15	16,795.15
	25,000.00	25,000.00	16,795.15	16,795.15
09/30/2002 - 09/29/2007	309,354.00	309,354.00	219,018.00	219,018.00
09/15/2003 - 09/14/2007	241,198.00	241,198.00	159,792.00	159,792.00
09/20/2003 - 09/19/2004	987,673.00	957,381.00	550,000.00	550,000.00
01/01/2003 - 12/31/2003	1,015,955.00	1,015,955.00	25,000.00	25,000.00
01/01/2004 - 12/31/2004	965,345.00	965,345.00	877,530.00	877,530.00
	1,981,300.00	1,981,300.00	902,530.00	902,530.00
10/01/2003 - 09/30/2004	10,900.00	10,294.00	9,810.00	9,810.00
10/01/2003 - 09/30/2004	30,113.00	28,440.00	27,102.00	27,102.00
10/01/2003 - 09/30/2004	46,703.00	41,803.00	33,986.45	33,986.45
10/01/2003 - 09/30/2004	113,233.00	113,233.00	113,233.00	113,233.00
10/01/2003 - 09/30/2004	711,253.26	682,471.26	564,035.17	564,035.17
	824,486.26	795,704.26	677,268.17	677,268.17
10/01/2003 - 09/30/2004	830,343.00	820,575.00	573,085.27	573,085.27
10/01/2003 - 09/30/2004	574,896.00	571,169.00	505,497.63	505,497.63
	1,405,239.00	1,391,744.00	1,078,582.90	1,078,582.90
	2,229,725.26	2,187,448.26	1,755,851.07	1,755,851.07
	$ 63,833,557.18	$ 61,669,390.18	$ 20,842,125.86	$ 23,204,851.03

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

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	90AM2580-13-03
Alzheimer's Disease Demonstration Grants to States	93.051	AD-01-03-03a
National Family Caregiver Support	93.052	03-01-04-03a
Centers for Medicare and Medicaid Services (CMS) Research,	93.779	SHIP-01-02-3A
Demonstrations and Evaluations	93.779	SHIP-01-03-3A
	93.779	SHIP-01-04-3A
Total Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		
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
	97.039	HMGP1214-0023
	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
	$ 63,833,557.18	$ 61,669,390.18	$ 20,842,125.86	$ 23,204,851.03
10/01/2003 - 09/30/2004	35,033.00	35,033.00	14,921.00	14,921.00
10/01/2003 - 09/30/2004	12,745.00	12,745.00	12,745.00	12,745.00
10/01/2003 - 09/30/2004	604,236.56	553,741.56	377,743.86	377,743.86
10/01/2003 - 09/30/2004	2,774.00	2,774.00	2,774.00	2,774.00
10/01/2003 - 09/30/2004	19,035.00	19,035.00	19,035.00	19,035.00
10/01/2003 - 09/30/2004	44,573.00	44,573.00	10,114.00	10,114.00
	66,382.00	66,382.00	31,923.00	31,923.00
	6,555,362.82	6,425,119.82	4,095,422.38	4,095,422.38
05/01/2001 - 04/30/2004	263,353.00	263,353.00	944.74	944.74
05/01/2001 - 04/30/2004	259,755.00	259,755.00	67,242.32	67,242.32
07/03/2001 - 07/02/2004	25,400.00	25,400.00	2,500.00	2,500.00
	548,508.00	548,508.00	70,687.06	70,687.06
	548,508.00	548,508.00	70,687.06	70,687.06
	$ 65,100,461.74	$ 62,885,799.74	$ 21,350,145.78	$ 23,712,870.95

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2004

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant – Entitlement Grants	14.218	$2,426,249.41
Emergency Shelter Grants Program	14.231	$ 247,077.21
Welfare-to-Work Grants to States and Localities	17.253	$1,373,851.80
Workforce Investment Act:		
WIA Cluster:		
WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Workers	17.260	
Total Workforce Investment Act		$3,328,425.59
Youth Opportunity Grant	17.263	$3,514,131.35
Hazard Mitigation Grant	97.039	$ 17,192.68

Note 3 – Other

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

	CFDA Number	Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Economic Development Technical Assistance	11.303	$ 253,468.31	($ 22,796.11)	$ 230,672.20
Community Development Block Grants/Entitlement Grants	14.218	$1,056,135.09	($ 63,553.19)	$ 992,581.90
HOME Investment Partnership Program	14.239	$2,264,121.79	($258,000.00)	$2,006,121.79

Additional Information

Commission Members and Administrative Personnel

October 1, 2003 through September 30, 2004

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

Administrative Personnel

Mr. Steve Sayler	Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263

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

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

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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

Compliance and Other Matters

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

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

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

February 9, 2005

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

Compliance

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

We conducted our audit of compliance in accordance with 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, 2004.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

February 9, 2005

Section I - Summary of Examiner's Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Reportable condition(s) identified that are not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of opinion issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16.710	Public Safety Partnership and Community Policing Grants
17.263	Youth Opportunity Grants
17.258, 17.259 and 17.260	Workforce Investment Act Cluster

Dollar threshold used to distinguish Between Type A and Type B programs:	$653,168.47	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings

JEFFERSON COUNTY COMMISSION

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

LARRY P. LANGFORD–COMMISSIONER
Finance and General Services

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

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2004

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

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

Steve Sayler
Finance Director

Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION

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

LARRY P. LANGFORD–COMMISSIONER
Finance and General Services

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

VIA Email
Nicole.Peagler@examiners.state.al.us

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

Corrective Action Plan
For the Year Ended September 30, 2003

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

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

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

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

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

Other Matters in Report to the Chief Examiner
For the Year

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

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

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

Ste Sayler

Steve Sayler, Director of Finance of County Commission

[THIS PAGE INTENTIALLY LEFT BLANK]

JEFFERSON COUNTY PUBLIC BUILDING AUTHORITY • LEASE REVENUE WARRANTS, SERIES 2006

Recycled Paper - Printed by
IMAGEMASTER 800.452.5152