NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: Moody's: Aaa/Aa3**
Standard & Poor's: AAA/AA

DAC Bond©

In the opinion of Co-Bond Counsel, subject to the qualifications described herein under "TAX EXEMPTION " under existing law (i) interest on the Series 2003-A Warrants is excludable from gross income of the holders thereof for purposes of federal income taxation and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Co-Bond Counsel is also of the opinion that, under existing law, interest on the Series 2003-A Warrants will be exempt from State of Alabama income taxation. See "TAX EXEMPTION" herein.

$94,000,000
JEFFERSON COUNTY, ALABAMA
General Obligation Capital Improvement and Refunding Warrants
Series 2003-A

Dated: March 1, 2003 Due: April 1, as shown on inside cover

The Series 2003-A Warrants are issuable as fully registered warrants and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2003-A Warrants will be made so long as Cede & Co. is the registered owner of the Series 2003-A Warrants. Individual purchases of the Series 2003-A Warrants will be made in book-entry form only, and individual purchasers ("Beneficial Owners") of the Series 2003-A Warrants will not receive physical delivery of warrant certificates.

Payments of principal of and interest on the Series 2003-A Warrants will be paid by The Bank of New York Trust Company of Florida, N.A., Birmingham, Alabama, the paying agent and the registrar for the Series 2003-A Warrants (the "Paying Agent"), to DTC or its nominee. So long as DTC or its nominee is the registered owner of the Series 2003-A Warrants, disbursements of such payments to DTC is the responsibility of the Paying Agent, disbursements of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct Participants or Indirect Participants as more fully described herein.

The Series 2003-A Warrants will constitute general obligations of the County for the payment of which its full faith and credit have been irrevocably pledged.

Payment of the principal of and interest on the Series 2003-A Warrants will be insured by an insurance policy issued by MBIA Insurance Corporation simultaneously with the issuance of the Series 2003-A Warrants.

MBIA

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

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

The Series 2003-A Warrants are offered when, as and if issued, subject to prior sale, and to the approval of the validity thereof by Balch & Bingham LLP and Jaffe, Strickland & Drennan, P.C., Birmingham, Alabama, Co-Bond Counsel and certain other conditions. Certain matters will be passed upon for the Underwriters by their counsel, Sirote & Permutt, P.C., Birmingham, Alabama. It is expected that the Series 2003-A Warrants in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about March 19, 2003.

BLOUNT PARRISH & COMPANY, INC.
MERCHANT CAPITAL, L.L.C. SOUTHTRUST SECURITIES, INC. STERNE, AGEE & LEACH, INC.

March 6, 2003

$94,000,000
JEFFERSON COUNTY, ALABAMA
General Obligation Capital Improvement and Refunding Warrants
Series 2003-A

Serial Warrants

Maturities, Amounts, Interest Rates as Prices or Yields

Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP
April 1, 2004	$ 6,245,000	2.500%	1.100%	472628 NY8
April 1, 2005	8,960,000	3.000%	1.310%	472628 NZ5
April 1, 2006	6,485,000	5.000%	1.680%	472628 PA8
April 1, 2007	10,185,000	5.000%	2.080%	472628 PB6
April 1, 2008	5,815,000	5.000%	2.490%	472628 PC4
April 1, 2009	6,145,000	5.000%	2.830%	472628PD2
April 1, 2010	3,420,000	5.000%	3.130%	472628 PE0
April 1, 2011	560,000	3.250%	3.370%	472628 PF7
April 1, 2012	1,135,000	3.400%	3.550%	472628 PG5
April 1, 2018	1,250,000	5.000%	4.180%	472628 PJ9
April 1, 2022	16,595,000	5.000%	4.540%	472628 PL4
April 1, 2023	17,425,000	5.000%	4.620%	472628 PM2

Term Warrants

$5,295,000 5.250% Term Warrants due April 1, 2017
(Yield 3.950%; CUSIP 472628 PH3)

$3,855,000 5.000% Term Warrants due April 1, 2021
(Yield 4.450%; CUSIP 472628 PK6)

All Warrants priced to produce the yield indicated.

JEFFERSON COUNTY, ALABAMA

JEFFERSON COUNTY COMMISSION

LARRY P. LANGFORD
President

MARY M. BUCKELEW
Commissioner

BETTYE FINE COLLINS
Commissioner

SHELIA SMOOT
Commissioner

GARY WHITE
Commissioner

Director of Finance
STEVE SAYLER

County Attorney
EDWIN A. STRICKLAND

Co-Bond Counsel
BALCH & BINGHAM LLP
Birmingham, Alabama

JAFFE, STRICKLAND & DRENNAN, P.C.
Birmingham, Alabama

Underwriters' Counsel
SIROTE & PERMUTT, P.C.
Birmingham, Alabama

No dealer, broker, salesman or any other person has been authorized by Jefferson County, Alabama, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003-A Warrants by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Jefferson County since the date hereof.

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OFFICIAL STATEMENT

$94,000,000
JEFFERSON COUNTY, ALABAMA
General Obligation Capital Improvement and Refunding Warrants
Series 2003-A

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is being furnished in connection with the sale by Jefferson County, Alabama (the "County"), of its $94,000,000 principal amount of General Obligation Capital Improvement and Refunding Warrants, Series 2003-A (the "Series 2003-A Warrants").

The County is a political subdivision of the State of Alabama. The Series 2003-A Warrants will be issued pursuant to a resolution (the "Warrant Resolution") adopted on March 6, 2003, by the Jefferson County Commission, the governing body of the County (the "Commission"). The Series 2003-A Warrants will be issued pursuant to the provisions of Title 11, Chapter 28 of the Code of Alabama 1975, §§ 11-28-1 et seq, as amended (the "Act").

The Series 2003-A Warrants are being issued for the purposes of (i) reimbursing the County for prior capital expenditures, (ii) effecting a current refunding of certain of the County's outstanding General Obligation Warrants, Series 1993 (the "Series 1993 Warrants"), and (iii) paying the costs of issuing the Series 2003-A Warrants. See "THE PLAN OF FINANCING".

The Series 2003-A Warrants are being offered in the denomination of $5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See "DESCRIPTION OF THE SERIES 2003-A WARRANTS".

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

The information contained in this Official Statement does not purport to be comprehensive or definitive. All references herein to, or summaries of, the Warrant Resolution, the financial statements of the County, the Act or any other contract, indenture, resolution or other document or official act related to the Series 2003-A Warrants are qualified in their entirety by the exact terms of such documents or official acts, which are items of public record available from the County. All references herein to, or summaries of, the Series 2003-A Warrants are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the Warrant Resolution. Any capitalized terms used herein without definition shall have the meanings assigned to such terms in the Warrant Resolution.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. For further information during the initial offering period with respect to the Series 2003-A Warrants, contact Steve Sayler, Finance Director, Jefferson County Commission, 716 North 21st Street, Birmingham, Alabama 35263-0002, telephone (205) 325-5762.

DESCRIPTION OF THE SERIES 2003-A WARRANTS

General

The Series 2003-A Warrants will be fully registered warrants in the denomination of $5,000 or any multiple thereof (an "Authorized Denomination"), will be dated March 1, 2003, and will be numbered separately from R-1 upward.

The Series 2003-A Warrants will mature annually on April 1 in the amounts and years set forth on the inside cover page hereof. The Series 2003-A Warrants will bear interest at the applicable per annum rates set forth on the inside cover page hereof. All Series 2003-A Warrants with the same maturity will bear interest at the same rate. Interest shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each. Interest on the Series 2003-A Warrants will be payable on each April 1 and October 1, beginning October 1, 2003.

The Bank of New York Trust Company of Florida, N.A. (the "Paying Agent"), having an office in Birmingham, Alabama, has been designated by the County as registrar, transfer agent and paying agent with respect to the Series 2003-A Warrants.

Redemption

The Series 2003-A Warrants will be subject to redemption prior to their respective maturities in accordance with the following provisions:

(a) Optional Redemption. The Series 2003-A Warrants shall be redeemable, in whole or in any Authorized Denomination, at the option of the County, on April 1, 2012 or on any date thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

(b) Sinking Fund Mandatory Redemption. The Series 2003-A Warrants shown below are subject to scheduled mandatory redemption prior to their respective maturities on the dates and in the amounts shown below:

$5,925,000 5.25% Term Warrants due April 1, 2017

Date	Amount
April 1, 2013	$1,135,000
April 1, 2014	1,160,000
April 1, 2015	1,185,000
April 1, 2016	1,210,000
April 1, 2017 (final maturity)	1,235,000

$3,855,000 5.00% Term Warrants due April 1, 2021

Date	Amount
April 1, 2019	$1,270,000
April 1, 2020	1,285,000
April 1, 2021 (final maturity)	1,300,000

The sinking fund mandatory redemptions provided for in this paragraph (b) shall be at a price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

If the Series 2003-A Warrants are to be called for optional redemption as described in paragraph (a) above, the principal amount of each scheduled sinking fund redemption within each maturity of the Series 2003-A Warrants to be redeemed by sinking fund mandatory redemption shall be reduced by the percentage amounts separately calculated for each such maturity, such percentage being equal to the ratio, for such maturity, of (i) the principal amount of the Series 2003-A Warrants of such maturity to be redeemed pursuant to such optional redemption or special mandatory redemption, to (ii) the total principal amount of the Series 2003-A Warrants outstanding in such maturity immediately prior to such optional redemption or special mandatory redemption.

(c) Selection of Warrants for Partial Redemption. If less than all of the Series 2003-A Warrants at the time outstanding are redeemed, the maturities of those to be redeemed shall be selected in the sole discretion of the County and as it may direct; provided that in the event that less than all of the principal amount of the Series 2003-A Warrants of a Maturity, as defined herein below, is to be prepaid and redeemed, the Paying Agent shall assign numbers to each $5,000 principal portion of all the Series 2003-A Warrants of such Maturity and shall by process of random selection based upon such numbers, select the principal portion of Series 2003-A Warrants of such Maturity to be redeemed and prepaid. As used in this paragraph (c), the term "Maturity" shall mean, when used with respect to any Series 2003-A Warrant, the date specified in such Series 2003-A Warrant as the fixed date on which the principal amount of such Series 2003-A Warrant is due and payable.

(d) Notice by Registered or Certified Mail. The County (or the Paying Agent on its behalf) shall cause to be forwarded by United States registered or certified mail to each of the registered holders thereof, at the address of each such registered holder as such address appears on the registry books of the Paying Agent pertaining to the registration of the Series 2003-A Warrants, a notice stating the following: that Series 2003-A Warrants (or principal portions thereof) bearing a stated series designation or designations have been called for redemption in whole or in part and will become due and payable at the redemption price or redemption prices on a specified redemption date and that all interest thereon will cease on and after such redemption date. Except as hereinafter provided, such notice shall be so mailed not more than sixty (60) nor less than thirty (30) days prior to such redemption date. Actual receipt of such notice by registered holders of any Series 2003-A Warrant shall not be a condition precedent to the redemption of such Series 2003-A Warrant. The holders of any Series 2003-A Warrants may waive the requirements of this subsection with respect to the Series 2003-A Warrants held by them without affecting the validity of the call for redemption of any other Series 2003-A Warrants. For so long as DTC, as defined below, or its nominee is the registered holder of any Series 2003-A Warrant to be redeemed, notice of redemption shall be given to DTC or its nominee as the registered holder of such Series 2003-A Warrant. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant, as defined below, or otherwise) to notify the Beneficial Owner of any Series 2003-AWarrant to be redeemed shall not affect the validity of the redemption of such Series 2003-AWarrant.

(e) Presentation of Series 2003-A Warrants for Redemption; Series 2003-A Warrants Called for Redemption to Cease to Bear Interest. Upon compliance by the County with the requirements contained in the Warrant Resolution and, unless all the Series 2003-A Warrants then outstanding are to be redeemed (or unless a portion of such outstanding Series 2003-A Warrants are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), if the County is not on the redemption date in default in payment of the principal of or the interest on any of the Series 2003-A Warrants, the Series 2003-A Warrants so called for redemption (or, in the case of any Series 2003-A Warrants called for redemption in part, the portions thereof called for redemption) shall become due and payable at the place or places at which the same shall be payable at the redemption price or prices and on the redemption date specified in such notice, anything in the Warrant Resolution or in the Series 2003-A Warrants to the contrary notwithstanding, and the holders thereof shall then and there surrender such Series 2003-A Warrants for redemption; provided, however, that with respect to any Series 2003-A Warrant called for partial redemption, the holder thereof shall surrender such Series 2003-A Warrant to the Paying Agent in exchange for one or more new Series 2003-A Warrants in Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Series 2003-A Warrant surrendered, all as shall be requested by the holder of such Series 2003-A Warrant so called for partial redemption. All future interest on the Series 2003-A Warrants so called for redemption shall cease to accrue on and after the redemption date; and the Series 2003-A Warrants so called (or, in the case of any Series 2003-A Warrants called for redemption in part, the portions thereof called for redemption) shall no longer be entitled to the benefit of the Warrant Fund, as defined in the Warrant Resolution, but shall look solely to the moneys deposited with the Paying Agent; and out of the moneys so deposited with it, the Paying Agent shall make provision for payment of the Series 2003-A Warrants so called for redemption (or, in the case of any Series 2003-A Warrants called for redemption in part, the portions thereof called for redemption) at the redemption price and on the redemption date.

Method and Place of Payment

The Series 2003-A Warrants will be issued in book-entry only form, as described below under “BOOK-ENTRY ONLY SYSTEM”, (hereinafter, the “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 the paragraphs below will apply in the event that the use of the Book-Entry Only System for the Series 2003-A Warrants is discontinued.

Payment of interest due on each interest payment date will be made by check or draft mailed on such interest payment date (or if such interest payment date is not a business day, on the business day next following such interest payment date) to the persons who were registered holders of the Series 2003-A Warrants on the regular record date for such interest payment date, which will be the 15th day preceding such interest payment date. Payment of the principal of the Series 2003-A Warrants will be made only upon surrender of the Series 2003-A Warrants at the designated office of the Paying Agent.

The holder of Series 2003-A Warrants in an aggregate principal amount of $100,000 or more may, upon the terms and conditions of the Warrant Resolution, request payment of debt service by wire transfer to an account of such holder maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Paying Agent.

Registration and Exchange

The Paying Agent shall not be required to transfer or exchange any of the Series 2003-A Warrants during the period that commences with the close of business on the fifteenth (15th) day of the calendar month next preceding any interest payment date and that continues until the opening of business on such interest payment date or during the period that commences with the close of business on the thirtieth (30th) day of the calendar month next preceding any redemption date and that continues until the opening of business on such redemption date.

The Series 2003-A Warrants will be issued in book-entry only form, as described below under "BOOK-ENTRY ONLY SYSTEM", and the method for registration and exchange of the Series 2003-A Warrants will be as provided in the Book-Entry Only System. The provisions set forth in the paragraphs below will apply in the event that the use of the Book-Entry Only System for the Series 2003-A Warrants is discontinued.

The Series 2003-A Warrants are transferable only on the warrant register maintained at the designated office of the Paying Agent. Upon surrender of a Series 2003-A Warrant to be transferred, properly endorsed, a new Series 2003-A Warrant will be issued to the designated transferee.

The Series 2003-A Warrants will be issued in Authorized Denominations and, subject to the provisions of the Warrant Resolution, may be exchanged for a like aggregate principal amount of Series 2003-A Warrants, of any Authorized Denominations and of the same maturity, as requested by the holder surrendering the same.

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

Authority for Issuance

The Series 2003-A Warrants are being issued under the authority of the Constitution and laws of the State of Alabama, including particularly, the Act.

INSURANCE

The MBIA Insurance Corporation Insurance Policy

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

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2003-A Warrants as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2003-A Warrants pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2003-A Warrants. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2003-A Warrants upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Series 2003-A Warrants resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2003-A Warrants.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Series 2003-A Warrant the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2003-A Warrants or presentment of such other proof of ownership of the Series 2003-A Warrants, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003-A Warrants as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2003-A Warrants in any legal proceeding related to payment of insured amounts on the Series 2003-A Warrants, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2003-A Warrants, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "INSURANCE". Additionally, MBIA makes no representation regarding the Series 2003-A Warrants or the advisability of investing in the Series 2003-A Warrants.

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

MBIA Information

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

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2003-A Warrants offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, MBIA had admitted assets of $9.0 billion (unaudited), total liabilities of $5.9 billion (unaudited), and total capital and surplus of $3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

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

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

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

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

The above ratings are not recommendations to buy, sell or hold the Series 2003-A Warrants, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2003-A Warrants. MBIA does not guaranty the market price of the Series 2003-A Warrants nor does it guaranty that the ratings on the Series 2003-A Warrants will not be revised or withdrawn.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003-A Warrants. The Series 2003-A Warrants will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee. The Series 2003-A Warrants will be issued as a single fully-registered certificate per maturity and will be deposited with DTC.

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

Purchases of beneficial ownership interests in the Series 2003-A Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003-A Warrants on DTC's records. The ownership interest of each such Beneficial Owner of a Series 2003-A Warrant is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2003-A Warrants are to be accomplished by entries made on the books of Direct Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2003-A Warrants, except in the event that use of the book-entry only system for the Series 2003-A Warrants is discontinued.

To facilitate subsequent transfers, all Series 2003-A Warrants deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003-A Warrants with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003-A Warrants. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003-A Warrants are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2003-A Warrants are being redeemed, DTC's practice is to determine by lot the amount of the interest of each DTC Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2003-A Warrants unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the County as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003-A Warrants are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2003-A Warrants will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of Direct Participants and not of DTC, the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to Cede & Co. or such other nominee as may be requested by an Authorized representative of DTC is the responsibility of the Paying Agent. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct Participants and Indirect Participants.

THE COUNTY AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2003-A WARRANTS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2003-A WARRANTS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2003-A WARRANTS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2003-A WARRANTS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (i) THE SERIES 2003-A WARRANTS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2003-A WARRANTS; (iv) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE WARRANT RESOLUTION TO BE GIVEN TO SERIES 2003-A WARRANTHOLDERS; (v) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2003-A WARRANTS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS SERIES 2003-A WARRANTHOLDER.

Discontinuation of Book-Entry Only System

DTC may discontinue its services as securities depository with respect to the Series 2003-A Warrants at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Warrant Ordinance requires the County to deliver certificates to the registered owners of the Series 2003-A Warrants.

In addition, the County may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository), in which event certificates will be printed and delivered to registered owners of the Series 2003-A Warrants. In the event that the book entry system described herein is discontinued, (a) the principal and redemption price of the Series 2003-A Warrants will be payable upon surrender of the Series 2003-A Warrants at the corporate trust office of the Paying Agent in Birmingham, Alabama, and (b) interest on the Series 2003-A Warrants will be paid on each interest payment date by check or draft mailed by the Paying Agent to the registered owners of the Series 2003-A Warrants at the close of business on the record date specified in the Warrant Ordinance.

SECURITY FOR THE SERIES 2003-A WARRANTS

The Series 2003-A Warrants will be general obligations of the County, for the payment of which the full faith and credit of the County have been irrevocably pledged.

Revenues available to the County for payment of debt service on the Series 2003-A Warrants include ad valorem taxes, sales, business license and occupational taxes and other general fund revenues. **None of such legally available revenues are, however, specially pledged for payment of debt service on the Series 2003-A Warrants.** Information describing certain taxes and other revenues of the County is set forth in this Official Statement under the captions “COUNTY SALES AND USE TAXES,” “SPECIAL COUNTY OCCUPATIONAL TAX” and “AD VALOREM TAXATION”.

