NEW ISSUE - BOOK ENTRY ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Bond Counsel, under existing law, interest on the Series 2005-A Warrants and the Series 2005-B Warrants (1) will be excluded from gross income for federal income tax purposes if the County complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2005-A Warrants and the Series 2005-B Warrants in order that interest thereon be and remain excluded from gross income, and (2) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2005-A Warrants and the Series 2005-B Warrants will be exempt from State of Alabama income taxation. See "TAX EXEMPTION" herein for further information and certain other federal tax consequences arising with respect to the Series 2005-A Warrants and the Series 2005-B Warrants.

$400,000,000
JEFFERSON COUNTY, ALABAMA

$200,000,000
Limited Obligation School Warrants, Series 2005-A
(Consisting of those Subseries set forth on the Inside Cover Page Hereof)

$200,000,000
Limited Obligation School Warrants, Series 2005-B

Dated: Date of initial delivery

Due: Series 2005-A Warrants: January 1, 2027
Series 2005-B Warrants: January 1, 2027

The Series 2005-A Warrants and the Series 2005-B 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 2005-A Warrants and the Series 2005-B Warrants will be made so long as Cede & Co. is the registered owner of the Series 2005-A Warrants and the Series 2005-B Warrants. Individual purchases of the Series 2005-A Warrants and the Series 2005-B Warrants will be made in Book-Entry Only form, and individual purchasers ("Beneficial Owners") of the Series 2005-A Warrants and the Series 2005-B Warrants will not receive physical delivery of warrant certificates.

Payments of principal of, redemption premium, if any, and interest on the Series 2005-A Warrants and the Series 2005-B Warrants will be paid by Wachovia Bank, National Association, Birmingham, Alabama, as trustee for the Series 2005-A Warrants and the Series 2005-B Warrants (the "Trustee"), to DTC or its nominee. So long as DTC or its nominee is the registered owner of the Series 2005-A Warrants and the Series 2005-B Warrants, disbursements of such payments to DTC is the responsibility of the Trustee, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants or Indirect Participants as more fully described herein.

The Series 2005-A Warrants and the Series 2005-B Warrants will not constitute general obligations of the County nor will the Series 2005-A Warrants and the Series 2005-B Warrants constitute a charge against the general credit or taxing power of the State of Alabama, the County or any other political subdivision of the State of Alabama. The Series 2005-A Warrants and the Series 2005-B Warrants will be limited obligations payable solely out of and secured by a pledge of the gross proceeds of the Education Tax described herein. The pledge thereof in favor of the Series 2005-A Warrants and the Series 2005-B Warrants will be on a parity of lien with the pledge thereof for the benefit of certain obligations issued by the County in December 2004 (the "Series 2004-A Warrants"). After the issuance of the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants, no additional obligations other than refunding obligations may be issued by the County which will be secured by the Education Tax. See "SOURCE OF PAYMENT".

Payment of the principal of and interest on the Series 2005-A Warrants and the Series 2005-B Warrants when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2005-A Warrants and the Series 2005-B Warrants. In the event of extraordinary mandatory redemption, such policy will not insure payment of the redemption price of the Series 2005-A Warrants or Series 2005-B Warrants; however, such redemption price will be paid from moneys then held in the Indenture funds and, under certain circumstances, funds of the County.

The Series 2005-A Warrants will consist of four subseries: Series 2005-A-1 Warrants, Series 2005-A-2 Warrants, Series 2005-A-3 Warrants, and Series 2005-A-4 Warrants. The Series 2005-A Warrants will initially bear interest at an Auction Rate. Raymond James & Associates, Inc. will serve as Remarketing Agent and Broker-Dealer for the Series 2005-A Warrants.

The Series 2005-B Warrants (also referred to herein as the "Variable Rate Demand Warrants") will initially bear interest at the Weekly Rate. The purchase price of the Variable Rate Demand Warrants tendered or deemed tendered for purchase and interest due thereon will be further secured by a liquidity facility in the form of a Standby Warrant Purchase Agreement (the "Standby Purchase Agreement") dated as of January 31, 2005 by and among DEPFA BANK plc, acting through its New York branch (the "Bank"), the County and the Trustee, with the Bank committing to pay the purchase price of tendered or deemed tendered Variable Rate Demand Warrants under the terms and conditions of the Standby Purchase Agreement.