THE PLAN OF FINANCING

The Series 2003-A Warrants are being issued for the purposes of (i) reimbursing the County for prior capital expenditures so as to improve the County for the enjoyment and benefit of its citizens, such as capital improvements, acquisition and construction of new streets and roads, landfill operations, acquisition of new equipment for use in the operation of County government, and resurfacing and repair of existing streets and roads, (ii) effecting a current refunding of the outstanding Series 1993 Warrants that mature after April 1, 2003, and (iii) paying the costs of issuing the Series 2003-A Warrants. Proceeds of the Series 2003-A Warrants to be used for the refunding of Series 1993 Warrants will be paid to the paying agent for the Series 1993 Warrants and applied to redeem outstanding Series 1993 Warrants maturing in years 2004 and thereafter on April 7, 2003. The aggregate principal amount of Series 1993 Warrants to be redeemed on April 7, 2003, will be $47,255,000. The Series 1993 Warrants that are being refunded have been called for redemption on April 7, 2003, at and for a redemption price, for each such warrant, equal to 102% of its principal amount as of such redemption date.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated source and uses of the moneys to be expended by the County in connection with the issuance of the Series 2003-A Warrants:

Sources	
Warrant Proceeds:	
Par Amount of Series 2003-A Warrants	$ 94,000,000.00
Accrued Interest	217,576.38
Net Original Issue Premium	5,832,667.90
TOTAL	$ 100,050,244.28
Uses	
Refunding of Series 1993 Warrants	$ 48,240,947.46
Other Fund Deposits:	
Accrued Interest[1]	$ 217,576.38
Underwriters' Discount	559,300.00
Delivery Date Expenses:	
Cost of Issuance[2]	$ 266,439.00
Bond insurance premium	$ 260,000.00
Other Uses of Funds:	
Available for capital projects	$ 50,505,981.44
	$ 100,050,244.28

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[1] Accrued interest received by the County upon the sale of the Series 2003-A Warrants will be deposited in the Warrant Fund established under the Warrant Resolution and applied to the payment of interest on the Series 2003-A Warrants due October 1, 2003.

[2] Includes, without limitation, fees and expenses of Co-Bond Counsel, Underwriters' Counsel, Paying Agent, fees for financial advisory services, ratings, printing, and accounting services and similar costs related to the Series 2003-A Warrants.

DEBT SERVICE REQUIREMENTS

The following table contains debt service requirements on the Series 2003-A Warrants:

Fiscal Year Ending	Principal	Interest	Total
September 30, 2003			0
September 30, 2004	$ 6,245,000.00	$ 4,714,154.79	$ 10,959,154.79
September 30, 2005	8,960,000.00	4,195,402.50	13,155,402.50
September 30, 2006	6,485,000.00	3,926,602.50	10,411,602.50
September 30, 2007	10,185,000.00	3,602,352.50	13,787,352.50
September 30, 2008	5,815,000.00	3,093,102.50	8,908,102.50
September 30, 2009	6,145,000.00	2,802,352.50	8,947,352.50
September 30, 2010	3,420,000.00	2,495,102.50	5,915,102.50
September 30, 2011	560,000.00	2,324,102.50	2,884,102.50
September 30, 2012	1,135,000.00	2,305,902.50	3,440,902.50
September 30, 2013	1,135,000.00	2,267,312.50	3,402,312.50
September 30, 2014	1,160,000.00	2,207,725.00	3,367,725.00
September 30, 2015	1,185,000.00	2,146,825.00	3,331,825.00
September 30, 2016	1,210,000.00	2,084,612.50	3,294,612.50
September 30, 2017	1,235,000.00	2,021,087.50	3,256,087.50
September 30, 2018	1,250,000.00	1,956,250.00	3,206,250.00
September 30, 2019	1,270,000.00	1,893,750.00	3,163,750.00
September 30, 2020	1,285,000.00	1,830,250.00	3,115,250.00
September 30, 2021	1,300,000.00	1,766,000.00	3,066,000.00
September 30, 2022	16,595,000.00	1,701,000.00	18,296,000.00
September 30, 2023	17,425,000.00	871,250.00	18,296,250.00
TOTALS	$ 94,000,000.00	$ 50,205,137.29	$144,205,137.29

COUNTY GOVERNMENT AND ADMINISTRATION

The County Commission

The governing body of the County is the Commission. The five commissioners are elected from five districts within the County for four-year terms. The current term of office for the present commissioners, President Larry P. Langford and Commissioners Mary M. Buckelew, Bettye Fine Collins, Shelia Smoot and Gary White, began on November 12, 2002, and will end in November 2006.

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

As of October 1, 2002, the County employed approximately 4,200 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 Land and Technology Development. A description of each area follows.

> The Department of Finance and General Services. The Department of Finance and General Services is responsible for the administration of the County's financial affairs, management of County-owned buildings, maintenance of the County's accounting records, and the operation of Cooper Green Hospital, which provides medical care for indigent County residents in hospital and clinic settings. The Department supervises the operations of the County Revenue Department, which collects a number of state and local taxes (such as sales and user taxes and other excise taxes), as well as the Finance Department. For the most part, the activities of the department are supported with monies from the County's General Fund with Cooper Green Hospital being supported by the Indigent Care Fund. 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 monies from the Road Fund and the General Fund, the various divisions of Roads and Transportation include: Administration, Design, Right-of-Way, Highway Engineering, Highway Maintenance, Traffic Engineering, and Fleet Management.
>
> The Department of Environmental Services. The Department of Environmental Services is responsible for construction, operation, and maintenance within the County of landfills, sewage disposal plants, and sewage lines. Commissioner Gary White has been assigned the responsibility of this department. Its activities are financed through service fees in the Sanitary Operations Fund and Landfill Operations Fund.
>
> 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

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, 2001. In addition to the state audit, the Director of Finance of the County prepares internal financial statements which conform to the format of the state audit. A copy of the latest audit for the County is included in Appendix A.

Budget System

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

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

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

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

Accounting System

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting devise 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." Jefferson County utilizes six fund types encompassing twenty-five operating funds for reporting its financial position and the results of its operations. The fund types are General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Debt Service Funds. A description of the fund types and related funds is provided below.

Governmental Fund Types

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.

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.

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.

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.

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 Jefferson County area.

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.

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

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, 2002, the County maintained only one Debt Service Fund.

Proprietary Fund Types

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:

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.

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.

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

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.

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

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:

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

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.

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

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.

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

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

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

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

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:

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

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.

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.

> 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.)
>
> 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.

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.

> 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.
>
> 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.

Pension and Retirement Plan

The General Retirement System for Employees of Jefferson County (the “Pension System”) is established under Act No. 497 of the 1965 Regular Session of the Legislature, as amended (the “Pension Act”). With certain limited exceptions, all employees of the County who are subject to the Civil Service System are members of the Pension System. County officers and those County employees who are not subject to the Civil Service System may elect to be members of the Pension System. As of September 30, 2002, there were 4,993 members of the Pension System (including both present and retired employees).

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

The Pension Act requires periodic review of the Pension System by a reputable actuary. The most recent actuarial valuation of the Pension System was prepared as of September 30, 2002, by Bucks Consultants (the “Actuary”). According to that valuation, the Pension System had as of September 30, 2002, actuarial accrued liabilities of $610,320,857. The assets of the Pension System as of September 30, 2002, consisted of actuarial value of assets valued at $676,093,864. On the basis of that valuation and certain actuarial assumptions, the Actuary concluded that the Pension System is actuarially sound.

SUMMARY OF COUNTY REVENUES AND EXPENSES

The principal sources of revenue for the County are property taxes, sales and use taxes, an occupational tax, charges for services provided by the County, certain tax revenues collected by the State and allocated to the County, and federal grants. County moneys are expended to pay the operating expenses of the County, debt service on the County's debt and the costs of capital improvements. A copy of the audited financial statements of the County for the fiscal year that ended September 30, 2001, is attached hereto as Appendix A. Copies of audited financial statements for prior years may be obtained from the Director of Finance of the County.

COUNTY SALES AND USE TAXES

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

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

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

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

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

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

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

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

(b) in the event that the total of the amounts paid to the Civic Center Authority during the month from the net proceeds of the tobacco tax levied by Act No.

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

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

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

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

County Sales and Use Tax Revenue

Fiscal Year Ending September 30	Total Amount Collected
1996	$68,927,809
1997	71,320,520
1998	75,635,599
1999	78,898,175
2000	79,466,508
2001	81,836,173
2002	81,579,000

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 pending legislation respecting the County's levy and collection of the Special County Occupational Tax, see "PENDING LEGISLATION" herein. For a description of certain completed 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	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

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 I of the preceding year, without taking into consideration "the prospective value such property might have if it were put to some other possible use".

<u>Assessment Ratio Adjustments</u>. 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 County 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 County Commission any present plans for any such adjustment.

<u>Rate Adjustments</u>. 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 County Commission has no present plans for increasing or decreasing any tax levied by the County.

<u>Maximum Tax Limitation</u>. The Property Tax Amendment contains a provision which limits the total amount of ad valorem taxes (including all state, county, municipal and other taxes) that may be imposed on any property in any one tax year to an amount not exceeding a specified percentage of the fair

and reasonable market value of such property. The percentages applicable to the various classes of property are as follows:

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

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

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

Homestead Exemption

Act No. 82-789 of the Legislature of Alabama provides for an increase in the State ad valorem tax homestead exemption and authorizes the County 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 County Commission has not taken, and does not presently intend to take, any action to effectuate such an increase in the amount of the homestead exemption currently available against County ad valorem taxes, or to extend such exemption to school district taxes, for the current tax year or for any future tax year.

Ad Valorem Tax Rates in the County

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

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

Ad Valorem Tax Assessment and Collection

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

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
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

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[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, 2002, are shown below:

Name of Taxpayer	Total Assessed Value of Property
1. Alabama Power Company	$420,286,550
2. Bellsouth Telecommunication	176,728,190
3. USX Corporation	101,424,331
4. Colonial Realty Ltd. Partnership	60,856,006
5. HealthSouth Corporation	40,525,730
6. American Cast Iron Pipe Co.	31,098,438
7. Alabama Gas	29,460,400
8. AmSouth Bank	28,507,865
9. SouthTrust Corporation	27,086,924
10. Hoover Mall Limited LP	23,776,680

Source: Jefferson County Tax Assessor

Ad Valorem Tax Collection

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

Tax Year Ended September 30	Total Net Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collection To Tax Levy
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
1993	207,371,022	193,634,807	93.38	5,821,681	199,456,488	96.18

Source: Jefferson County Tax Assessor and Jefferson County Tax Collector

COUNTY DEBT

General

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

The County Financial Control Act generally prohibits the issuance of warrants by counties unless at the time of such issuance funds are available for their payment. The statutes pursuant to which the Series 2003-A Warrants are being issued, as well as certain other statutes authorizing Alabama counties to issue general and special obligation warrants for certain specified capital and other similar purposes, expressly negate the application of the County Financial Control Act to such warrants. With certain minor and narrow exceptions, however, Alabama counties may not incur long-term debt for payment of current operating expenses, and the County Financial Control Act has the practical effect of prohibiting deficit financing for current operations.

Existing Debt

Following the issuance of the Series 2003-A Warrants and the refunding of certain of the Series 1993 Warrants, all indebtedness of the County (including the Series 2003-A Warrants but apart from (i) current liabilities incurred in the regular and ordinary operations of the County and (ii) certain conduit financings for which the County has no payment obligation or other liability) will consist of the following outstanding warrants of the County:

Obligations Not Subject to Debt Limit	Principal Amount Outstanding as of February 7, 2003
Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, maturing February 1, 2005, through February 1, 2027	$211,040,000
Sewer Revenue Refunding Warrants, Series 1997-B, dated February 1, 1997, maturing February 1, 2003	10,805,000
Sewer Revenue Refunding Warrants, Series 1997-C, dated February 1, 1997, maturing annually February 15, 2003, through February 15, 2015	41,820,000
Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997, maturing February 1, 2017, through February 1, 2027	296,395,000

Sewer Revenue Warrants, Series 1999-A, dated March 1, 1999, maturing February 1, 2028, through February 1, 2039	952,695,000
Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001, maturing February 1, 2007, through February 1, 2041	275,000
Sewer Revenue Capital Improvement Warrants, Series 2002-A, maturing February 1, 2042	110,000,000
Sewer Revenue Capital Improvement Warrants, Series 2002-B, maturing February 1, 2038, February 1, 2041 and February 1, 2042	540,000,000
Sewer Revenue Capital Improvement Warrants, Series 2002-C, maturing February 1, 2040	839,500,000
Sewer Revenue Capital Improvement Warrants, Series 2002-D, maturing February 1, 2022 through February 1, 2027, February 1, 2032, February 1, 2038 and February 1, 2042	475,000,000
Total	$3,477,530,000

Obligations Subject to Debt Limit

General Obligation Warrants, Series 2002-A, maturing April 1, 2004 through April 1, 2011	68,025,000
General Obligation Warrants, Series 2001-B, maturing April 1, 2021	120,000,000
General Obligation Refunding Warrants, Series 2002-A, maturing April 1, 2004, through April 1, 2007	15,805,000
General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, maturing April 1, 2004 through April 1, 2023	94,000,000
Total	$297,830,000

Debt Service Requirements on General Obligation Debt

The following table contains the debt service requirements on all general obligation debt of the County that will be outstanding after the issuance of the Series 2003-A Warrants and the refunding of the Series 1993 Warrants that mature after April 1, 2003:

Pro Forma Debt Service Requirements on General Obligation Debt

Fiscal Year Ending	Series 2003-A Warrants	Other Debt[1]	Total
September 30, 2003	$ 0.00	$ 16,106,151.25	$ 16,106,151.25
September 30, 2004	10,959,154.79	20,896,470.00	31,855,624.79
September 30, 2005	13,155,402.50	20,875,000.00	34,030,402.50
September 30, 2006	10,411,602.50	17,589,950.00	28,001,552.50
September 30, 2007	13,787,352.50	21,167,950.00	34,955,302.50
September 30, 2008	8,908,102.50	15,565,950.00	24,474,052.50
September 30, 2009	8,947,352.50	15,510,200.00	24,457,552.50
September 30, 2010	5,915,102.50	15,455,700.00	21,370,802.50
September 30, 2011	2,884,102.50	15,411,450.00	18,295,552.50
September 30, 2012	3,440,902.50	14,855,000.00	18,295,902.50
September 30, 2013	3,402,312.50	14,893,115.00	18,295,427.50
September 30, 2014	3,367,725.00	14,926,665.00	18,294,390.00
September 30, 2015	3,331,825.00	14,965,005.00	18,296,830.00
September 30, 2016	3,294,612.50	15,002,060.00	18,296,672.50
September 30, 2017	3,256,087.50	15,041,970.00	18,298,057.50
September 30, 2018	3,206,250.00	15,088,660.00	18,294,910.00
September 30, 2019	3,163,750.00	15,130,840.00	18,294,590.00
September 30, 2020	3,115,250.00	15,177,650.00	18,292,900.00
September 30, 2021	3,066,000.00	15,227,800.00	18,293,800.00
September 30, 2022	18,296,000.00	0.00	18,296,000.00
September 30, 2023	18,296,250.00	0.00	18,296,250.00
TOTALS	$144,205,137.29	$308,887,586.25	$453,092,723.44

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[1] For purposes of this table, debt service on the County's Series 2001-B Warrants has been computed to include interest at an assumed rate of 4.30% per annum (see "Outstanding Swap Transaction" herein), a fee for the County's related liquidity facility of 0.15% per annum, and a remarketing fee of 0.08% per annum

Outstanding Swap Transaction

Under Alabama law and the County's general liability management policy, the County has the power to enter into interest rate swap transactions from time to time. The County and Morgan Guaranty Trust Company of New York are now parties to a rate swap transaction (the "Outstanding Swap") that is referable to the County's General Obligation Warrants, Series 2001-B. The Outstanding Swap has a notional amount of $120,000,000, an effective date of April 19, 2001, and a termination date of April 1, 2011. Under the terms of the Outstanding Swap, the County (a) is entitled to receive monthly payments calculated by reference to said notional amount and the BMA Municipal Swap Index and (b) is obligated to make semiannual payments calculated by reference to said notional amount and the fixed rate of 4.295% per annum. Morgan Guaranty has the option to cancel the Outstanding Swap on April 1, 2008, or any April 1 or October 1 thereafter.

Debt Ratios

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

Jefferson County, Alabama
Debt Ratios

	After issuance of Series 2003-A Warrants
Population[1]	662,047
Assessed Value of Taxable Property[2]	$6,052,642,368
General Obligation Debt[3]	$297,830,000
General Obligation Debt Per Capita	$449.86
Ratio of General Obligation Debt to Assessed Value	4.92%

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[1] Based on 2000 Census.

[2] Source: Jefferson County Tax Assessor and Department of Revenue.

[3] After giving effect to the issuance of the Series 2003-A Warrants and prepayment of certain outstanding general obligation warrants due and payable April 1, 2003.

Constitutional Debt Limit

The Alabama Constitution provides that counties may not become indebted in an amount in excess of five percent (5%) of the assessed value of the property situated therein and subject to taxation. The total assessed value of the property in the County as assessed for County taxation (giving effect to all applicable exemptions from such taxation) as of October 1, 2002, was $6,052,642,368. Consequently, the constitutional debt limitation applicable to the County is $302,632,118.

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

Excluding obligations which are not chargeable to the constitutional debt limit because advance refunding escrows have been established for their payment and taking into account sinking funds established for obligations not fully refunded, the outstanding debt of the County, after issuance of the Series 2003-A Warrants, will be $297,830,000. Consequently, the County can incur additional indebtedness in the approximate amount of $4,802,118 (viz., $302,632,118 - $297,830,000) without violating its constitutional debt limit.

Civic Center Financing

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

Jefferson County Economic and Industrial Development Authority Financing

The Jefferson County Economic and Industrial Development Authority (the "JCEIDA") is a public corporation that owns an industrial park in the western portion of the County. In 1998, the JCEIDA issued $15,280,000 principal amount of bonds (the "JCEIDA Bonds") to finance the cost of acquiring, constructing and developing the industrial park. The County entered into a Funding Agreement (the "Funding Agreement") pursuant to which the County agreed to pay amounts sufficient to provide for the payment of principal of and interest on the JCEIDA Bonds due in any fiscal year of the County, to the extent that the JCEIDA does not have sufficient funds to pay such principal and interest. The Funding Agreement has a one-year term and is subject to automatic renewal in each successive fiscal year unless the County provides written notice by August 1 of the prior fiscal year that it elects not to renew the Funding Agreement.

The County's obligation to make the payments provided for in the Funding Agreement during each one-year term constitutes a general obligation of the County, and the County has pledged its full faith and credit for such payments; however, all obligations of the County under the Funding Agreement are payable solely out of the current revenues of the County for the fiscal year during which the County becomes obligated to pay or otherwise discharge such obligations. The maximum amount of principal and interest due on the JCEIDA Bonds in any year does not exceed approximately $2 million.

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. Birmingham, the State's largest city, and 38 other municipalities are located within the County's 1,124 square miles. The County, with a population of approximately 662,047 as of the 2000 Census, is the center of the four-county Birmingham Metropolitan Statistical Area (MSA), which covers approximately 3,188 square miles. The Birmingham MSA had a population of approximately 921,106, as of December 2000, and was the 53rd most populated area among the 276 Metropolitan Areas (includes MSAs, Consolidated Statistical Areas and Primary Metropolitan Statistical Areas) in the United States.

Population

The following table summarizes historical population growth for the County, the Birmingham MSA and the State of Alabama.

Population Trends

Year	Jefferson County	Birmingham MSA[1]	State of Alabama
2000	662,047	921,106	4,447,100
1990	651,525	907,810	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

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[1] The Birmingham Standard Metropolitan Statistical Area (SMSA) was established in 1967, and originally included Jefferson, Shelby and Walker Counties. St. Clair County was added to the SMSA in 1973. Blount County was added in 1983, at which time the official government designation became the Birmingham Metropolitan Statistical Area (MSA). Walker County was removed from the Birmingham MSA in 1993. Excluding Walker County, the population of the Birmingham MSA in 1990 was 839,942.

Source: U.S. Census Bureau, Census 2000 Summary, U.S. Department of Commerce

Employment and Labor Force

The following table sets forth the annual average employment labor force estimates for the County for the period from 1995 through 2000.

Jefferson County Employment and Labor Force

	1995	1996	1997	1998	1999	2000
Civilian Labor Force	325,120	328,370	338,670	337,870	336,940	349,390
Employment[1]	310,220	316,960	326,110	327,380	325,420	338,130
Unemployment	14,900	11,410	12,560	10,490	11,520	11,260
Unemployment Rate[2]	4.6%	3.5%	3.7%	3.1%	3.4%	3.2%

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[1] Place of residence basis.

[2] Rate computed on unrounded data.

Source: Alabama Department of Industrial Relations.

Nonagricultural wage and salary employment in the Birmingham MSA grew by 77,100 jobs, or more than 18.4% between 1993 and 2000. The gains were uneven, as seen in the following table. While the number of nonmanufacturing jobs increased by 67,000, the number of manufacturing jobs remained constant.

Birmingham MSA
Employment Change in Selected Industry Groups
Selected Annual Averages (In thousands)

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**Percent Change 1993-2000**
Total Nonagricultural Employment	418.5	430.0	442.9	451.1	463.5	473.2	482.1	495.6	18.4%
Good Producing	75.2	77.4	80.2	80.9	81.7	82.9	82.7	85.2	13.3%
Mining	3	3	3.3	3.4	3.3	2.9	2.4	2.1	-30.0%
Construction	20.8	22.1	23.3	25.4	26.7	28.2	29.2	31.7	52.4%
Manufacturing	51.4	52.3	53.6	52.2	51.7	51.8	51.1	51.4	0.0%
Durable Goods	32.7	33.4	34.6	33.5	33.5	33.4	32.9	33.1	1.2%
Nondurable Goods	18.7	18.9	19	18.6	18.2	18.4	18.2	18.3	-2.1%
Service Producing	343.4	352.6	362.7	370.2	381.8	390.3	399.4	410.4	19.5%
Transportation & Public Utilities	29.9	30.3	30.3	30.3	30.3	30.8	31.2	31.6	5.7%
Wholesale & Retail Trade	101.7	104.5	108.3	109.7	112.1	114.8	118.9	122.5	20.5%
Finance, Insurance & Real Estate	30.2	30.5	31.2	32.7	34.4	35.5	37.9	39.5	30.8%
Services	114.7	119.2	124.8	128.8	136.2	140.8	143.5	146.7	27.9%
Government	66.9	67.9	68.2	68.8	68.9	68.5	68	70	4.6%

Source: Alabama Department of Industrial Relations

Birmingham Metropolitan Area Largest Employers (As of August 2001)

	Employer	Employees
1.	University of Alabama at Birmingham (*education, medical research*)	16,216
2.	U. S. Government (*federal government*)[1]	9,690
3.	BellSouth (*telecommunications*)	7,500
4.	State of Alabama (*state government*)	6,784
5.	Baptist Health System, Inc. (*integrated healthcare system*)	6,000
6.	Bruno's, Inc. (*retail grocery store*)	5,374
7.	Jefferson County Board of Education (*education*)	5,000
8.	Birmingham Public Schools (*education*)	4,555
9.	City of Birmingham (*municipal government*)	4,500
10.	Jefferson County Government (*county government*)	4,191
11.	Wal-Mart (*discount department stores*)	3,800
12.	AmSouth Bank (*banking and financial services*)	3,624
13.	SouthTrust Bank (*banking and financial services*)	3,094
14.	Alabama Power Company (*utilities*)	3,000
15.	Regions Financial (*banking services*)	3,000
16.	Drummond Company (*coal mining*)	2,000
17.	Blue Cross-Blue Shield of Alabama (*employee benefits*)	2,650
18.	UAB Health Services Foundation (*healthcare*)	2,500
19.	Carraway Methodist Medical Center (*healthcare*)	2,400
20.	Children's Health System (*healthcare*)	2,400
21.	USX (*steel mill*)	2,400
22.	Compass Bank (*banking and financial services*)	2,371
23.	American Cast Iron Pipe (*iron and steel pipe, steel castings*)	2,300
24.	Brookwood Medical Center (*healthcare*)	2,200
25.	HealthSouth Corporation (*healthcare and rehabilitation*)	2,070

NOTE: Employment figures reflect both full-time and part-time employees

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[1] Includes 3,582 U.S. Postal Service employees; 1,662 Social Security Administration employees and 1,400 Veterans Administration Hospital employees

Source: Birmingham Area 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		Alabama		United States	
	Income	% of National Average	Income	% of National Average	Income	% of National Average	Income	% of National Average
1998	$27,272	100%	$26,582	98%	$22,054	81%	$27,203	100%
1997	26,292	101%	25,383	99%	21,260	82%	25,924	100%
1996	25,356	103%	24,547	100%	20,329	82%	24,651	100%
1995	24,381	103%	23,566	100%	19,683	84%	23,562	100%
1994	23,262	103%	22,430	99%	18,860	84%	22,581	100%
1993	21,914	101%	21,196	98%	17,991	83%	21,718	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%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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. Between 1994 and 1999, the rise in median family income in the Birmingham MSA has outpaced the rise in median family income in the nation as a whole. In 1999, the median family income in the Birmingham MSA was $ 100 greater than the median family income of the United States.

Meanwhile, the difference between the median family income in the State of Alabama and the median family income in the United States has narrowed over the last 5 years, but in 1999, the median family income in the United States was still $6,300 greater than the median family income in Alabama. The following table illustrates this data.

NATIONAL, STATE AND BIRMINGHAM MSA
MEDIAN FAMILY INCOME

	1994	1995	1996	1997	1998	1999
United States	$39,900	$40,200	$41,600	$43,500	$45,300	$47,800
Alabama	32,300	32,500	33,900	37,100	38,700	41,500
Birmingham MSA[1]	36,200	36,300	38,200	41,900	44,000	47,900

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[1] Data are not reported for individual counties within the MSA.

Source: Center for Business and Economic Research, The University of Alabama.

Housing and Construction

The following tables present certain information about building permits and construction activity in the Birmingham MSA:

BUILDING PERMITS - BIRMINGHAM MSA

Total Number of New Privately Owned Housing Units

1999	5,958
1998	6,361
1997	5,058
1996	6,699
1995	5,998

Valuation of New Privately Owned Housing Units

1999	$726,972,000
1998	663,358,000
1997	556,230,000
1996	614,310,000
1995	535,756,000

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.

Universities and Colleges in Jefferson County

Name	Type
University of Alabama at Birmingham	State Supported
Samford University and Cumberland School of Law	Private
Birmingham-Southern College	Private
Miles College	Private
Birmingham School of Law	Private
Southeastern Bible College	Private

Junior and Technical Colleges in Jefferson County

Name	Type
Jefferson State Community College	State Supported
Bessemer State Technical College	State Supported
Lawson State Community College	State Supported

The Jefferson County School System consists of 59 schools with an enrollment exceeding 40,000. The City of Birmingham has 75 schools within its system and approximately 36,300 students. There are eight other public school systems in the County encompassing over 40 schools and more than 30,000 students. In addition, the Birmingham MSA has over 50 private and denominational schools with grades ranging from kindergarten through high school.

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 AND STATE OF ALABAMA

Area	**Population**[1]	**Percent of Alabama**	**Households**	**Percent of Alabama**	**Household Median EBI**	**Percent of Alabama Median EBI**
Birmingham	251,700	5.7%	102,700	6.1%	$25,494	82.0%
Jefferson County	658,100	15.0%	262,700	15.6%	34,216	110.0%
Birmingham MSA	920,200	21.0%	360,900	21.4%	35,885	115.4%
Alabama	4,386,800	100.0%	1,688,400	100.0%	31.098	100.0%

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

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[1] Population as projected by Sales & Marketing Management

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

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

Source: "2000 Survey of Buying Power," Sales & Marketing Management.

Transportation

Commercial airline service is available through Birmingham's airport, which is served by six major carriers (American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Southwest Airlines and US Airways), and five commuter carriers (Comair, Continental Express, Delta Connection, United Express, and US Airways Express). Annually, the Birmingham International Airport serves over three million arriving and departing passengers.

Almost 100 truck lines have terminals in the area. Additionally, Birmingham is served by four major railroads - Norfolk Southern, CSX Corporation, Canadian National Railway Company (through an alliance with Kansas City Southern Railway) 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 1-59 from Gadsden in the northeast and 1-20 from Anniston in the east which merge in Birmingham as 1-59/20 serving Tuscaloosa to the southwest.

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

Health Care

The County is a major center for health care and biomedical research. Altogether, 21 hospitals with a total of 4,484 beds are located in the County. U.S. News ranked The University of Alabama Hospital at Birmingham among the top 50 hospitals in the country for its specialities 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.

PENDING LEGISLATION

A bill (House Bill 175) has been introduced in the current session of the Alabama Legislature proposing an amendment to the Alabama Constitution that would require all cities and counties in the State to phase out all occupational taxes, such as the Special County Occupational Tax, over a period of two years. House Bill 175 would allow cities and counties to retain any previously enacted occupational tax if the residents of the respective city or county approve continuation of the tax by referendum. For the Alabama Constitution to be amended as proposed by House Bill 175, the bill must pass the Alabama House of Representatives and the Alabama Senate, receive approval from the Governor of Alabama and be approved by a majority of Alabama voters in a referendum. The County cannot predict whether House Bill 175 will be adopted by the Legislature in its current form, will be substantially amended by the Alabama Legislature, or if adopted by the Legislature, will be ratified by the electorate. A substantial portion of the County’s budget revenues is derived from the Special County Occupational Tax. See “SPECIAL COUNTY OCCUPATIONAL TAX” herein.

LITIGATION

Litigation Concerning the County’s $540,000,000 Sewer Revenue Capital Improvement Warrants, Series 2002-B, dated September 1, 2002 (the “Series 2002-B Warrants”)

In a case styled Gary White et al v. The Jefferson County Commission, filed July 15, 2002, in the Circuit Court of Jefferson County, Alabama, as Civil Action No. 02-4253-JSV, plaintiffs brought suit for declaratory relief challenging the procedure by which the Jefferson County Commission adopted a resolution declaring its intent to issue the Series 2002-B Warrants and appointing a financing team to proceed. Plaintiffs include Gary White, the President of the County Commission at the time of filing and a current County Commissioner. Plaintiffs also include Larry P. Langford, the current President of the County Commission, and Shelia Smoot, a current County Commissioner, both of whom filed as individual taxpayers prior to wining their respective positions on the County Commission in the general election held in November 2002.

In White, plaintiffs claimed that the County Commission failed to follow its procedures for special meetings when its “official intent” resolution was approved on July 1l, 2002. On July 29, 2002, plaintiffs filed an application for a preliminary injunction seeking to prevent the County Commission from authorizing the issuance of the Series 2002-B Warrants. In the application, plaintiffs reiterated their claim with respect to the County Commission approval process, and also claimed that significant “negative arbitrage” in the construction fund for the Series 2002-B Warrants (i.e., construction fund earnings would be well below the arbitrage yield on the Series 2002-B Warrants) would make the issuance of the Series 2002-B Warrants imprudent.

On July 30, 2002, the County Commission, at its regular meeting, adopted another “official intent” resolution in substantially similar form to its prior resolution. On August 12, 2002, the County Commission removed the White case to the United States District Court for the Northern District of Alabama where it was assigned the docket number CV 02-HGD-1974-S. The County Commission has sought its transfer to or consolidation with the Clean Water Act litigation discussed below on the grounds, among other things, that the federal district court had retained jurisdiction over the Clean Water Act litigation, and that the resolution of the White case would necessarily require the court to construe the Consent Decree. See “LITIGATION — The Consent Decree”.

In addition, the County Commission has filed an answer in federal court denying the allegations of the complaint and seeking dismissal of the suit. The County Commission believes that the claims with respect to the “official intent” resolution are not valid, but that if such claims were ever valid, they are now moot in light of the July 30, 2002, County Commission approval at its regular meeting. On August 23, 2002, the United States District Court entered an order to show cause, within twenty (20) days, why the complaint should not be dismissed.

On September 6, 2002, plaintiffs filed an Amended and Restated Complaint in White, alleging fraud, corruption and unfair dealing by the County Commission with respect to (i) the purpose for which the County intended to borrow funds, (ii) the State’s competitive bid laws, which the plaintiffs claim the County Commission had violated in awarding certain contracts as a part of the County’s Sanitary Sewer Capital Improvement Program, and (iii) the award by the County Commission of certain prior contracts to an engineering firm not licensed to do business in the State. In this filing, the plaintiffs contend that the

County’s borrowing is not necessary to comply with the Consent Decree, but rather that a significant amount of the proceeds of the borrowing will he used for other projects not required by the Consent Decree. Plaintiffs request that the financing of the County’s Program be enjoined.

In the Amended Complaint, plaintiffs abandon their earlier claim with respect to the procedure for adoption of the July 11, 2002, resolution approving the Series 2002-B Warrants. The County Commission believes that the remaining claims of the White case, as recast by the plaintiffs, are without merit.

On September 18, 2002, immediately following the adoption by the Jefferson County Commission of a resolution formally authorizing the issuance and sale of the Series 2002-B Warrants, plaintiffs filed a second lawsuit (the “Second Lawsuit”‘) in Jefferson County Circuit Court which asserts essentially the same allegations made in the Amended Complaint. In addition, plaintiffs alleged that the proceeds of the Series 2002-B Warrants would be used to pay contracts awarded in violation of Alabama’s competitive bid law and thus, the issuance of the Series 2002-B Warrants should be enjoined. The complaint in the Second Lawsuit failed to acknowledge that the Jefferson County Commission had adopted on September 18, 2002, a companion resolution prohibiting the use of Series 2002-B Warrant proceeds to pay for any contracts unless and until the County Attorney first had reviewed the underlying contract and had opined that such contract had been lawfully awarded in accordance with applicable law.

On September 18, 2002, the County removed the Second Lawsuit to the United States District Court for the Northern District of Alabama, where it was assigned the docket number 02-JEO-2307-S, and consolidated with the original White lawsuit. The County filed a motion to dismiss on various grounds, including, among other things, the statutory bar against prosecuting two actions at the same time for the same cause and against the same party.

On September 24, 2002, the federal magistrate assigned to the consolidated cases granted the plaintiffs’ motion to remand the consolidated cases to state court on the grounds that the court lacked federal jurisdiction. The federal magistrate did not express any opinion regarding the merits of plaintiffs’ claims. The County appealed the remand order to a United States District Judge, Judge Sharon Blackburn, who affirmed the magistrate’s order on November 4, 2002. Judge Blackburn expressed no opinion regarding the merits of plaintiffs’ claims.

On September 26, 2002, plaintiffs amended the prayer for relief in the complaint in the Second Lawsuit requesting that the Series 2002-B Warrants he declared null and void. The County moved to strike the Amended Complaint.

In connection with the issuance of the Series 2002-B Warrants, bond counsel for the Series 2002-B Warrants delivered an opinion that, based upon the pleadings in the White case and the Second Lawsuit and the applicable law as of the date of such issuance, the claims asserted by the plaintiffs in those cases are without merit and the final disposition of those cases will not adversely affect the validity of the Series 2002-B Warrants or the obligation of the County to provide for the payment thereof.

The County is currently investigating claims that it awarded certain contracts for a portion of its Sanitary Sewer Capital Improvement Program without complying with state competitive bid laws. Such contracts total approximately $20 million in the aggregate. State law provides that contracts for public works in excess of $50,000 must, with certain exceptions, be let by competitive bid. Contracts found to be in violation of the competitive bid laws are null and void. While the County investigates these claims, the County has temporarily stopped work in progress on the contracts at issue.

The County Attorney and outside counsel for the County advise that, as of February 28, 2003, all of the above-referenced litigation concerning the Series 2002-B Warrants has been dismissed with prejudice by mutual stipulation of the parties thereto. This dismissal also covered similar litigation between the same parties relating to the County's $839,500,000 Sewer Revenue Capital Improvement Warrants, Series 2002-C, and $475,000,000 Sewer Revenue Capital Improvement Warrants, Series 2002-D.

Special County Occupational Tax Litigation

The County levies and collects the Special County Occupational Tax at the rate of 1/2 of 1% of the gross receipts of each person following a vocation, occupation, calling or profession within the County. A group of taxpayers represented by Jason Richards filed suit against the County challenging the constitutionality of the Special County Occupational Tax. The basis of the challenge was that the occupational tax violated the Equal Protection Clause found in the United States Constitution. After years of litigation in both state and-federal court, the Alabama Supreme Court ruled in June 2001 that the Special County Occupational Tax does not violate the United States Constitution and thereby upheld the constitutionality of the tax. This opinion became final and non-appealable when the United States Supreme Court denied a Petition for a Writ of Certiorari in the case on November 13, 2001. No cases challenging the constitutionality of the Special County Occupational Tax are currently pending.

General

In a case styled Knott, et al. v. Jefferson County Commission, et al., Civ. Action No. 02-BU-0030-S, filed January 4, 2002 in the United States District Court for the Northern District of Alabama, Southern Division, plaintiffs brought suit challenging the redistricting plan adopted by the County Commission on October 31, 2001. As a part of this suit, plaintiffs request that the County Commission district lines be redrawn. The County has filed a motion to dismiss the Knott action. The U.S. Department of Justice has not objected to the redistricting plan. The Knott case was settled by mutual agreement of the parties on or about January 29, 2003. The settlement does not call for any material payment by the County.

The County is a defendant in numerous 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 he covered adequately by the funds of the County which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

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

The Consent Decree

The County has been a defendant in certain civil actions (collectively referred to as the "Clean Water Act litigation") in which the County allegedly violated various provisions of the federal Clean

Water Act, 33 U.S.C. § 1251 et seq. (the "Clean Water Act") in the operation of the 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, Northern District of Alabama, Southern Division (United States of America v. Jefferson County, Alabama, et al., Civil Action No. 94-G-2947-S and R. Allen Kipp, Jr., et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama, et al., Civil Action No. 93-G-2492-S).

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

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

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

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

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

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

NO BANK QUALIFICATION

The Series 2003-A Warrants are not “qualified tax-exempt obligations” for purposes of paragraph (3) of subsection (b) of Section 265 of the Internal Revenue Code of 1986, as amended, regarding interest incurred to carry tax-exempt obligations.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders of the Series 2003-A Warrants to provide, through its designated Dissemination Agent, as defined hereinafter, certain information repositories with (i) certain financial information and operating data relating to the County on an annual basis (the “Annual Financial Information”) within 180 days after the end of its fiscal year and (ii) notices (“Material Event Notices”) of the occurrence of the following events (each a “Notice Event”), if it deems them to be material:

1. A delinquency in payment of principal of or interest on the Series 2003-A Warrants.
2. Non-payment related defaults under the proceedings of the County authorizing the Series 2003-A Warrants, whether or not such defaults constitute an event of default thereunder.
3. Unscheduled draws on the 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 2003-A Warrants reflecting financial difficulties of the County.
5. Substitution of a credit enhancer for the one originally described in the Official Statement, or the failure of any credit enhancer respecting the Series 2003-A 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 2003-A Warrants or events affecting the tax-exempt status of interest on the Series 2003-A Warrants.
7. Any modification of the rights of the registered owners of the Series 2003-A Warrants.
8. Redemption of any of the Series 2003-A Warrants prior to the stated maturity or mandatory redemption date thereof.