Raymond James & Associates, Inc. will serve as Remarketing Agent for the Series 2005-A Warrants and the Series 2005-B Warrants. The Bank of New York will act as Auction Agent for the Series 2005-A Warrants.

The Interest Rate Mode applicable to all or a portion of the Series 2005-A Warrants and the Series 2005-B Warrants may be changed from one Interest Rate Mode to another Interest Rate Mode as determined in accordance with the Indenture. Upon a change in Interest Rate Mode applicable to all or a portion of the Series 2005-A Warrants and the Series 2005-B Warrants as described herein, such Warrants will be subject to a mandatory tender for purchase and remarketing in accordance with the Indenture.

The Series 2005-A Warrants and the Series 2005-B Warrants are subject to mandatory and optional tender and redemption as described herein.

Price of all Series 2005-A Warrants and Series 2005-B Warrants: 100%

The Series 2005-A Warrants and the Series 2005-B Warrants are offered when, as and if issued, subject to approval of validity by Haskell Slaughter Young & Rediker, LLC, Birmingham, Alabama, Bond Counsel. Certain legal matters will be passed on for the County by its special counsel, Miller, Hamilton, Snider & Odom, L.L.C., Birmingham, Alabama. Certain legal matters will be passed on for the Underwriter by its counsel, Maynard, Cooper & Gale, P.C., Birmingham, Alabama, and Emond Vines Gorham & Waldrep, P.C., Birmingham, Alabama. It is expected that the Series 2005-A Warrants and the Series 2005-B Warrants in definitive form will be available for delivery in New York, New York on or about February 2, 2005.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

RAYMOND JAMES & ASSOCIATES, INC.

The date of this Official Statement is January 26, 2005.

$200,000,000
JEFFERSON COUNTY, ALABAMA
Limited Obligation School Warrants, Series 2005-A
Shall Consist of the Following Subseries:

SERIES	CUSIP	RATINGS[1]
$50,000,000 Series 2005-A-1 Warrants	**CUSIP: 472653 BA1**	**RATINGS: Moody's: Aaa (A2) S&P: AAA (A) (See "RATINGS" herein)**
$50,000,000 Series 2005-A-2 Warrants	**CUSIP: 472653 BB9**	**RATINGS: Moody's: Aaa (A2) S&P: AAA (A) (See "RATINGS" herein)**
$50,000,000 Series 2005-A-3 Warrants	**CUSIP: 472653 BC7**	**RATINGS: Moody's: Aaa (A2) S&P: AAA (A) (See "RATINGS" herein)**
$50,000,000 Series 2005-A-4 Warrants	**CUSIP: 472653 BD5**	**RATINGS: Moody's: Aaa (A2) S&P: AAA (A) (See "RATINGS" herein)**

$200,000,000
JEFFERSON COUNTY, ALABAMA
Limited Obligation School Warrants, Series 2005-B

CUSIP: 472653 BE3	**RATINGS[1]: Moody's: VMIG-1/Aaa/(A2) S&P: A-1+/AAA/(A)**

[1] Insured long-term and short-term ratings have been applied for and it is expected that the ratings shown above will be furnished by the respective rating agencies upon receipt of the final Ambac insurance policy.

Auction Rate Provisions Applicable to Series 2005-A Warrants

The initial interest rate applicable to the Series 2005-A Warrants will be set forth in the Indenture and will apply to the period commencing on and including the date of the delivery of the Series 2005-A Warrants to and including the initial Auction Date (as defined herein) for such subseries of Series 2005-A Warrants. Thereafter, each subseries of the Series 2005-A Warrants will bear interest at an Auction Rate that the Auction Agent (as defined herein) advises has resulted from an Auction (as defined herein) conducted on each Auction Date for each such subseries in accordance with the Auction Procedures (as defined herein), subject to certain conditions and exceptions. Interest on each subseries of the Series 2005-A Warrants will accrue from the date of the delivery of such subseries of Series 2005-A Warrants and will be payable commencing on the initial Interest Payment Date (as defined herein) for such subseries of Series 2005-A Warrants, and on each Interest Payment Date thereafter. The initial Auction Date, Standard Auction Period and the initial Interest Payment Date are set forth below for each subseries of Series 2005-A Warrants:

Series	Initial Pricing Date	Settlement Date	First Auction Date	First Interest Payment Date	Standard Auction Period
Series 2005-A-1 Warrants	**February 1, 2005**	**February 2, 2005**	**March 2, 2005**	**March 3, 2005**	**35 days**
Series 2005-A-2 Warrants	**February 1, 2005**	**February 2, 2005**	**March 9, 2005**	**March 10, 2005**	**35 days**
Series 2005-A-3 Warrants	**February 1, 2005**	**February 2, 2005**	**March 16, 2005**	**March 17, 2005**	**35 days**
Series 2005-A-4 Warrants	**February 1, 2005**	**February 2, 2005**	**March 23, 2005**	**March 24, 2005**	**35 days**

The length of a single Auction Period (as defined herein) and a Standard Auction Period (as defined herein) may be changed in accordance with the Indenture. The Series 2005-A Warrants will not be subject to mandatory tender for purchase upon a change in the length of a single Auction Period or a Standard Auction Period, however, notice of such change will be given as further described herein and any Series 2005-A Warrants that are not the subject of a specific Order (as defined herein) shall be deemed to be subject to a Sell Order (as defined herein).

Prospective purchasers of the Series 2005-A Warrants should carefully review the Auction Procedures described in Appendix D hereto, and should note that such procedures provide that (i) a Bid (as defined herein) or Sell Order constitutes a commitment to purchase or sell Series 2005-A Warrants based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications or otherwise and (iii) settlement for purchases and sales will be made on the Business Day (as defined herein) following an Auction. Beneficial interests in Series 2005-A Warrants may be transferred only pursuant to a Bid or Sell Order placed or deemed to be placed in an Auction or to or through a Broker-Dealer (as defined herein).

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

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Birmingham, Alabama

Special Counsel to the County
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Birmingham, Alabama

Underwriter's Counsel
MAYNARD, COOPER & GALE, P.C.
Birmingham, Alabama

EMOND VINES GORHAM & WALDREP, P.C.
Birmingham, Alabama

Financial Advisor
NATIONAL BANK OF COMMERCE OF BIRMINGHAM
Birmingham, Alabama

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$400,000,000
JEFFERSON COUNTY, ALABAMA

$200,000,000
Limited Obligation School Warrants,
Series 2005-A
(Consisting of those Subseries set forth on the Inside Cover Page Hereof)

$200,000,000
Limited Obligation School Warrants,
Series 2005-B

INTRODUCTION

This Official Statement is furnished in connection with the issuance of the warrants referred to above (the "Series 2005-A Warrants" and the "Series 2005-B Warrants") by Jefferson County, Alabama (the "County").

The County is a political subdivision of the State of Alabama. The Series 2005-A Warrants and the Series 2005-B Warrants will be issued pursuant to a Trust Indenture dated as of December 1, 2004, as supplemented by a First Supplemental Indenture dated as of January 1, 2005 (the "Indenture"), between the County and Wachovia Bank, National Association, as trustee (the "Trustee"). See Appendix C— "SUMMARY OF THE INDENTURE".

The Series 2005-A Warrants and the Series 2005-B Warrants will not constitute general obligations of the County or a charge against the general credit or taxing powers of the County, the State of Alabama, or any political subdivision of the State of Alabama. The Series 2005-A Warrants and the Series 2005-B Warrants will be limited obligations of the County payable solely from and secured by a pledge and assignment of (i) the gross proceeds of the Education Tax described herein (the "Pledged Tax Proceeds") and (ii) other property described in the Indenture. See "SECURITY AND SOURCE OF PAYMENT" and Appendix C— "SUMMARY OF THE INDENTURE".

The pledge and assignment of the Pledged Tax Proceeds in favor of the Series 2005-A Warrants and the Series 2005-B Warrants shall be on a parity of lien with the pledge thereof for the benefit of the County's $650,000,000 principal amount of Limited Obligation School Warrants, Series 2004-A (the "Series 2004-A Warrants"), which were issued by the County in December 2004. The Indenture expressly prohibits the issuance of any additional obligations (other than refunding obligations) which are payable out of or secured by the Pledged Tax Proceeds. See "SECURITY AND SOURCE OF PAYMENT" and Appendix C— "SUMMARY OF THE INDENTURE".