9. Defeasance of the lien of any of the Series 2003-A Warrants or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2002A 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 2003-A Warrants.

11. Any changes in published ratings affecting the Series 2003-A Warrants.

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

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

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

In order to provide the continuing disclosures identified herein in accordance with In order to provide certain continuing disclosure with respect to the Series 2003-A Warrants in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, the County has entered into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the holders of the Series 2003-A Warrants with Digital Assurance Certification, L.L.C. (“DAC”), under which the County has designated DAC as Dissemination Agent. The Dissemination Agent has only the duties specifically set forth in the Continuing Disclosure Agreement. The Dissemination Agent’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the County has provided such information to the Dissemination Agent as required by this Continuing Disclosure Agreement. The Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Continuing Disclosure Agreement. The Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or voluntary report, or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the holders of the Series 2003-A Warrants or any other party. The Dissemination Agent has no responsibility for the County’s failure to report to the Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine or liability for failing to determine whether the County has complied with the Continuing Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the County at all times.

The County shall never be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the holders of the Series 2003-A Warrants for breach by the County of its obligations to provide the required information shall be the remedy of specific performance or mandamus against appropriate officials of the County. The failure by the County to provide the required information shall not be an event of default with respect to the Series 2003-A Warrants under the Warrant Resolution.

No person other than the County shall have any liability or responsibility for compliance by the County with its obligations to provide information. While the County has appointed DAC as Dissemination Agent for the County with respect to the Series 2003-A Warrants, the County may, upon 30 days' written notice to the Dissemination Agent and the Paying Agent, replace or appoint a successor to the Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' prior written notice to the County. The Paying Agent has not undertaken any responsibility with respect to any required reports, notices or disclosures. The County retains the right at any time in the future to designate one or more additional dissemination agents to assist the County in complying with its continuing disclosure obligations.

The County retains the right to modify its obligations described above as long as such modification is done in a manner consistent with Rule l5c2-12 of the Securities and Exchange Commission.

LEGAL MATTERS

The Series 2003-A Warrants will be issued subject to the approving opinions of Balch & Bingham LLP and Jaffe, Strickland & Drennan, P.C., Birmingham, Alabama, Co-Bond Counsel. It is anticipated that the approving opinions of Co-Bond Counsel will be in substantially the form attached to this Official Statement as Appendix B.

Certain legal matters will be passed upon for the Underwriters by their counsel, Sirote & Permutt, P.C., Birmingham, Alabama.

The various legal opinions to be delivered concurrently with the delivery of the Series 2003-A Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In the opinion of Balch & Bingham LLP and Jaffe, Strickland & Drennan, P.C., Birmingham, Alabama, Co-Bond Counsel, under existing law, interest on the Series 2003-A Warrants is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. In the opinion of Co-Bond Counsel, under existing law, interest on the Series 2003-A Warrants is exempt from income taxation by the State of Alabama.

Co-Bond Counsel will express no opinion regarding federal or state tax consequences arising with regard to the Series 2003-A Warrants other than the opinions referred to in the preceding paragraph.

The Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2003-A Warrants in order for interest on the Series 2003-A Warrants to be and remain excludable from gross income for purposes of federal income taxation. Failure to comply with such requirements may cause interest on the Series 2003-A Warrants to be included in gross income retroactively to the date of issuance of the Series 2003-A Warrants. The County has covenanted to comply with these requirements. The opinions of Co-Bond Counsel delivered on the date of issuance of the Series 2003-A Warrants are conditioned on compliance by the County with the requirements of the Code, and Co-Bond Counsel have not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series 2003-A Warrants.

Under existing law, the original issue discount in the selling price of each Series 2003-A Warrant, to the extent properly allocable to each owner of such Series 2003-A Warrant, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2003-A Warrant over its initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2003-A Warrants of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2003-A Warrant during any accrual period generally equals (i) the issue price of such Series 2003-A Warrant plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2003-A Warrant (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Series 2003-A Warrant during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2003-A Warrant. Purchasers of any Series 2003-A Warrant at an original issue discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2003-A Warrants.

An amount equal to the excess of the purchase price of a Series 2003-A Warrant over its stated redemption price at maturity constitutes premium on such Series 2003-A Warrant. A purchaser of a Series 2003-A Warrant must amortize any premium over such Series 2003-A Warrant's term using constant yield principles, based on the Series 2003-A Warrant's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2003-A Warrant and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Series 2003-A Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2003-A Warrant at a premium, whether at the time of initial issuance or subsequent thereto, should consult their 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 2003-A Warrants.

Prospective purchasers of the Series 2003-A Warrants should be aware that ownership of the Series 2003-A Warrants may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2003-A Warrants. Co-Bond Counsel do not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Series 2003-A Warrants should consult their tax advisors regarding collateral federal income tax consequences.

UNDERWRITING

The Series 2003-A Warrants are being purchased from the County by Blount Parrish & Company, Inc., Merchant Capital, L.L.C., SouthTrust Securities, Inc. and Sterne, Agee & Leach, Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Series 2003-A Warrants for an aggregate purchase price of $99,273,367.90 (which represents the face amount of the Series 2003-A Warrants plus net premium of $5,832,667.90, and less Underwriters' discount of $559,300.00) plus accrued interest. The initial public offering price set forth on the cover page may be changed by the Underwriters, and the Underwriters may offer and sell the Series 2003-A Warrants to certain dealers (including dealers depositing the Series 2003-A Warrants into investment trusts) and others at prices lower than the offering price set forth on the cover page. The Underwriters will purchase all the Series 2003-A Warrants if any are purchased.

RATINGS

The Series 2003-A Warrants have been rated Aa3 by Moody's Investors Service, Inc. ("Moody's") and AA by Standard & Poor's Ratings Service ("S&P"), a division of The McGraw-Hill Companies, Inc. Moody's and S&P are expected to assign the Series 2003-A Warrants ratings of Aaa and AAA, respectively, with the understanding that upon delivery of the Series 2003-A Warrants, a policy insuring the payment of principal of and interest on the Series 2003-A Warrants will be issued by MBIA Insurance Corporation. See "INSURANCE" herein. Any explanation of the significance of such ratings may be obtained only from the appropriate rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2003-A Warrants, and any such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Series 2003-A Warrants. Neither the County nor the Underwriters have undertaken any responsibility either to bring to the attention of the Series 2003-A Warrant holders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

MISCELLANEOUS

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

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

The distribution of this Official Statement and its use in the offering and sale of the Series 2003-A Warrants have been approved by the Commission.

JEFFERSON COUNTY, ALABAMA

By s/Larry P. Langford
President of the Commission

APPENDIX A

Department of Examiners of Public Accounts
Report on
The Jefferson County Commission
October 1, 2000 through September 30, 2001

Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2000 Through September 30, 2001

Filed: March 29, 2002

Department of
Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251

Ronald L. Jones, Chief Examiner

02-254

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State of Alabama
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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-14, we submit this report on the Jefferson County Commission for the period October 1, 2000 through September 30, 2001.

SCOPE AND OBJECTIVES

This report encompasses an audit of 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 generally accepted government auditing standards for financial audits. The objectives of this 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. ***Financial Section*** – includes basic financial statements (Exhibits 1 through 6); Notes to the Financial Statements; required supplementary information (Exhibit 7); combining financial statements (Exhibits 8 through 19); a Schedule of Expenditures of Federal Awards (Exhibit 20), which details federal assistance received and expended during the audit period; Notes to the Schedule of Expenditures of Federal Awards; and the ***Independent Auditor's Report***, which reports on whether the included financial information constitutes a fair presentation of the financial position and results of financial operations.

3. ***Additional Information*** – contains basic information related to the Commission (Exhibit 21) and the following reports and items required by generally accepted government auditing standards and/or U.S. Office of Management and Budget (OMB) Circular A–133 for federal compliance audits:

   Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 22) – a report on internal control related to the financial statements and a report 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 23) – 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 24) – a report summarizing the results of the audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by OMB Circular A-133.

   Auditee Response/Corrective Action Plan (Exhibit 25) – 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) bills and collects sewer service charges for the Jefferson County Commission (Commission). For the fiscal year ended September 30, 2001, neither BWWB nor Bessemer Water Service engaged an auditor to provide a report on each entity's internal controls that may be relevant to the Commission's internal controls.

AUDIT FINDINGS

- Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial records.
- Procedures were not present to assure that a complete and accurate listing of federal grants and programs was compiled for audit purposes. The list provided did not include all federal programs. Also, state programs and programs belonging to another entity were included on the list.

STATUS OF PRIOR AUDIT

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

- Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- At September 30, 2001, the following funds had deficit fund balances:

Road Fund	$2,927,000
Senior Citizens Activities Fund	$ 35,000
Capital Improvements Fund	$4,514,000

- The Alabama Competitive Bid Law requires that entities obtain competitive bids for purchases of goods and services costing $7,500.00 or more. The Commission bid gasoline and fuel for a period of three years and awarded the bid to a local vendor. However, the Commission made purchases of gasoline totaling $9,518.92 from another vendor.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

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

- Procedures were not present in the County's Office of Community Development to assure that payroll and fringe benefits amounts used as administrative costs were correctly charged to the program for which they were claimed.

RECOMMENDATIONS

- Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.
- Procedures should be implemented to assure that a complete and accurate listing of federal grants and programs is compiled for audit purposes.
- Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- The Commission should eliminate the deficit fund balances.
- The Commission should comply with the provisions of the Alabama Competitive Bid Law.
- Procedures should be implemented to assure that payroll and fringe benefits amounts are properly compiled for charges to grants as administrative costs.

Sworn to and subscribed before me this
the 13th day of March, 2002

Sandra E. Shirley
Notary Public

Sworn to and subscribed before me this
the 13th day of March, 2002

Sandra E. Shirley
Notary Public

Sworn to and subscribed before me this
the 13th day of March, 2002

Sandra E. Shirley
Notary Public

Sworn to and subscribed before me this
the 12th day of March, 2002.

Barbara P. Carter
Notary Public

rb

Respectfully submitted,

Elizabeth L. Crowson

Elizabeth L. Crowson
Examiner of Public Accounts

Cathy M. Cook

Cathy M. Cook
Examiner of Public Accounts

Larry S. McPherson
Examiner of Public Accounts

Melissa T. Johnson

Melissa T. Johnson
Examiner of Public Accounts

Independent Auditor's Report

We have audited the accompanying primary government financial statements of the Jefferson County Commission, as of and for the year ended September 30, 2001, as listed in the table of contents as Exhibits 1 through 6. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government, the Jefferson County Commission, as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Jefferson County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Jefferson County, as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 26 to the primary government financial statements, the Jefferson County Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 33, ***Accounting and Financial Reporting for Nonexchange Transactions***, and Statement Number 36, ***Recipient Reporting for Certain Shared Nonexchange Revenues***, an amendment of GASB Statement Number 33, for the year ended September 30, 2001. This resulted in a change to the Jefferson County Commission's method of accounting for certain nonexchange revenues.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 22, 2002 on our consideration of the Jefferson County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of Jefferson County Commission, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 20) 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 8 through 19) are presented for purposes of additional analysis and are not required parts of the primary government 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.

The Schedule of Funding Progress (Exhibit 7) is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

February 22, 2002

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Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2001
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and Investments	$ 37,410	$ 5,571	$ 158,894	$ 1,148
Accounts Receivable, Net	28			
Loans Receivable, Net		3,890		
Patient Accounts Receivable, Net				
Interest Receivable		11		
Due from Other Governments	19,333	9,073		418
Advances to Other Funds			19,200	
Property Taxes Receivable, Net	27,416	35,249		
Inventories	252	2,169		
Prepaid Expenses	12	4		
Fixed Assets, Net Where Applicable				
Amount Available in Debt Service Fund				
Accreted Interest				
Warrant Issuance Cost				
Deferred Loss on Early Debt Retirement				
Amount to Be Provided for Payment of General Long-Term Debt				
Amount to Be Provided for Payment of Compensated Absences				
TOTAL ASSETS	$ 84,451	$ 55,967	$ 178,094	$ 1,566

Exhibit #1

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Current Year
$ 555,948	$ 18,641	$ 666,714	$	$	$ 1,444,326
11,790	7				11,825
		636			4,526
8,732					8,732
353		6,264			6,628
967	3,293				33,084
					19,200
3,427					66,092
1,480	1,133				5,034
1,981	75	2			2,074
2,844,146	19,871	201	391,205		3,255,423
				153,033	153,033
				4,314	4,314
33,673					33,673
2,776					2,776
				131,518	131,518
				10,193	10,193
$ 3,465,273	$ 43,020	$ 673,817	$ 391,205	$ 299,058	$ 5,192,451

Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2001
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Cash Deficit	$	$ 529	$	$
Accounts Payable	3,247	2,140		4,985
Deposits Payable				
Advances from Other Funds				
Due to Other Governments	143	4,535		
Deferred Revenues	27,438	35,988		
Accrued Payroll and Taxes	4,808	371		
Accrued Interest Payable			5,861	
Retainage Payable				
Arbitrage Rebate Payable				
Estimated Liability for Compensated Absences	802	395		
Estimated Claims Liability				
Warrants Payable				
Estimated Liability for Landfill Closure/ Postclosure Care Costs				
TOTAL LIABILITIES	36,438	43,958	5,861	4,985
FUND EQUITY				
Retained Earnings				
Investment in General Fixed Assets				
Fund Balances:				
Reserved for Prepaid Expenses	12	4		
Reserved for Advances			19,200	
Reserved for Inventory	252	2,169		
Reserved for Petty Cash	76	2		
Reserved for Mapping and Appraisal	2,961			
Reserved for E-911	(1,088)			
Reserved for CGH Foundation		409		
Reserved for Loan Receivable		3,890		
Reserved for Debt Service			153,033	
Reserved for Trust Requirements				
Reserved for Encumbrances	1,688	17,270		24,356
Reserved for Contingent Refunds				
Reserved for Retirement/Disability Benefits				
Unreserved	44,112	(11,735)		(27,775)
TOTAL FUND EQUITY	48,013	12,009	172,233	(3,419)
TOTAL LIABILITIES AND FUND EQUITY	$ 84,451	$ 55,967	$ 178,094	$ 1,566

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

Exhibit #1

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Current Year
$ 2,493	$ 2,592	$	$	$	$ 5,614
20,639	1,662	418			33,091
48					48
19,200					19,200
					4,678
3,427					66,853
1,171	364	18			6,732
16,273					22,134
13,121					13,121
4,465					4,465
6,468	2,633	121		10,193	20,612
	4,640				4,640
1,796,250				288,865	2,085,115
3,355					3,355
1,886,910	11,891	557		299,058	2,289,658
1,578,363	31,129				1,609,492
			391,205		391,205
		2			18
					19,200
					2,421
					78
					2,961
					(1,088)
					409
		636			4,526
					153,033
		2,061			2,061
		15			43,329
		65,833			65,833
		604,713			604,713
					4,602
1,578,363	31,129	673,260	391,205		2,902,793
$ 3,465,273	$ 43,020	$ 673,817	$ 391,205	$ 299,058	$ 5,192,451

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended September 30, 2001

(In Thousands)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Taxes	$ 64,421	$ 77,839	$
Licenses and Permits	59,846		
Intergovernmental	22,040	24,626	812
Charges for Services	19,248	707	8
Indirect Cost Recovery	8,704		
Investment Income	12,021	532	4,265
Miscellaneous	265	4,413	
TOTAL REVENUES	186,545	108,117	5,085
EXPENDITURES			
Current:			
General Government	61,543	14,124	
Public Safety	50,217	1,096	
Highways and Roads		32,282	
Health and Welfare	1,104	8,500	
Culture and Recreation	13,758		
Education	197		
Capital Outlay	1,890	5,988	
Debt Service:			
Principal Retirement			119,345
Interest and Fiscal Charges			9,200
Indirect Cost	14,575	4,463	56
TOTAL EXPENDITURES	143,284	66,453	128,601
Excess of revenues over (under) expenditures	43,261	41,664	(123,516)
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Transaction			203,443
Bond Discount and Issuance Costs			(1,176)
Operating Transfers In	81	26,084	28,352
Proceeds from Sale of Fixed Assets	55	333	
Operating Transfers Out	(41,351)	(66,195)	(22,100)
TOTAL OTHER FINANCING SOURCES (USES)	(41,215)	(39,778)	208,519
Excess of revenues and other sources over (under) expenditures and other uses	2,046	1,886	85,003
Fund Balances at beginning of year, as restated (Note 27)	45,967	10,123	87,230
Fund Balances at end of year	$ 48,013	$ 12,009	$ 172,233

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

Exhibit #2

	Fiduciary Fund Type	Totals
Capital Projects	Expendable Trust	(Memorandum Only) Current Year
$	$	$ 142,260
		59,846
1,495	2,227	51,200
497		20,460
		8,704
74	65	16,957
160	155	4,993
2,226	2,447	304,420
	1,788	77,455
		51,313
4,436		36,718
		9,604
		13,758
		197
29,995		37,873
		119,345
		9,200
	72	19,166
34,431	1,860	374,629
(32,205)	587	(70,209)
		203,443
		(1,176)
24,609		79,126
95		483
(7,285)		(136,931)
17,419		144,945
(14,786)	587	74,736
11,367	2,127	156,814
$ (3,419)	$ 2,714	$ 231,550

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types
For the Year Ended September 30, 2001
(In Thousands)

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	$ 63,555	$ 64,421	$ 866
Licenses and Permits	58,028	59,846	1,818
Intergovernmental	24,870	22,040	(2,830)
Charges for Services	18,361	19,248	887
Indirect Cost Recovery	8,693	8,704	11
Investment Income	4,161	12,021	7,860
Miscellaneous	346	265	(81)
TOTAL REVENUES	178,014	186,545	8,531
EXPENDITURES			
Current:			
General Government	73,651	61,543	12,108
Public Safety	49,456	50,217	(761)
Highways and Roads			
Health and Welfare	1,104	1,104	
Culture and Recreation	13,762	13,758	4
Education	197	197	
Capital Outlay	2,689	1,890	799
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Indirect Cost	12,808	14,575	(1,767)
TOTAL EXPENDITURES	153,667	143,284	10,383
Excess of revenues over (under) expenditures	24,347	43,261	18,914
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Transaction			
Operating Transfers In	81	81	
Proceeds from Sale of Fixed Assets	172	55	(117)
Bond Discount and Issuance Costs			
Operating Transfers Out	(57,839)	(41,351)	16,488
TOTAL OTHER FINANCING SOURCES (USES)	(57,586)	(41,215)	16,371
Excess of revenues and other sources over (under) expenditures and other uses	(33,239)	2,046	35,285
Fund Balances at beginning of year, as restated (Note 27)	45,967	45,967	
Fund Balances at end of year	$ 12,728	$ 48,013	$ 35,285

Exhibit #3

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
$ 76,645	$ 77,839	$ 1,194
42,187	24,626	(17,561)
489	707	218
417	532	115
4,530	4,413	(117)
124,268	108,117	(16,151)
16,398	14,124	2,274
1,201	1,096	105
34,877	32,282	2,595
12,958	8,500	4,458
9,798	5,988	3,810
4,461	4,463	(2)
79,693	66,453	13,240
44,575	41,664	(2,911)
32,169	26,084	(6,085)
478	333	(145)
(68,758)	(66,195)	2,563
(36,111)	(39,778)	(3,667)
8,464	1,886	(6,578)
10,119	10,123	4
$ 18,583	$ 12,009	$ (6,574)

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types
For the Year Ended September 30, 2001
(In Thousands)

	Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	$	$	$
Licenses and Permits			
Intergovernmental	720	812	92
Charges for Services	11	8	(3)
Indirect Cost Recovery			
Investment Income	1,012	4,265	3,253
Miscellaneous			
TOTAL REVENUES	1,743	5,085	3,342
EXPENDITURES			
Current:			
General Government			
Public Safety			
Highways and Roads			
Health and Welfare			
Culture and Recreation			
Education			
Capital Outlay			
Debt Service:			
Principal Retirement	119,345	119,345	
Interest and Fiscal Charges	14,012	9,200	4,812
Indirect Cost	56	56	
TOTAL EXPENDITURES	133,413	128,601	4,812
Excess of revenues over (under) expenditures	(131,670)	(123,516)	8,154
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Transaction	203,443	203,443	
Operating Transfers In	29,368	28,352	(1,016)
Proceeds from Sale of Fixed Assets			
Bond Discount and Issuance Costs	(1,482)	(1,176)	306
Operating Transfers Out	(22,100)	(22,100)	
TOTAL OTHER FINANCING SOURCES (USES)	209,229	208,519	(710)
Excess of revenues and other sources over (under) expenditures and other uses	77,559	85,003	7,444
Fund Balances at beginning of year, as restated (Note 27)	87,230	87,230	
Fund Balances at end of year	$ 164,789	$ 172,233	$ 7,444

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

Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)
$	$	$
6,679	1,495	(5,184)
1,280	497	(783)
281	74	(207)
317	160	(157)
8,557	2,226	(6,331)
4,436	4,436	
37,175	29,995	7,180
41,611	34,431	7,180
(33,054)	(32,205)	849
24,609	24,609	
	95	95
	(7,285)	(7,285)
24,609	17,419	(7,190)
(8,445)	(14,786)	(6,341)
11,367	11,367	
$ 2,922	$ (3,419)	$ (6,341)

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Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types
For the Year Ended September 30, 2001
(In Thousands)

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Current Year
Operating Revenues			
Taxes	$ 3,806	$	$ 3,806
Intergovernmental		4,672	4,672
Charges for Services	121,653	20,184	141,837
Other Operating Revenue	219		219
Total Operating Revenues	125,678	24,856	150,534
Operating Expenses			
Provisions for Bad Debt	5,224		5,224
Salaries	56,393	16,665	73,058
Employee Benefits and Payroll Taxes	12,491	4,434	16,925
Utilities	7,173	3,119	10,292
Supplies	12,417	3,477	15,894
Depreciation and Amortization	38,280	2,579	40,859
Outside Services	20,157	8,475	28,632
Services from other Hospitals	4,963		4,963
Jefferson Clinic	7,495		7,495
Office Expense	2,151	2,408	4,559
Closure and Postclosure Care Cost	134		134
Miscellaneous	738	445	1,183
Total Operating Expenses	167,616	41,602	209,218
Operating Income/(Loss)	$ (41,938)	$ (16,746)	$ (58,684)

Exhibit #4

Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types

For the Year Ended September 30, 2001

(In Thousands)

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Current Year
Nonoperating Revenues (Expenses)			
Arbitrage Rebates	$ (1,004)	$	$ (1,004)
Interest Revenue	51,464	323	51,787
Miscellaneous Revenue	29	1,435	1,464
Interest Expense	(91,335)		(91,335)
Indirect Cost	(4,733)	(216)	(4,949)
Gain (Loss) on Sale of Fixed Assets	(153)	(26)	(179)
Indirect Cost Recovery		15,471	15,471
Total Nonoperating Revenues (Expenses)	(45,732)	16,987	(28,745)
Income/(Loss) Before Operating Transfers	(87,670)	241	(87,429)
Operating Transfers			
Operating Transfers In	50,623	9,189	59,812
Operating Transfers Out	(1,588)	(419)	(2,007)
Total Operating Transfers	49,035	8,770	57,805
Net Income/(Loss)	(38,635)	9,011	(29,624)
Fund Equity at beginning of year, as restated (Note 27)	1,616,998	22,118	1,639,116
Fund Equity at end of year	$ 1,578,363	$ 31,129	$ 1,609,492

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

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2001
(In Thousands)

	Proprietary Fund Types		Totals
		Internal	(Memorandum Only)
	Enterprise	Service	Current Year
Cash Flows from Operating Activities			
Operating Income (Loss)	$ (41,938)	$ (16,746)	$ (58,684)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	38,280	2,579	40,859
(Increase)/Decrease in Accounts Receivable	1,005	19	1,024
(Increase)/Decrease in Patients Receivable	(990)		(990)
(Increase)/Decrease in Interest Receivable	(353)		(353)
(Increase)/Decrease in Prepaid Items	(1,373)	65	(1,308)
(Increase)/Decrease in Due from Governmental Units	546	(770)	(224)
(Increase)/Decrease in Property Taxes Receivable	(3,427)		(3,427)
(Increase)/Decrease in Inventory	108	(113)	(5)
(Increase)/Decrease in Warrant Issuance Costs	(11,783)		(11,783)
(Increase)/Decrease in Deferred Loss on Early Debt Retirement	454		454
Increase/(Decrease) in Accounts Payable	(7,910)	865	(7,045)
Increase/(Decrease) in Advances to Other Funds	19,200		19,200
Increase/(Decrease) in Other Accounts Payable	(248)	(16)	(264)
Increase/(Decrease) in Due To Other Funds		(1)	(1)
Increase/(Decrease) in Deferred Revenues	3,427		3,427
Increase/(Decrease) in Accrued Payroll and Taxes	46	24	70
Increase/(Decrease) in Compensated Absences Payable		177	177
Increase/(Decrease) in Deposits Payable	11		11
Increase/(Decrease) in Retainage Payable	7,006		7,006
Increase/(Decrease) in Interest Payable	2,510		2,510
Increase/(Decrease) in Arbitrage Rebate Payable	1,004		1,004
Increase/(Decrease) in Compensated Absences Payable	407		407
Increase/(Decrease) in Estimated Claims Liability		1,981	1,981
Increase/(Decrease) in Estimated Liability for Landfill Postclosure Costs	93		93
Total Adjustments	48,013	4,810	52,823
Net Cash Provided/(Used) by Operating Activities Carried Forward	$ 6,075	$ (11,936)	$ (5,861)

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2001
(In Thousands)

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Current Year
Net Cash Provided/(Used) by Operating Activities Brought Forward	$ 6,075	$ (11,936)	$ (5,861)
Cash Flows from Non-Capital Financing Activities			
Operating Transfers In	50,623	9,189	59,812
Operating Transfers Out	(1,588)	(419)	(2,007)
Increase/(Decrease) in Cash Deficit	2,493	447	2,940
Received from Auxiliary Services	29	1,435	1,464
Indirect Cost Recovery		15,471	15,471
Indirect Cost	(4,733)	(216)	(4,949)
Net Cash Provided/(Used) by Non-Capital Financing Activities	46,824	25,907	72,731
Cash Flows from Capital and Related Financing Activities			
Interest Paid	(91,335)		(91,335)
Acquisition of Fixed Assets	(384,053)	(8,352)	(392,405)
Proceeds from Warrant Issuance	275,000		275,000
Principal Payments	(37,635)		(37,635)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(238,023)	(8,352)	(246,375)
Cash Flows from Investing Activities			
Interest and Dividend Income	51,464	323	51,787
Net Cash Provided/(Used) by Investing Activities	51,464	323	51,787
Net Increase/(Decrease) in Cash and Cash Equivalents	(133,660)	5,942	(127,718)
Cash and Investments, Beginning of Year	689,608	12,699	702,307
Cash and Investments, End of Year	$ 555,948	$ 18,641	$ 574,589

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

Statement of Changes in Plan Net Assets
Pension Trust Fund
For the Year Ended September 30, 2001
(In Thousands)

		Pension Trust Fund
Additions		
Investment Income		
Net Appreciation in Fair Value of Investments	$	29,064
Interest		23,164
Dividends		2,929
Total Investment Income		55,157
Less: Investment Manager Fees		1,470
Sub-Total		53,687
Contributions		
Members		7,537
Employer		7,544
Total Contributions		15,081
Other		
Pistol Permits		251
Other Income		38
Sub-Total		289
Total Additions		69,057
Deductions		
Net Depreciation in Common Stocks		71,369
Participant Expenses		
Benefits paid to participants and beneficiaries		15,458
Refunds of member contributions		1,283
Interest paid on refunds of member contributions		143
Sub-Total		16,884
Administrative Expenses		
Office Expenses		228
Other Expenses		54
Sub-Total		282
Total Deductions		88,535
Change in Net Assets		(19,478)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year		690,024
End of Year	$	670,546

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

Exhibit #6

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 generally accepted accounting principles (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 Commission's accounting policies are described below.

In June 1999, The Governmental Accounting Standards Board (GASB) approved Statement Number 34, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*** (hereinafter referred to as the "Statement"). This Statement provides for significant changes in financial reporting for governmental entities. Some of the significant changes include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Commission's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on major funds.

The Statement provides for a phased-in implementation (based on the total annual revenues of the government) starting in fiscal years ending 2002. The Commission is considered a phase one government and will implement the statement in fiscal year ending September 30, 2002. The Commission is required to prospectively report general infrastructure assets at the same time the Statement is implemented. Retroactive reporting of all major general infrastructure assets is required by or before 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 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.

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. Fund Accounting

The Commission uses funds and account groups to report on 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."

Governmental Fund Types

Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

General Fund

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

Special Revenue Funds

The Commission used the following special revenue funds:

- ***Indigent Care Fund*** – This fund is used to account for the expenditure of beverage and sales taxes designated for indigent county residents.
- ***Road Fund*** – This fund is used to account for the County's share of the following taxes: 7-cent and 4-cent per gallon gasoline tax, the 5-cent per gallon supplemental excise tax, the 2-cent per gallon inspection fee, motor vehicle and truck license taxes and fees, and driver's license revenue. Revenues are earmarked for building and maintaining county roads and bridges.
- ***Senior Citizens' Activities Fund*** – This fund is used to account for the expenditure of federal and county funds to provide social, nutritional, transportation, and other services to elderly residents of Jefferson County.
- ***Bridge and Public Building Fund*** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.
- ***Community Development Fund*** – This fund is used to account for the expenditure of federal block grant funds.
- ***CDBG/EDA Revolving Loan Fund*** – This fund is used to account for the Commission's administration of various loan programs for rental housing rehabilitation and economic development.
- ***Home Grant Fund*** – This fund is used to account for the expenditure of funds received from the U.S. Department of Housing and Urban Development.
- ***Emergency Management Fund*** – This fund is used to account for the expenditure of funds received for disaster assistance programs.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, the Commission's general long-term debt principal and interest. During the fiscal year ended September 30, 2001, the Commission had one debt service fund.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). During the fiscal year ended September 30, 2001, the Commission had the following capital projects funds:

- ***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.

Proprietary Fund Types

Proprietary fund types are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services for such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

Enterprise Funds

These funds are used to account for activities where the intent of the Commission 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 where the Commission decided that periodic income determination is appropriate for capital maintenance, public policy, management control accountability or other purposes.

The Commission operates the following enterprises:

- ***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.

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

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

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

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

Internal Service Funds

These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis and for a governmental entity's risk financing activities. During the fiscal year ended September 30, 2001, the Commission had the following internal service funds:

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

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

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

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

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

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

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

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

Fiduciary Fund Types

Fiduciary fund types are used to account for resources held by the Commission in a trustee capacity. Assets of fiduciary fund types do not belong to the Commission; the Commission has a liability to disburse those assets to specific individuals or organizations. These funds include expendable trust and pension trust funds.

Expendable Trust Fund

- *Stormwater Management Authority Fund* – This fund is used to account for the expenditure of intergovernmental revenues to assist member governing bodies with compliance with federal and state laws relating to storm water discharges.
- *City of Birmingham Revolving Loan Fund* – This fund is used to account for the Commission's administration of the City of Birmingham revolving loan program for economic development.

Pension Trust Fund

- *General Retirement System Fund* – This fund is used to account for all transactions related to resources held in trust for the General Retirement System (GRS) for Employees of Jefferson County.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the Commission's general fixed assets and the unmatured principal of its general long-term debt. These account groups are not funds. They do not reflect available financial resources and related liabilities - but are accounting records of the general fixed assets and general long-term debt and certain associated information.

- *General Fixed Assets Account Group* – This account group is used to account for all Commission fixed assets except those related to specific proprietary funds.
- *General Long-Term Debt Account Group* – This account group is used to account for all unmatured long-term liabilities of the Commission except for the long-term liabilities of proprietary funds.

C. Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

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

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

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

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

The accrual basis of accounting is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service and capital projects funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation -- is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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 stated at fair value or amortized cost. Investments held in escrow for retainage on construction contracts and as surety for purchase commitments are stated at fair value.

F. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance and reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2001, are recorded as prepaid items.

I. Fixed Assets

Governmental Funds -- General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed 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.

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

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

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

	Years
Buildings	28-50
Improvements	28
Equipment	5-30

J. Other Debits

The general long-term debt account group reflects accounts entitled "Amount to Be Provided for Retirement of General Long-Term Debt" and "Amount to Be Provided for Payment of Compensated Absences." These accounts have debit balances and are offset by corresponding payables. They do not constitute assets of the Commission.

K. Compensated Absences

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

Vacation Leave

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

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

Sick Leave

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

Compensatory Leave

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

Maximum limitations of accumulated compensatory time are as follows:

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

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

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

As of September 30, 2001, the liability for accrued vacation and compensatory leave is approximately $12,837,000. The amounts applicable to the proprietary funds of $5,568,000 have been recorded in those funds. Only the current portion of $1,122,000 has been reported as a liability in the governmental funds and fiduciary funds. The remainder of $6,147,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

As of September 30, 2001, the liability for accrued sick leave is approximately $7,775,000. The amounts applicable to the proprietary funds of $3,534,000 have been recorded in those funds. Only the current portion of $195,000 has been reported as a liability in the governmental funds and fiduciary funds. The remainder of $4,046,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

L. Long-Term Obligations

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

M. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

N. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method.

Bond discount/issue cost of the Series 2000-A Sewer Revenue Capital Improvement Warrants contain deferred costs of $11,605,000 that are being amortized over 40 years. At September 30, 2001, the unamortized deferred cost of the 2000-A issue was $11,435,000.

Bond discount/issue cost of the Series 1999-A Sewer Revenue Refunding Warrants contain deferred costs of $8,003,000 that are being amortized over 40 years. At September 30, 2001, the unamortized deferred cost of the 1999-A issue was $7,486,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contain deferred costs of $9,956,000 that are being amortized over 30 years. At September 30, 2001, the unamortized deferred cost of the 1997-A issue was $8,407,000.

Bond discount/issue cost of the Series 1997-B Sewer Revenue Refunding Warrants contain deferred costs of $509,000 that are being amortized over 6 years. At September 30, 2001, the unamortized deferred cost of the 1997-B issue was $113,000.

Bond discount/issue cost of the Series 1997-C Sewer Revenue Refunding Warrants contain deferred costs of $946,000 that are being amortized over 18 years. At September 30, 2001, the unamortized deferred cost of the 1997-C issue was $701,000.

Bond discount/issue cost of the Series 1997-D Sewer Revenue Warrants contain deferred costs of $6,320,000 that are being amortized over 30 years. At September 30, 2001, the unamortized deferred cost of the 1997-D issue was $5,355,000.

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of $178,000 that are being amortized over 20 years. At September 30, 2001, the unamortized deferred cost of this issue was $176,000.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

P. Memorandum Only – Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Q. Property Taxes

Millage rates 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 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.

Bond discount/issue cost of the Series 1997-B Sewer Revenue Refunding Warrants contain deferred costs of $509,000 that are being amortized over 6 years. At September 30, 2001, the unamortized deferred cost of the 1997-B issue was $113,000.

Bond discount/issue cost of the Series 1997-C Sewer Revenue Refunding Warrants contain deferred costs of $946,000 that are being amortized over 18 years. At September 30, 2001, the unamortized deferred cost of the 1997-C issue was $701,000.

Bond discount/issue cost of the Series 1997-D Sewer Revenue Warrants contain deferred costs of $6,320,000 that are being amortized over 30 years. At September 30, 2001, the unamortized deferred cost of the 1997-D issue was $5,355,000.

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of $178,000 that are being amortized over 20 years. At September 30, 2001, the unamortized deferred cost of this issue was $176,000.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

P. Memorandum Only – Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Q. Property Taxes

Millage rates 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 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.

R. Policy re: FASB Pronouncements for Proprietary Activities

The Commission, in accounting for its proprietary activities, follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

Note 2 – Budgets and Appropriations

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

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

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

Note 3 – Deposits and Investments

Deposits

The Commission's deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provision contained in the ***Code of Alabama 1975***, Sections 41-14A 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 failed 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	Recorded Amount	Fair Value
U.S. Government Securities(**)	$ 635,745	$ 635,745	$ 635,745
Repurchase Agreements	218,332	218,332	218,332
Corporate Obligations(*)	170,161	170,160	170,160
Common Stocks(*)	256,791	256,791	256,791
Total Investments	$1,281,029	$1,281,029	$1,281,029

(*) Investments of General Retirement System for Employees of Jefferson County.

(**) Includes $227,379,000 investments of General Retirement System for Employees of Jefferson County.

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 $13,121,000 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 4 – Due From Other Governments

Amounts due from other governments included on the accompanying financial statements as of September 30, 2001, are as follows:

	(In Thousands)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Totals
Federal	$ 444	$1,114	$190	$	$	$ 1,748
State	1,216	1,364		357	29	2,966
County	17,648	6,549		610	404	25,211
Municipal	25	46	228		2,860	3,159
Total	$19,333	$9,073	$418	$967	$3,293	$33,084

Note 5 – Advances to Other Funds

The advances to other funds at September 30, 2001, are as follows:

	(In Thousands)
	Advances From Other Funds
	Sanitary Landfill Operations Fund
Advances To Other Funds	
Debt Service Fund	$19,200

Note 6 – Receivables

Accounts Receivable

Amounts recorded as accounts receivable for governmental fund types and proprietary fund types consist primarily of amounts due from individuals less an allowance account for amounts estimated to be uncollectible. The balances for accounts receivable at September 30, 2001, are listed as follows:

	(In Thousands)			
	Governmental Fund Type	Proprietary Fund Types		
	General	Enterprise	Internal Service	Total
Accounts Receivable	$28	$14,193	$7	$14,288
Less: Allowance Accounts		(2,403)		(2,403)
Net Receivables	$28	$11,790	$7	$11,825

Patient Receivables

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

	(In Thousands)
	Enterprise Funds
Patient Receivables	$15,205
Less: Allowance Accounts	(6,473)
Net Patient Receivables	$ 8,732

Loan Receivables

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 $3,890,000 at September 30, 2001.

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, 2001, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled $636,000.

Interest Receivables

Interest receivables for the Commission at September 30, 2001, were as follows:

	(In Thousands)			
	Special Revenue Funds	Enterprise Funds	Pension Trust Fund	Total
Interest Receivables	$11,000	$353,000	$6,264,000	$6,628,000

Note 7 – Changes in Fixed Assets

A summary of changes in the Commission's general fixed assets is as follows:

	(In Thousands)			
	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
Land	$ 9,024	$ 1,285	$	$ 10,309
Buildings	189,366	951	3	190,314
Improvements Other Than Land/Buildings	7,785	98	7	7,876
Equipment and Furniture	78,032	6,034	6,133	77,933
Construction in Progress	75,737	29,135	99	104,773
Total	$359,944	$37,503	$6,242	$391,205

A summary of changes in expendable trust fund fixed assets is as follows:

	(In Thousands)			
	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
Equipment and Furniture	$356	$75	$4	$427
Less: Accumulated Depreciation	(157)	(71)	2	(226)
Total	$199	$ 4	$2	$201

A summary of changes in property, plant, and equipment of proprietary funds is as follows:

Enterprise Funds

	(In Thousands)			
	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
Land	$ 20,313	$ 15,409	$ 4,604	$ 31,118
Buildings	266,564	6,779	15	273,328
Improvements Other Than Land/Buildings	562,851	1,479,968	2,508	2,040,311
Equipment and Furniture	45,171	2,886	2,203	45,854
Construction in Progress	513,085	378,109	77,533	813,661
Sub-Total	1,407,984	1,883,151	86,863	3,204,272
Less: Accumulated Depreciation	(325,452)	(36,695)	2,021	(360,126)
Total	$1,082,532	$1,846,456	$84,842	$2,844,146

Internal Service Funds

	(In Thousands)			
	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
Land	$ 76	$	$	$ 76
Buildings	6,719			6,719
Improvements Other Than Land/Buildings	548	10	1	557
Equipment and Furniture	13,980	2,967	978	15,969
Construction in Progress	624	5,802		6,426
Sub-Total	21,947	8,779	979	29,747
Less: Accumulated Depreciation	(7,825)	(2,622)	571	(9,876)
Total	$14,122	$6,157	$408	$19,871

Note 8 – 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 in the Commission's account groups. During the fiscal year ended September 30, 2001, the Commission paid a total of $755,000 for operating leases.

The following is a schedule by fiscal years of future minimum rental payments required under operating leases for facilities that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2001:

	(In Thousands)
Fiscal Year	Facilities and Equipment
2001-2002	$ 268
2002-2003	265
2003-2004	209
2004-2005	196
2005-2006	198
Thereafter	1,702
Total Minimum Payments Required	$2,838

Note 9 – 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 10 – Risk Management

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

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

- *Workers' Compensation* - Self-insured with a retention of $350,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.

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

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

- *Hospital and Nursing Home Medical Malpractice and General Liability* - Insured through the County's participation in the Alabama Hospital Association Trust Fund with limits of $1 million per occurrence with a $3 million per report year aggregate.

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

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

	(In Thousands)							
	General Liability		Auto Liability		Workers' Compensation		Totals	
	2001	2000	2001	2000	2001	2000	2001	2000
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 685	$551	$ (25)	$200	$1,999	$2,286	$2,659	$3,037
Incurred claims and claim adjustment expenses:								
Provision for insured events of current fiscal year	778	404	412	90	1,072	591	2,262	1,085
Increases in provision for insured events of prior fiscal years	94		155		1,436		1,685	
Total incurred claims and claim adjustment expenses	872	404	567	90	2,508	591	3,947	1,085
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	323	270	159	315	1,484	878	1,966	1,463
Claims and claim adjustment expenses attributable to insured events of prior fiscal year								
Totals payments	323	270	159	315	1,484	878	1,966	1,463
Total unpaid claim and claim adjustment expenses at end of fiscal year	$1,234	$685	$383	$ (25)	$3,023	$1,999	$4,640	$2,659

Note 11 – Changes in Long-Term Debt

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2001:

	(In Thousands)			
	Debt Outstanding October 1, 2000	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2001
Warrants Payable:				
General Obligations Warrants	$206,210	$202,000	$119,345	$288,865
Estimated Liability for Compensated Absences	9,673	520		10,193
Total	$215,883	$202,520	$119,345	$299,058

The following is a summary of proprietary long-term debt transactions for the Commission for the year ended September 30, 2001:

	(In Thousands)			
	Debt Outstanding October 1, 2000	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2001
Warrants Payable:				
Revenue Warrants	$1,558,885	$275,000	$37,635	$1,796,250
Estimated Liability for Postclosure Landfill Costs	3,262	134	41	3,355
Estimated Claims Liability	2,659	3,947	1,966	4,640
Estimated Liability for Compensated Absences	8,515	586		9,101
Total	$1,573,321	$279,667	$39,642	$1,813,346

The following is a schedule of debt service requirements to maturity:

	(In Thousands)				
	General Obligation Warrants		Revenue Warrants		Total Principal and Interest
Fiscal Year Ended	Principal	Interest	Principal	Interest	Requirements
September 30, 2002	$ 17,505	$ 12,423	$ 8,495	$ 95,721	$ 134,144
2003	18,100	11,703	13,300	95,064	138,167
2004	18,810	11,154	2,595	94,603	127,162
2005	21,785	10,562	8,575	94,349	135,271
2006	16,405	9,723	6,490	93,991	126,609
2007	24,080	8,988	3,730	93,758	130,556
2008	14,430	8,045	3,885	93,601	119,961
2009	15,135	7,309	4,050	93,436	119,930
2010	12,805	6,534	4,220	93,265	116,824
2011	9,810	5,881	4,400	93,086	113,177
2012	9,695	5,420	4,585	92,899	112,599
2013	10,150	4,935	4,785	92,702	112,572
2014	10,620	4,432	4,990	92,494	112,536
2015	11,115	3,907	5,210	92,277	112,509
2016	11,630	3,356	1,215	92,136	108,337
2017	12,170	2,779	28,045	91,317	134,311
2018	12,740	2,173	31,085	89,651	135,649
2019	13,330	1,542	34,355	87,801	137,028
2020	13,950	883	37,960	85,758	138,551
2021	14,600	191	38,330	83,598	136,719
2022			46,195	81,195	127,390
2023			48,490	78,524	127,014
2024			53,670	75,672	129,342
2025			59,500	72,517	132,017
2026			65,810	69,030	134,840
2027			72,855	65,176	138,031
2028			61,105	61,582	122,687
2029			64,325	58,359	122,684
2030			67,675	55,008	122,683
2031			71,160	51,524	122,684
2032			74,815	47,868	122,683
2033			78,655	44,031	122,686
2034			82,840	39,844	122,684
2035			87,410	35,273	122,683
2036			92,240	30,440	122,680
2037			97,525	25,160	122,685
2038			103,290	19,396	122,686
2039			109,055	13,629	122,684
2040			101,960	8,098	110,058
2041			107,375	2,684	110,059
Totals	$288,865	$121,940	$1,796,250	$2,776,517	$4,983,572

Note 12 – Issuance of Sewer Warrants

On March 23, 2001, the Jefferson County Commission issued $275,000,000 in Sewer Revenue Capital Improvement Warrants with interest rates ranging between 4.5 and 5.5 percent to finance improvements to the County's sewer system. The warrants are limited obligations of the County payable solely out of revenues derived from the Sewer Tax and all other monies received derived from the operation of the sewer system remaining after payment of operating expenses.

Note 13 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $1,796,250,000 at September 30, 2001. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 1997-B Taxable Sewer Revenue Refunding Warrants, 3) the 1997-C AWPCA Refunding Warrant, 4) the 1997-D Sewer Revenue Warrants, 5) the 1999-A Sewer Revenue Capital Improvement Warrants and 6) the 2001-A Sewer Revenue 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, and 5) a redemption fund into which the trustee deposits certain insurance or disposition proceeds.

The balances as of September 30, 2001, exceeded the bond indenture requirements and were as follows:

	(In Thousands)
Sewer Reserve Fund	$54,106
1999 Sewer Reserve Fund	70,133
Sewer Rate Stabilization Fund	61,720
Sewer Depreciation Fund	37,325

Note 14 – 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,	2001	2000	1999	1998	1997	1996	1995
Active Accounts	142,305	142,277	142,042	141,606	140,324	140,146	140,361
Average Daily Treatment Volume (millions of gallons treated)	97	112	119	132	127	130	123
Sewer Charges	$72,129,478	$66,834,206	$57,020,426	$49,531,824	$46,950,835	$44,387,013	$39,587,914
% Revenues - Largest Customer	2.66%	2.57%	2.93%	2.91%	2.92%	3.08%	2.87%
% Revenues - Top 10 Customers	12.53%	11.99%	11.62%	12.35%	10.37%	13.10%	10.37%

2001 Top Ten Customers	Consumption	Amount
University of Alabama – Birmingham	876,244	$1,919,492
Birmingham Housing Authority	674,131	1,863,624
US Steel	516,791	1,379,428
Barber Dairies	144,828	1,243,709
Golden Flake	161,290	534,827
Birmingham Board of Education	180,821	523,303
Buffalo Rock	216,133	484,908
Baptist Medical Centers	204,236	439,239
Brookwood Medical Center	127,367	352,688
PEMCO	105,917	299,517

Effective March 1, 1999, January 1, 2000 and January 1, 2001, 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 15 – Extinguishment of Debt

On May 10, 2001, the Jefferson County Commission issued $82,000,000 in General Obligation Warrants, Series 2001-A, for the purpose of 1) refunding $7,125,000 of outstanding Series 2000 General Obligation Warrants with a variable interest rate and 2) paying the costs of various capital improvements to County buildings and facilities. The Series 2000 Warrants are considered to be legally defeased and the liability for those warrants has been removed from the general long-term debt account group.

On July 19, 2001, the Commission issued $120,000,000 in General Obligation Warrants, Series 2001-B, with a variable interest rate for the purpose of refunding $100,000,000 of outstanding Series 1999 General Obligation Warrants and $19,000,000 of outstanding Series 1996 General Obligation Warrants. The Series 1996 and 1999 Warrants are considered to be legally defeased and the liability for those warrants has been removed from the Landfill Enterprise Fund and the general long-term debt account group, respectively.

Note 16 – Prior Year Defeasance of Debt

As of September 30, 2001, the following warrants outstanding are considered defeased:

	(In Thousands)
Sewer Revenue Warrants, Series 1988	$ 27,990
Sewer Revenue Warrants, Series 1992	46,050
Sewer Revenue Warrants, Series 1993	27,380
Sewer Construction Warrants, Series 1977	1,105
Sanitary Sewer Refunding Warrants, Series 1978	10,925
Total Warrants Defeased	$113,450

Note 17 – Conduit Debt

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, 2001, the principal amount outstanding was $44,045,000.

Note 18 – Segment Information for Enterprise Funds

The Commission operates Enterprise Funds, which provide medical, inpatient nursing care, landfill, sewer and parking services. These funds are intended to be self-supporting through user fees charged to the public for services. Financial segment information as of and for the year ended September 30, 2001, is presented below:

	(In Thousands)					
	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Total Enterprise Funds
Operating Revenues	$31,635	$ 8,885	$ 4,078	$ 80,858	$222	$ 125,678
Depreciation, Depletion and Amortization Expense	2,026	353	2,312	33,576	13	38,280
Operating Income or (Loss)	(40,386)	(5,810)	(2,426)	6,708	(24)	(41,938)
Operating Grants, Entitlements and Shared Revenues		59	64	96		219
Operating Transfers:						
In	37,874	7,183	5,566			50,623
(Out)			(1,251)	(337)		(1,588)
Tax Revenues				3,806		3,806
Net Income or (Loss)	(3,960)	890	716	(36,217)	(64)	(38,635)
Property, Plant and Equipment:						
Additions	546	796	730	1,881,080		1,883,152
Deletions	908	181	872	84,904		86,865
Net Working Capital	5,617	1,551	(18,559)	532,792	26	521,427
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenue	2,315	523	23,004	1,799,426	5	1,825,273
Total Equity	$15,515	$10,542	$29,591	$1,522,674	$ 41	$1,578,363

Note 19 – Construction and Other Significant Commitments

The following is a listing of the outstanding contracts entered into and commitments made for the fiscal year ending September 30, 2001:

Nature of Commitment	(In Thousands) Amount
Cahaba Sewer Improvement Project	$ 32,878
Correctional Facilities Project	2,608
Courthouse Building Renovation Project	3,336
Five Mile Creek Sewer Improvement Project	8,997
Miscellaneous Sewer Improvements - System-Wide	9,946
Highway Improvements	2,737
Home Buyer Assistance Program	2,451
Valley Creek Sewer Improvement Project	133,324
Village Creek Sewer Improvement Project	111,533
Domestic Relations Project	5,676
Central Laundry Project	2,083
United Way Program	5,796
Miscellaneous Equipment	2,493
Totals	$323,858

Note 20 – 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 (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, 2001. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35263-0003.

B. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The financial statements of the Plan are prepared under the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Plan investments are stated at fair value. Quoted market prices are used for all investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized appreciation or depreciation is reflected in the financial statements, when applicable.

Reserves for Contingent Refunds and Retirement and Disability Benefits

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

C. Actuarial Information

For the year ended September 30, 2001, the Commission's annual pension contribution of $7,543,314 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, 2001, 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2001 was 22 years.

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

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2001	$7,543,314	100%	$0
9/30/2000	$7,752,354	100%	$0
9/30/1999	$7,055,584	100%	$0

The Schedule of Funding Progress, which is required supplementary information is contained in Exhibit 7.

Note 21 – Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 20, 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 264 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 $197 to $545 per month and total insurance premiums range from $223 to $639. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $276,243.76 were recognized for post-retirement health benefits.

Note 22 – Deficit Fund Balances

At September 30, 2001, the following funds had deficit fund balances:

	(In Thousands)
Special Revenue Funds	
Road Fund	$2,927
Senior Citizens' Activities	$ 35
Capital Projects Funds	
Capital Improvement Fund	$4,514

Note 23 – 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 $3,355,000, as of September 30, 2001. This estimate was based on 86% usage (filled) of the Jefferson County Landfill Number 1, 59% usage (filled) of the Jefferson County Landfill Number 2, 7% usage (filled) of the Jefferson County Inert Landfill Number 1, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills, which were both closed in 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, 2001. 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 24 – Subsequent Events

In February 2002, the Commission issued $20,065,000 in General Obligation Refunding Warrants, Series 2002-A. This issue refunded the outstanding balance of the 1992 General Obligation Capital Improvement and Capital Appreciation Warrants. In March 2002, the Commission is expected to issue $110,000,000 in Sewer Revenue Warrants. The proceeds will be used for additional financing of the sanitary sewer upgrade project.

Note 25 – 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. In the event of an unfavorable outcome to the State of Alabama, the 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 from this tax until the liability is satisfied.

Note 26 – GASB Statement Number 33

The Commission implemented GASB Statement Number 33, ***Accounting and Financial Reporting for Nonexchange Transactions***, and GASB Statement Number 36, ***Recipient Reporting for Certain Shared Nonexchange Revenues***, an amendment of GASB Statement Number 33, beginning in fiscal year 2001. This Statement required the accrual of some assets and revenues which were not previously recognized in the Commission's financial statements. The most significant of these is the accrual of property, sales and occupational taxes. The accrual of the property taxes, which are levied in the current year but are not available to fund current year operations, results in deferred revenue.

Note 27 – Restatements

On October 1, 2000, the fund balances of the general and special revenue funds were restated as follows:

	(In Thousands)	
	General Fund	Special Revenue Funds
Fund Balance, October 1, 2000, as Previously Reported	$39,041	$ 7,122
GASB 33 Accruals	6,926	3,085
Overstatement of Receivables		(84)
Fund Balance, October 1, 2000, as Restated	$45,967	$10,123

On October 1, 2000, the fund equity of the enterprise funds was restated as follows:

	(In Thousands)
	Enterprise Funds
Fund Equity, October 1, 2000, as Previously Reported	$ 201,170
Sewer Assets Obtained from the City of Birmingham	1,415,811
Understatement of Fixed Assets in the Prior Year	17
Fund Equity, October 1, 2000, as Restated	$1,616,998

Note 28 – Interest Rate Swap Agreements

The Commission has entered into interest rate swap agreements with Morgan Guaranty Trust Company of New York (Morgan) and has executed various transactions with Morgan to receive interest payments for periods of up to 40 years based on notional amounts ranging from $70 to $200 million. The Commission agreed to pay Morgan interest payments based on the published Bond Market Association (BMA) rates for periods of up to 40 years using the above mentioned notional amounts.

Required Supplementary Information

Schedule of Funding Progress

For the Year Ended September 30, 2001

(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 (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/1999	$534,063	$445,237	$(88,826)	120.0%	$120,691	(73.6%)
10/01/2000	$595,364	$517,622	$(77,742)	115.0%	$126,520	(61.4%)
10/01/2001	$642,487	$550,172	$(92,315)	116.8%	$133,919	(68.9%)

Combining Financial Statements

Combining Balance Sheet
All Special Revenue Funds
September 30, 2001
(In Thousands)

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
ASSETS			
Cash and Investments	$ 529	$ 337	$
Loans Receivable, Net			
Interest Receivable			
Due from Other Governments	5,880	795	257
Property Taxes Receivable, Net		10,281	
Inventories		2,169	
Prepaid Expenses		2	2
TOTAL ASSETS	6,409	13,584	259
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Cash Deficit			141
Accounts Payable		985	124
Due to Other Governments		4,517	
Deferred Revenues		10,281	18
Accrued Payroll and Taxes		332	11
Estimated Liability for Compensated Absences		396	
TOTAL LIABILITIES		16,511	294
FUND EQUITY			
Fund Balances:			
Reserved for Prepaid Expenses		2	2
Reserved for Inventory		2,169	
Reserved for Petty Cash		1	
Reserved for CGH Foundation	409		
Reserved for Loan Receivable			
Reserved for Encumbrances	141	2,950	73
Unreserved	5,859	(8,049)	(110)
TOTAL FUND EQUITY	6,409	(2,927)	(35)
TOTAL LIABILITIES AND FUND EQUITY	$ 6,409	$ 13,584	$ 259

Exhibit #8

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals Current Year
$ 2,691	$	$ 910	$ 77	$ 1,027	$ 5,571
	154	2,940	796		3,890
	11				11
392	1,103		642	4	9,073
24,968					35,249
					2,169
					4
28,051	1,268	3,850	1,515	1,031	55,967
	388				529
	738		280	13	2,140
		18			4,535
24,968				721	35,988
	21		1	6	371
				(1)	395
24,968	1,147	18	281	739	43,958
					4
					2,169
				1	2
					409
	154	2,940	796		3,890
	10,991		2,599	516	17,270
3,083	(11,024)	892	(2,161)	(225)	(11,735)
3,083	121	3,832	1,234	292	12,009
$ 28,051	$ 1,268	$ 3,850	$ 1,515	$ 1,031	$ 55,967

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds
For the Year Ended September 30, 2001
(In Thousands)

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
REVENUES			
Taxes	$ 38,217	$ 11,996	$
Intergovernmental		7,847	5,339
Charges for Services		173	
Investment Income	7		12
Miscellaneous	4,163	95	5
TOTAL REVENUES	42,387	20,111	5,356
EXPENDITURES			
Current:			
General Government	6,557		6,215
Public Safety			
Highways and Roads		32,282	
Health and Welfare			
Capital Outlay		4,562	25
Indirect Cost	22	3,889	165
TOTAL EXPENDITURES	6,579	40,733	6,405
Excess of revenues over (under) expenditures	35,808	(20,622)	(1,049)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	2,485	20,894	1,574
Proceeds from Sale of Fixed Assets		317	15
Operating Transfers Out	(37,869)	(626)	(524)
TOTAL OTHER FINANCING SOURCES (USES)	(35,384)	20,585	1,065
Excess of revenues and other sources over (under) expenditures and other uses	424	(37)	16
Fund Balances at beginning of year, as restated	5,985	(2,890)	(51)
Fund Balances at end of year	$ 6,409	$ (2,927)	$ (35)

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals
					Current Year
$ 27,626	$	$	$	$	$ 77,839
697	8,411	2	1,268	1,062	24,626
	223			311	707
360		119	16	18	532
		3	129	18	4,413
28,683	8,634	124	1,413	1,409	108,117
	1,240		112		14,124
				1,096	1,096
					32,282
	6,638	412	1,450		8,500
	1,225			176	5,988
42	232	20	17	76	4,463
42	9,335	432	1,579	1,348	66,453
28,641	(701)	(308)	(166)	61	41,664
	656	96	277	102	26,084
	1				333
(27,101)	(75)				(66,195)
(27,101)	582	96	277	102	(39,778)
1,540	(119)	(212)	111	163	1,886
1,543	240	4,044	1,123	129	10,123
$ 3,083	$ 121	$ 3,832	$ 1,234	$ 292	$ 12,009

Combining Balance Sheet
All Capital Projects Funds
September 30, 2001
(In Thousands)

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
ASSETS			
Cash and Investments	$ 28	$ 1,120	$ 1,148
Due from Other Governments	213	205	418
TOTAL ASSETS	241	1,325	1,566
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	4,755	230	4,985
TOTAL LIABILITIES	4,755	230	4,985
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	21,856	2,500	24,356
Unreserved	(26,370)	(1,405)	(27,775)
TOTAL FUND EQUITY	(4,514)	1,095	(3,419)
TOTAL LIABILITIES AND FUND EQUITY	$ 241	$ 1,325	$ 1,566

Exhibit #10

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Capital Projects Funds
For the Year Ended September 30, 2001
(In Thousands)

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
REVENUES			
Taxes			
Intergovernmental	$ 569	$ 926	$ 1,495
Charges for Services		497	497
Investment Income	33	41	74
Miscellaneous		160	160
TOTAL REVENUES	602	1,624	2,226
EXPENDITURES			
Current:			
Highways and Roads		4,436	4,436
Capital Outlay	29,995		29,995
TOTAL EXPENDITURES	29,995	4,436	34,431
Excess of revenues over (under) expenditures	(29,393)	(2,812)	(32,205)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	24,200	409	24,609
Proceeds from Sale of Fixed Assets	95		95
Operating Transfers Out	(7,285)		(7,285)
TOTAL OTHER FINANCING SOURCES (USES)	17,010	409	17,419
Excess of revenues and other sources over (under) expenditures and other uses	(12,383)	(2,403)	(14,786)
Fund Balances at beginning of year	7,869	3,498	11,367
Fund Balances at end of year	$ (4,514)	$ 1,095	$ (3,419)

Combining Balance Sheet
All Enterprise Funds
September 30, 2001
(In Thousands)

	Cooper Green Hospital Fund	County Home Fund
ASSETS		
Cash and Investments	$	$ 194
Accounts Receivable, Net	36	
Patient Accounts Receivable, Net	7,144	1,588
Interest Receivable		
Due from Other Governments	357	
Inventories	892	91
Property Taxes Receivable, Net		
Prepaid Expenses	1,976	
Fixed Assets, Net Where Applicable	12,214	9,514
Warrant Issuance Cost		
Deferred Loss on Early Debt Retirement		
TOTAL ASSETS	22,619	11,387
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Cash Deficit	2,460	
Accounts Payable	1,782	126
Advances from Other Funds		
Deposits Payable		48
Deferred Revenues		
Accrued Payroll and Taxes	547	148
Accrued Interest Payable		
Retainage Payable		
Arbitrage Rebate Payable		
Estimated Liability for Compensated Absences	2,315	523
Warrants Payable		
Estimated Liability for Closure/Postclosure Care Costs		
TOTAL LIABILITIES	7,104	845
FUND EQUITY		
Unreserved Retained Earnings	15,515	10,542
TOTAL FUND EQUITY	15,515	10,542
TOTAL LIABILITIES AND FUND EQUITY	$ 22,619	$ 11,387

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals
			Current Year
$	$ 555,728	$ 26	$ 555,948
754	10,999	1	11,790
			8,732
	353		353
	610		967
	497		1,480
	3,427		3,427
	5		1,981
51,778	2,770,620	20	2,844,146
176	33,497		33,673
	2,776		2,776
52,708	3,378,512	47	3,465,273
33			2,493
31	18,700		20,639
19,200			19,200
			48
	3,427		3,427
49	426	1	1,171
	16,273		16,273
	13,121		13,121
	4,465		4,465
449	3,176	5	6,468
	1,796,250		1,796,250
3,355			3,355
23,117	1,855,838	6	1,886,910
29,591	1,522,674	41	1,578,363
29,591	1,522,674	41	1,578,363
$ 52,708	$ 3,378,512	$ 47	$ 3,465,273

Combining Statement of Revenues, Expenses and Changes in Fund Equity - All Enterprise Funds
For the Year Ended September 30, 2001
(In Thousands)

	Cooper Green Hospital Fund	County Home Fund
Operating Revenues		
Taxes	$	$
Charges for Services	31,635	8,826
Other Operating Revenue		59
Total Operating Revenues	31,635	8,885
Operating Expenses		
Provisions for Bad Debt	3,555	357
Salaries	27,345	6,995
Employee Benefits and Payroll Taxes	5,446	1,683
Utilities	958	573
Supplies	8,965	1,175
Depreciation and Amortization	2,026	353
Outside Services	10,179	3,393
Services from other Hospitals	4,963	
Jefferson Clinic	7,495	
Office Expense	698	134
Closure and Postclosure Care Cost		
Miscellaneous	391	32
Total Operating Expenses	72,021	14,695
Operating Income (Loss)	(40,386)	(5,810)
Nonoperating Revenues (Expenses)		
Arbitrage Rebates		
Interest Revenue	42	
Miscellaneous Revenue		
Interest Expense	(73)	
Indirect Cost	(1,375)	(484)
Gain/(Loss) On Sale of Fixed Assets	(42)	1
Total Nonoperating Revenues (Expenses)	(1,448)	(483)
Income (Loss) Before Operating Transfers	(41,834)	(6,293)
Operating Transfers		
Operating Transfers In	37,874	7,183
Operating Transfers Out		
Total Operating Transfers	37,874	7,183
Net Income (Loss)	(3,960)	890
Fund Equity at beginning of year, as Restated	19,475	9,652
Fund Equity at end of year	$ 15,515	$ 10,542

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals
			Current Year
$	$ 3,806	$	$ 3,806
4,014	76,956	222	121,653
64	96		219
4,078	80,858	222	125,678
22	1,290		5,224
2,302	19,724	27	56,393
531	4,825	6	12,491
272	5,322	48	7,173
406	1,869	2	12,417
2,312	33,576	13	38,280
489	6,092	4	20,157
			4,963
			7,495
25	1,294		2,151
134			134
11	158	146	738
6,504	74,150	246	167,616
(2,426)	6,708	(24)	(41,938)
	(1,004)		(1,004)
61	51,360	1	51,464
	29		29
(871)	(90,391)		(91,335)
(389)	(2,444)	(41)	(4,733)
26	(138)		(153)
(1,173)	(42,588)	(40)	(45,732)
(3,599)	(35,880)	(64)	(87,670)
5,566			50,623
(1,251)	(337)		(1,588)
4,315	(337)		49,035
716	(36,217)	(64)	(38,635)
28,875	1,558,891	105	1,616,998
$ 29,591	$ 1,522,674	$ 41	$ 1,578,363

Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended September 30, 2001
(In Thousands)

	Cooper Green Hospital Fund	County Home Fund
Cash Flows from Operating Activities		
Operating Income (Loss)	$ (40,386)	$ (5,810)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	2,026	353
(Increase)/Decrease in Accounts Receivable	4	
(Increase)/Decrease in Interest Receivable		
(Increase)/Decrease in Patients Receivable (Net)	(813)	(177)
(Increase)/Decrease in Prepaid Items	(1,368)	
(Increase)/Decrease in Due from Governmental Units	666	
(Increase)/Decrease in Property Taxes Receivable		
(Increase)/Decrease in Inventory	94	(36)
(Increase)/Decrease in Warrant Issuance Costs		
(Increase)/Decrease in Deferred Loss on Early Debt Retirement		
Increase/(Decrease) in Accounts Payable	557	(246)
Increase/(Decrease) in Advances to Other Funds		
Increase/(Decrease) in Other Accounts Payable	(245)	
Increase/(Decrease) in Deferred Revenues		
Increase/(Decrease) in Accrued Payroll and Taxes		12
Increase/(Decrease) in Deposits Payable		11
Increase/(Decrease) in Retainage Payable		
Increase/(Decrease) in Interest Payable		
Increase/(Decrease) in Arbitrage Rebate Payable		
Increase/(Decrease) in Compensated Absences Payable	42	50
Increase/(Decrease) in Estimated Liability for Landfill Postclosure Costs		
Total Adjustments	963	(33)
Net Cash Provided/(Used) by Operating Activities Carried Forward	$ (39,423)	$ (5,843)

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals
			Current Year
$ (2,426)	$ 6,708	$ (24)	$ (41,938)
2,312	33,576	13	38,280
(8)	1,009		1,005
	(353)		(353)
			(990)
	(5)		(1,373)
	(120)		546
	(3,427)		(3,427)
	50		108
(178)	(11,605)		(11,783)
	454		454
31	(8,252)		(7,910)
19,200			19,200
	(3)		(248)
	3,427		3,427
2	32		46
			11
	7,006		7,006
(67)	2,577		2,510
	1,004		1,004
26	289		407
93			93
21,411	25,659	13	48,013
$ 18,985	$ 32,367	$ (11)	$ 6,075

Combining Statement of Cash Flows All Enterprise Funds For the Year Ended September 30, 2001 (In Thousands)

	Cooper Green Hospital Fund	County Home Fund
Net Cash Provided/(Used) by Operating Activities Brought Forward	$ (39,423)	$ (5,843)
Cash Flows from Non-Capital Financing Activities		
Operating Transfers In	37,874	7,183
Operating Transfers Out		
Increase/(Decrease) in Cash Deficit	2,460	
Received from Auxiliary Services		
Indirect Cost	(1,375)	(484)
Net Cash Provided/(Used) by Non-Capital Financing Activities	38,959	6,699
Cash Flows from Capital and Related Financing Activities		
Interest Paid	(73)	
Acquisition of Fixed Assets	(541)	(756)
Proceeds from Warrant Issuance		
Principal Payments		
Net Cash Provided/(Used) by Capital and Related Financing Activities	(614)	(756)
Cash Flows from Investing Activities		
Interest and Dividend Income	42	
Net Cash Provided/(Used) by Investing Activities	42	
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,036)	100
Cash and Investments, Beginning of Year	1,036	94
Cash and Investments, End of Year	$	$ 194

Exhibit #14

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
$ 18,985	$ 32,367	$ (11)	$ 6,075
5,566			50,623
(1,251)	(337)		(1,588)
33			2,493
	29		29
(389)	(2,444)	(41)	(4,733)
3,959	(2,752)	(41)	46,824
(871)	(90,391)		(91,335)
(134)	(382,622)		(384,053)
	275,000		275,000
(22,000)	(15,635)		(37,635)
(23,005)	(213,648)		(238,023)
61	51,360	1	51,464
61	51,360	1	51,464
	(132,673)	(51)	(133,660)
	688,401	77	689,608
$	$ 555,728	$ 26	$ 555,948

Combining Balance Sheet
All Internal Service Funds
September 30, 2001
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
ASSETS			
Cash and Investments	$ 10,009	$	$ 342
Accounts Receivable, Net			
Due from Other Governments		3,219	41
Inventories			
Prepaid Expenses	56		
Fixed Assets, Net Where Applicable	166	83	280
TOTAL ASSETS	10,231	3,302	663
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Cash Deficit		2,592	
Accounts Payable	362	382	12
Accrued Payroll and Taxes	11	51	5
Estimated Liability for Compensated Absences	52	330	48
Estimated Claims Liability	4,640		
TOTAL LIABILITIES	5,065	3,355	65
FUND EQUITY			
Unreserved Retained Earnings	5,166	(53)	598
TOTAL FUND EQUITY	5,166	(53)	598
TOTAL LIABILITIES AND FUND EQUITY	$ 10,231	$ 3,302	$ 663

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
					Current Year
$ 15	$ 409	$ 226	$ 16	$ 7,624	$ 18,641
1				6	7
		3	1	29	3,293
	294	11	164	664	1,133
19					75
5,647	2,066	5,553	64	6,012	19,871
5,682	2,769	5,793	245	14,335	43,020
					2,592
336	155	19	44	352	1,662
56	55	8	5	173	364
418	412	63	32	1,278	2,633
					4,640
810	622	90	81	1,803	11,891
4,872	2,147	5,703	164	12,532	31,129
4,872	2,147	5,703	164	12,532	31,129
$ 5,682	$ 2,769	$ 5,793	$ 245	$ 14,335	$ 43,020

Combining Statement of Revenues, Expenses and Changes in Fund Equity - All Internal Service Funds

For the Year Ended September 30, 2001

(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Operating Revenues			
Intergovernmental	$	$ 3,796	$ 876
Charges for Services	2,370		
Total Operating Revenues	2,370	3,796	876
Operating Expenses			
Salaries	469	2,315	392
Employee Benefits and Payroll Taxes	596	515	46
Utilities	1	1	5
Supplies	15	66	22
Depreciation and Amortization	56	55	27
Outside Services	976	2,088	17
Office Expense	1,701	120	17
Miscellaneous	9	17	
Total Operating Expenses	3,823	5,177	526
Operating Income	(1,453)	(1,381)	350
Nonoperating Revenues (Expenses)			
Interest Revenue	182		
Miscellaneous Revenue	405		
Indirect Cost		(90)	(76)
Gain (Loss) on Sale of Fixed Assets		(22)	
Indirect Cost Recovery		1,101	
Total Nonoperating Revenues (Expenses)	587	989	(76)
Income (Loss) Before Operating Transfers	(866)	(392)	274
Operating Transfers			
Operating Transfers In		339	206
Operating Transfers Out	(30)		
Total Operating Transfers	(30)	339	206
Net Income	(896)	(53)	480
Fund Equity at beginning of year	6,062		118
Fund Equity at end of year	$ 5,166	$ (53)	$ 598

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
$	$	$	$	$	$ 4,672
462	1,490	1,016	679	14,167	20,184
462	1,490	1,016	679	14,167	24,856
2,537	2,554	442	244	7,712	16,665
534	617	121	58	1,947	4,434
2	126	230		2,754	3,119
270	1,666	15	199	1,224	3,477
1,706	242	42	41	410	2,579
3,093	104	187	62	1,948	8,475
124	24	3	9	410	2,408
117	15		53	234	445
8,383	5,348	1,040	666	16,639	41,602
(7,921)	(3,858)	(24)	13	(2,472)	(16,746)
	8	4		129	323
	2		1	1,027	1,435
(48)			(2)		(216)
	(1)	(4)	(1)	2	(26)
5,236	3,843	48		5,243	15,471
5,188	3,852	48	(2)	6,401	16,987
(2,733)	(6)	24	11	3,929	241
3,146	96	5,393		9	9,189
	(60)			(329)	(419)
3,146	36	5,393		(320)	8,770
413	30	5,417	11	3,609	9,011
4,459	2,117	286	153	8,923	22,118
$ 4,872	$ 2,147	$ 5,703	$ 164	$ 12,532	$ 31,129

Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended September 30, 2001
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Cash Flows from Operating Activities			
Operating Income (Loss)	$ (1,453)	$ (1,381)	$ 350
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	56	55	27
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Prepaid Items			
(Increase)/Decrease in Due from Governmental Units		(802)	26
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	255	311	10
Increase/(Decrease) in Other Accounts Payable			
Increase/(Decrease) in Due to Other Funds			
Increase/(Decrease) in Accrued Payroll and Taxes	1	5	
Increase/(Decrease) in Compensated Absences Payable	11	34	4
Increase/(Decrease) in Estimated Claims Liability	1,981		
Total Adjustments	2,304	(397)	67
Net Cash Provided/(Used) by Operating Activities Carried Forward	$ 851	$ (1,778)	$ 417

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
					Current Year
$ (7,921)	$ (3,858)	$ (24)	$ 13	$ (2,472)	$ (16,746)
1,706	242	42	41	410	2,579
5				14	19
(4)				69	65
	9	(2)		(1)	(770)
	(13)	3	(37)	(66)	(113)
221	98	18	(20)	(28)	865
			(9)	(7)	(16)
				(1)	(1)
6	1	(1)		12	24
34	29	(3)	10	58	177
					1,981
1,968	366	57	(15)	460	4,810
$ (5,953)	$ (3,492)	$ 33	$ (2)	$ (2,012)	$ (11,936)

Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended September 30, 2001
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Net Cash Provided/(Used) by Operating Activities Brought Forward	$ 851	$ (1,778)	$ 417
Cash Flows from Non-Capital Financing Activities			
Operating Transfers In		339	206
Operating Transfers Out	(30)		
Increase/(Decrease) in Cash Deficit		447	
Received from Auxiliary Services	405		
Indirect Cost Recovery		1,101	
Indirect Cost		(90)	(76)
Net Cash Provided/(Used) by Non-Capital Financing Activities	375	1,797	130
Cash Flows from Capital and Related Financing Activities			
Acquisition of Fixed Assets	(15)	(19)	(205)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(15)	(19)	(205)
Cash Flows from Investing Activities			
Interest and Dividend Income	182		
Net Cash Provided/(Used) by Investing Activities	182		
Net Increase/(Decrease) in Cash and Cash Equivalents	1,393		342
Cash and Investments, Beginning of Year	8,616		
Cash and Investments, End of Year	$ 10,009	$	$ 342

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
					Current Year
$ (5,953)	$ (3,492)	$ 33	$ (2)	$ (2,012)	$ (11,936)
3,146	96	5,393		9	9,189
	(60)			(329)	(419)
					447
	2		1	1,027	1,435
5,236	3,843	48		5,243	15,471
(48)			(2)		(216)
8,334	3,881	5,441	(1)	5,950	25,907
(2,367)	(104)	(5,393)		(249)	(8,352)
(2,367)	(104)	(5,393)		(249)	(8,352)
	8	4		129	323
	8	4		129	323
14	293	85	(3)	3,818	5,942
1	116	141	19	3,806	12,699
$ 15	$ 409	$ 226	$ 16	$ 7,624	$ 18,641

Combining Balance Sheet
All Fiduciary Fund Types
September 30, 2001
(In Thousands)

	Expendable Trust Funds		Pension Trust Fund	
	Stormwater Management Authority Fund	**City of Birmingham Revolving Loan Fund**	**General Retirement System**	**Totals Current Year**
ASSETS				
Cash and Investments	$ 1,301	$ 743	$ 664,670	$ 666,714
Loans Receivable, Net		636		636
Interest Receivable			6,264	6,264
Prepaid Expenses	2			2
Fixed Assets, Net Where Applicable	201			201
TOTAL ASSETS	1,504	1,379	670,934	673,817
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	30		388	418
Accrued Payroll and Taxes	18			18
Estimated Liability for Compensated Absences	121			121
TOTAL LIABILITIES	169		388	557
FUND EQUITY				
Fund Balances:				
Reserved for:				
Prepaid Expenses	2			2
Loans Receivable		636		636
Trust Requirements	1,318	743		2,061
Reserved for Encumbrances	15			15
Contingent Refunds			65,833	65,833
Retirement/Disability Benefits			604,713	604,713
TOTAL FUND EQUITY	1,335	1,379	670,546	673,260
TOTAL LIABILITIES AND FUND EQUITY	$ 1,504	$ 1,379	$ 670,934	$ 673,817

Exhibit #18

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Expendable Trust Funds
For the Year Ended September 30, 2001
(In Thousands)

	Stormwater Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals Current Year
REVENUES			
Intergovernmental	$ 2,227	$	$ 2,227
Investment Income	35	30	65
Miscellaneous	59	96	155
TOTAL REVENUES	2,321	126	2,447
EXPENDITURES			
General Government	1,788		1,788
Indirect Cost	72		72
TOTAL EXPENDITURES	1,860		1,860
Excess of revenues over (under) expenditures	461	126	587
Fund Balances at beginning of year	874	1,253	2,127
Fund Balances at end of year	$ 1,335	$ 1,379	$ 2,714

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U.S. Department of Housing and Urban Development Direct Programs		
Community Development Block Grants/Entitlement Grants	14.218	B95-UC-01-0001
	14.218	B96-UC-01-0001
	14.218	B97-UC-01-0001
	14.218	B98-UC-01-0001
	14.218	B99-UC-01-0001
	14.218	B00-UC-01-0001
Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants		
HOME Investment Partnerships Program	14.239	M96-UC-01-0202
	14.239	M97-UC-01-0202
	14.239	M98-UC-01-0202
	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
Sub-Total HOME Program (M)		
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	ALLAGOO65-97
Emergency Shelter Grants Program	14.231	S-99-UC-01-0006
	14.231	S-00-UC-01-0006
Sub-Total Emergency Shelter Grants Program (Direct Programs)		
U.S. Department of Housing and Urban Development Passed Through Alabama Department of Economic and Community Affairs		
Emergency Shelter Grants Program	14.231	ESG-99-036
	14.231	ESG-00-036
	14.231	ESG-98-036
	14.231	ESG-95-036
Sub-Total Emergency Shelter Grants Program (Passed Through)		
Total Emergency Shelter Grants Program		
Community Development Block Grants-State's Program (M)	14.228	DRI-98-001
Total U.S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10-01-1995 To 09-30-2001	$ 3,219,000	$ 3,219,000	$	$ 63,603
10-01-1996 To 09-30-2001	3,118,000	3,118,000		31,190
10-01-1997 To 09-30-2001	2,838,000	2,838,000		115,836
10-01-1998 To 09-30-2001	2,729,000	2,729,000	799,388	96,617
10-01-1999 To 09-30-2001	2,745,000	2,745,000	1,980,509	917,937
10-01-2000 To 09-30-2001	2,724,000	2,724,000		1,554,714
10-01-1999 To 09-30-2000				2,919,894
	17,373,000	17,373,000	2,779,897	5,699,791
10-01-1996 To 09-30-2001	1,145,000	916,000	147,515	147,515
10-01-1997 To 09-30-2001	1,118,750	895,000	209,408	209,408
10-01-1998 To 09-30-2001	1,176,250	941,000	607,757	607,757
10-01-1999 To 09-30-2001	1,272,500	1,018,000	226,895	226,895
10-01-2000 To 09-30-2001		1,023,000	76,684	76,684
	4,712,500	4,793,000	1,268,259	1,268,259
06-18-1997 To 09-30-2001	1,116,255	1,014,778	95,565	95,564
10-01-1999 To 09-30-2001	97,000	97,000	15,295	15,295
10-01-2000 To 09-30-2001	97,000	97,000	96,553	96,553
	194,000	194,000	111,848	111,848
06-03-1999 To 06-02-2001	342,000	171,000	32,185	32,185
06-02-2000 To 06-02-2002	250,000	125,000	120,870	120,870
06-02-2000 To 06-02-2002	10,294	5,147	5,147	5,147
06-02-2000 To 06-02-2002	49,706	24,853	24,853	24,853
	652,000	326,000	183,055	183,055
	846,000	520,000	294,903	294,903
10-04-1999 To 09-29-2002	1,500,000	1,500,000	833,827	833,827
	25,547,755	25,200,778	5,272,451	8,192,344
	$ 25,547,755	$ 25,200,778	$ 5,272,451	$ 8,192,344

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U.S. Department of Agriculture		
Passed Through State Department of Education		
Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Child Nutrition Cluster		
Food Distribution (N)	10.550	
Sub-Total Passed Through Alabama Department of Education		
Passed Through Alabama Commission on Aging		
Nutrition Program for the Elderly (Commodities)	10.570	
Passed Through State Emergency Management Agency		
Watershed Protection and Flood Prevention	10.904	69-4101-1-44
	10.904	
Sub-Total Watershed Protection and Flood Prevention		
Total U.S. Department of Agriculture		
U.S. Department of Health and Human Services		
Direct Programs		
Consolidated Knowledge Development and Application Program: Targeted Capacity Expansion	93.230	5 H79 TI12422-02
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	6H76HA00098-081
Passed Through Alabama Commission on Aging		
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administrative	93.044	03-01-01-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Administrative	93.044	03-01-00-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-01-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-00-03a
Sub-Total Title III, Part B		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 25,547,755	$ 25,200,778	$ 5,272,451	$ 8,192,344
10-01-2000 To 09-30-2001	40,714	40,714	40,714	40,714
10-01-2000 To 09-30-2001	73,050	73,050	73,050	73,050
	113,764	113,764	113,764	113,764
10-01-2000 To 09-30-2001	7,208	7,208	7,208	7,208
	120,972	120,972	120,972	120,972
10-01-2000 To 09-30-2001	293,615	293,615	293,615	293,615
09-01-2001 To 09-30-2001	225,000	225,000	187,300	187,300
05-01-2001 To 06-01-2001	47,000	47,000	39,950	39,950
	272,000	272,000	227,250	227,250
	686,587	686,587	641,837	641,837
09-30-2000 To 09-29-2003	514,097	514,097	87,690	87,690
01-01-2001 To 12-31-2001	891,150	891,150	1,047,270	1,047,270
10-01-2000 To 09-30-2001	101,822	101,822	101,822	101,822
10-01-1999 To 09-30-2000	64,565	64,565	64,565	64,565
10-01-2000 To 09-30-2001	439,091	439,091	439,091	439,091
10-01-1999 To 09-30-2000	27,101	27,101	27,101	27,101
	632,579	632,579	632,579	632,579
	$ 28,272,168	$ 27,925,191	$ 7,681,827	$ 10,601,720

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Title III, Part C - Congregate Nutrition Services	93.045	03-01-01-03a
Title III, Part C - Congregate Nutrition Services	93.045	03-01-00-03a
Title III, Part C - In Home Nutrition Services	93.045	03-01-01-03a
Title III, Part C - In Home Nutrition Services	93.045	03-01-00-03a
Sub-Total Title III, Part C		
Total Aging Cluster		
National Family Caregiver Support Program	93.052	03-01-01-03a
Title XIX - Healthcare Financing Research, Demonstrations and Evaluations: Health Information Counseling and Assistance Grant Program	93.779	03-01-01-03a
Title III, Part F-Disease Prevention and Health Promotion Services	93.043	03-01-01-03a
Title III, Part F-Disease Prevention and Health Promotion Services	93.043	03-01-00-03a
Sub-Total Title III, Part F - Disease Prevention and Health Promotion Services		
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	03-01-01-03a
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	$ 28,272,168	$ 27,925,191	$ 7,681,827	$ 10,601,720
10-01-2000 To 09-30-2001	552,811	552,811	277,017	277,017
10-01-1999 To 09-30-2000	382,070	382,070	348,250	348,250
10-01-2000 To 09-30-2001	468,818	468,818	367,770	367,770
10-01-1999 To 09-30-2000	62,052	62,052	62,052	62,052
	1,465,751	1,465,751	1,055,089	1,055,089
	2,098,330	2,098,330	1,687,668	1,687,668
10-01-2000 To 09-30-2001	19,934	19,934	19,934	19,934
10-01-2000 To 09-30-2001	61,575	61,575	28,269	28,269
10-01-2000 To 09-30-2001	41,066	41,066	34,736	34,736
10-01-1999 To 09-30-2000	960	960	960	960
	42,026	42,026	35,696	35,696
10-01-2000 To 09-30-2001	9,736	9,736	9,736	9,736
	$ 29,871,190	$ 29,524,213	$ 8,830,551	$ 11,750,444

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2001 (In Thousands)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Title VII, Chapter 2-Long-Term Care Ombudsman Services for Older Individuals	93.042	03-01-01-03a
Title VII, Chapter 2-Long-Term Care Ombudsman Services for Older Individuals	93.042	03-01-0-03a
Sub-Total Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals		
Sub-Total Passed Through Alabama Commission on Aging		
Passed Through Administrative Office of Courts		
Grants to States for Access and Visitation Programs	93.597	00-AV-01
Sub-Total Passed Through Administrative Office of Courts		
Total U.S. Department of Health and Human Services		
U.S. Department of Labor		
Direct Program		
Homeless Veterans Reintegration Project	17.805	E-9-5-0-0039
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60
Senior Community Service Employment Program	17.235	D-6135-7-01-81-55
Passed Through Alabama Department of Senior Services		
Senior Community Service Employment Program	17.235	05-502-00-3A
Sub-Total Senior Community Service Employment Program (M)		
Passed Through Alabama Department of Economic and Community Affairs		
Workforce Investment Act	17.255	02
Workforce Investment Act	17.255	92
Sub-Total Workforce Investment Act (M)		
Total U.S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	$ 29,871,190	$ 29,524,213	$ 8,830,551	$ 11,750,444
10-01-2000 To 09-30-2001	19,080	19,080	19,080	19,080
10-01-1999 To 09-30-2000	8	8	8	8
	19,088	19,088	19,088	19,088
	2,250,689	2,250,689	1,800,391	1,800,391
07-01-2000 To 06-30-2001	21,000	21,000	14,781	14,781
	21,000	21,000	14,781	14,781
	3,676,936	3,676,936	2,950,132	2,950,132
04-01-2000 To 09-30-2002	562,500	562,500	317,051	317,051
03-20-2000 To 03-20-2001	5,000,000	5,000,000	1,095,196	1,095,196
07-01-2000 To 06-30-2001	418,477	372,377	337,328	337,328
07-01-2000 To 06-30-2001	191,147	172,032	156,815	156,815
	609,624	544,409	494,143	494,143
07-01-2000 To 06-30-2003	2,093,112	2,093,112	1,346,551	1,346,551
07-01-2000 To 06-30-2002	400,767	400,767	64,185	64,185
	2,493,879	2,493,879	1,410,736	1,410,736
	8,666,003	8,600,788	3,317,126	3,317,126
	$ 38,577,281	$ 38,165,089	$ 12,181,546	$ 15,101,439

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Federal Emergency Management Agency		
Passed Through State Emergency Management Agency		
Hazard Mitigation Grant	83.548	HMGP1250-0020
Hazard Mitigation Grant	83.548	FMA-PJ-04AL-1999001
Sub-Total Hazard Mitigation Grant (M)		
Public Assistance Grants	83.544	FEMA -1282-DR-AL,PA
Total Emergency Management Agency		
U.S. Department of Justice		
Direct Programs		
Equipment Support Program	16.006	2000-TE-CS-0103
Juvenile Justice and Delinquency Prevention - Special Emphasis	16.541	1999JSFX0021
Local Law Enforcement Block Grants Program	16.592	2000-LB-BX-2047
Public Safety Partnership and Community Policing Grants	16.710	1999SHWX0529
Public Safety Partnership and Community Policing Grants	16.710	1999 CLWX0262
Sub-Total Public Safety Partnership and Community Policing Grants (M)		
Bulletproof Vest Partnership Program	16.607	01004124
	16.607	00000459
Sub-Total Bulletproof Vest Partnership Program		
Passed through Alabama Department of Economic and Community Affairs		
Violence Against Women Formula Grant	16.588	99-WF-PR-006
Violent Offenders Incarceration and Truth in Sentencing Incentive Grant	16.586	96-CV-LCL-005
Total U.S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 38,577,281	$ 38,165,089	$ 12,181,546	$ 15,101,439
11-07-2000 To 09-30-2001	1,942,191	1,463,791	910,244	910,244
11-07-2000 To 09-30-2001	84,125	63,094	50,494	50,494
	2,026,316	1,526,885	960,738	960,738
06-01-1999 To 09-30-2001	492,000	369,000	172,581	172,581
	2,518,316	1,895,885	1,133,319	1,133,319
10-01-2000 To 09-30-2001	199,836	199,836	199,836	199,836
07-01-1999 To 09-30-2000	148,942	74,471	35,354	35,354
11-17-2000 To 11-17-2002	752,386	677,147	677,147	677,147
09-01-1999 To 08-31-2002	1,035,670	1,035,670	155,488	155,488
04-01-1999 To 06-30-2002	2,001,925	1,801,732	1,116,672	1,116,672
	3,037,595	2,837,402	1,272,160	1,272,160
03-01-1999 To 02-28-2003	13,616	6,808	6,808	6,808
05-15-2001 To 04-31-2004	7,690	3,845	3,845	3,845
	21,306	10,653	10,653	10,653
05-01-2000 To 08-31-2001	193,867	145,400	138,029	138,029
12-15-1998 To 12-14-1999	325,160	292,644	9,617	9,617
	4,679,092	4,237,553	2,342,796	2,342,796
	$ 45,774,689	$ 44,298,527	$ 15,657,661	$ 18,577,554

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)

Federal Grantor/ Pass-Through Grantor/ Program Title	**Federal CFDA Number**	**Pass-Through Grantor's Number**
Sub-Total Brought 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	99-GV-DR-018
Total U.S. Department of Education		
U.S. Department of Treasury		
Direct Program		
Gang Resistance Education and Training	21.053	ATC010100
Total U.S. Department of Treasury		
U.S. Department of Commerce		
Direct Program		
Economic Development-Technical Assistance	11.303	04-39-03391.02
Total U.S. Department of Commerce		
Other Federal Assistance		
U.S. Department of Energy		
Passed through Alabama Department of Economic and Community Affairs		
Exxon	N/A	1EX SEP00 17
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-cash assistance
(N/A) = Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	$ 45,774,689	$ 44,298,527	$ 15,657,661	$ 18,577,554
10-01-2001 To 09-30-2001	40,000	40,000	40,000	40,000
	40,000	40,000	40,000	40,000
01-16-2001 To 01-15-2002	33,370	33,370	1,103	1,103
	33,370	33,370	1,103	1,103
07-25-1986 To 09-30-1999				586,594
				586,594
10-01-1999 To 09-30-2000	11,719	9,719	9,719	9,719
	$ 45,859,778	$ 44,381,616	$ 15,708,483	$ 19,214,970

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2001

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Workforce Investment Act	17.255	$1,080,205
Youth Opportunity Grant	17.263	$1,050,348
Community Development Block Grant – States Program	14.228	$ 858,966

Note 3 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2001:

		Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Community Development Block Grants/Entitlement Grants	CFDA #14.218	$2,735,581	$(121,587)	$2,613,994
Economic Development Technical Assistance	CFDA #11.303	$ 527,281	$ (47,492)	$ 479,789
HOME Investment Partnership Program	CFDA #14.239	$ 795,914	$	$ 795,914

Additional Information

Commission Members and Administrative Personnel

October 1, 2000 through September 30, 2001

Commission Members		**Term Expires**
Hon. Gary White, President	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Bettye Fine Collins, Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Jeff Germany, Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Chris McNair, Member	5328 Molton Gray Drive Birmingham, AL 35228	Resigned March 29, 2001
Hon. Mary M. Buckelew, Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Steve Small, Jr., Member	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2002

Administrative Personnel

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

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

We have audited the financial statements of the Jefferson County Commission (the "Commission") as of and for the year ended September 30, 2001, and have issued our report thereon dated February 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under ***Government Auditing Standards***. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Commission in the Report to the Chief Examiner.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the 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 2001-1.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

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

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

February 22, 2002

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, 2001. 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, 2001.

Internal Control Over Compliance

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

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Jefferson County Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-2.

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

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

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

February 22, 2002

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2001

Section I - Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes __X__ No

Reportable condition(s) identified that are not considered to be material weakness(es)? __X__ Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes __X__ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes __X__ No

Reportable condition(s) identified that are not considered to be material weakness(es)? __X__ Yes _____ None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes _____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
14.228	Community Development Block Grants/State's Program
17.235	Senior Community Service Employment Program
17.255	Workforce Investment Act
17.263	Youth Opportunity Grants
83.548	Hazard Mitigation Grant
16.710	Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish Between Type A and Type B programs: $471,254

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.	
2001-1	Internal Control	**Finding**: Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial statements. **Recommendation**: Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2001-2	14.239	U.S. Department of Housing and Urban Development; Direct Program; HOME Investment Partnerships Program	**Finding**: Procedures were not present in the County's Office of Community Development to assure that payroll and fringe benefits amounts used as administrative costs were correctly charged to the program for which they were claimed. **Recommendation**: Procedures should be implemented to assure that payroll and fringe benefits amounts are properly compiled for charges to grants as administrative costs.	
	14.228	U.S. Department of Housing and Urban Development; Passed through Alabama Department of Economic and Community Affairs; Community Development Block Grants – State's Program		
	17.255	U.S. Department of Labor; Passed through Alabama Department of Economic and Community Affairs; Workplace Investment Act		
	17.263	U.S. Department of Labor; Direct Program; Youth Opportunity Grant		
	83.548	Federal Emergency Management Agency; Passed through Alabama Emergency Management Agency; Hazard Mitigation Grant Program		

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Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION

GARY WHITE - PRESIDENT
MARY M. BUCKELEW
BETTYE FINE COLLINS
JEFF GERMANY
STEVE SMALL, JR.

GARY WHITE–COMMISSIONER
Finance and General Services

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

Corrective Action Plan
For the Year Ended September 30, 2001

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, 2001.

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 #2001-1: Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in financial records.

Response: The Finance Department and Sewer Department are working together to institute proper procedures.

Finding #2001-2: Procedures were not present in the County's Office of Community Development to assure that payroll and fringe benefits amounts used as administrative costs were correctly charged to the program for which they were claimed.

Response: Community Development is improving their procedures to hopefully reduce or eliminate these errors.

Other Matters in Report to the Chief Examiner
For the Year

Finding: At September 30, 2001, the following fund had deficit fund balance:

Road Fund	$2,927,000
Senior Citizen's Activities Fund	$ 35,000
Capital Improvements Fund	$4,514,000

Response: The Jefferson County Commission supplements the operations from the General Fund. The Commission transfers the supplementary cash at 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.

Finding: The Alabama Competitive Bid Law requires that entities obtain competitive bids for purchases of goods and services costing $7,500.00 or more. The Commission bid gasoline and fuel for a period of three years and awarded the bid to a local vendor. However, the Commission made purchases of gasoline totaling $9,518.92 from another vendor.

Response: The Finance Director cancelled the credit agreement with the nonwinning vendor in 2001.

Gary White, President of County Commission

APPENDIX B

Form of Opinion of Co-Bond Counsel

[closing date]

Jefferson County, Alabama
Birmingham, Alabama

RE: $94,000,000 Jefferson County, Alabama General Obligation Capital Improvement and Refunding Warrants, Series 2003-A

Ladies and Gentlemen:

We have acted as bond counsel to Jefferson County, Alabama (the “County”) in connection with the issuance by the County of $94,000,000 General Obligation Capital Improvement and Refunding Warrants, Series 2003-A dated March 1, 2003 (the “Warrants”). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion, including, without limitation, a resolution and order duly adopted by the Jefferson County Commission, the governing body of the County.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications 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 Warrants have been duly authorized and executed by the County, and are valid and binding general obligations of the County.

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

3. Interest on the Warrants is exempt from State of Alabama income taxation.

The rights of the owners of the Warrants and the enforceability of the Warrants are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

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

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Warrants. Owners of the Warrants should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Warrants, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to 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.

Very truly yours,

APPENDIX C

Specimen Insurance Policy

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]
[LEGAL NAME OF ISSUE]

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

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

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

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

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

COUNTERSIGNED:

Resident Licensed Agent

City, State

MBIA Insurance Corporation

President

Attest: Assistant Secretary

STD-RCS-6
4/95