The Series 2005-A Warrants and the Series 2005-B Warrants are being issued for the purpose of making grants to the various school boards operating in the County for capital improvement projects (the "Improvements") and for debt retirement. See "THE PLAN OF FINANCING". No such grants will be made to any school board until the Series 2004-A Warrants, the Series 2005-A Warrants, and the Series 2005-B Warrants are no longer subject to extraordinary mandatory redemption under the terms of the Indenture. See "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A and Series 2005-B Warrants—Extraordinary Mandatory Redemption" and "LITIGATION—Education Tax Litigation" herein.

The Series 2005-A Warrants are being offered as four subseries bearing the designations 2005-A-1 (the "Series 2005-A-1 Warrants"), 2005-A-2 (the "Series 2005-A-2 Warrants"), 2005-A-3 (the "Series 2005-A-3 Warrants"), and 2005-A-4 (the "Series 2005-A-4 Warrants") in the respective amounts set forth on the inside cover page.

Payment of the principal of and interest on the Series 2005-A Warrants and the Series 2005-B Warrants when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2005-A Warrants and the Series 2005-B Warrants. See "THE FINANCIAL GUARANTY INSURANCE POLICY". In the event of extraordinary mandatory redemption, such policy will not insure payment of the redemption price of the Series 2005-A Warrants or Series 2005-B Warrants. However, such redemption price will be paid from moneys then held in the Indenture funds and, under certain circumstances, funds of the County. See “DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A and Series 2005-B Warrants—Extraordinary Mandatory Redemption” and “DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Covenant Regarding Extraordinary Mandatory Redemption”.

The Series 2005-A Warrants will initially bear interest at an Auction Rate. Raymond James & Associates, Inc. will serve as Remarketing Agent and Broker-Dealer for the Series 2005-A Warrants.

The Series 2005-B Warrants (also referred to herein as the “Variable Rate Demand Warrants”) will initially bear interest at the Weekly Rate. The purchase price of Variable Rate Demand Warrants tendered or deemed tendered for purchase will be further secured by a liquidity facility in the form of a Standby Warrant Purchase Agreement (the “Standby Purchase Agreement”) dated as of January 31, 2005 by and among DEPFA BANK plc, acting through its New York Branch (the “Bank”), the County and the Trustee, with the Bank committing to pay the purchase price of tendered or deemed tendered Variable Rate Demand Warrants under the terms and conditions of the Standby Purchase Agreement.

Raymond James & Associates, Inc. will serve as Remarketing Agent for the Series 2005-A Warrants and the Series 2005-B Warrants.

The Series 2005-A Warrants and the Series 2005-B Warrants are subject to optional and mandatory tender and redemption as described in the Indenture. See “DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A Warrants and the Series 2005-B Warrants”. Proceeds of the Series 2005-A Warrants and the Series 2005-B Warrants (after the payment of issuance costs) will be deposited in the Grant Fund established pursuant to the Indenture and will be available to pay the redemption price of Series 2005-A Warrants and Series 2005-B Warrants if such warrants become subject to extraordinary mandatory redemption, but such amounts may not be sufficient to pay in full the redemption price. If the Series 2005-A Warrants and the Series 2005-B Warrants are redeemed as a result of the extraordinary mandatory redemption requirement, then the County will covenant to pay, out of all moneys legally available to the County, the difference, if any, between the redemption price thereof and the moneys then held in the Indenture funds which will be used for such redemption. See “DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS —Covenant Regarding Extraordinary Mandatory Redemption”.

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

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 2005-A Warrants and the Series 2005-B Warrants, contact Steve Sayler, Finance Director, Jefferson County Commission, 716 North 21st Street, Birmingham, Alabama 35263-0002, telephone (205) 325-5762, or Norm Davis, National Bank of Commerce of Birmingham, 1927 First Avenue North, Birmingham, Alabama 35202, telephone (205) 583-3678.

GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT

Certain capitalized terms used frequently in this Official Statement are defined in this section of the Official Statement. In addition, certain capitalized terms used in this Official Statement and not defined in this section are defined in Appendix C- “SUMMARY OF THE INDENTURE”.

“**Bank**” means, with respect to the Series 2005-B Warrants, DEPFA BANK plc, acting through its New York branch, and its respective successors and assigns.

“**Bond Insurer**” or “**Ambac Assurance**” means Ambac Assurance Corporation.

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

"Debt Service Fund" means the fund by that name established pursuant to the Indenture. See Appendix C— "SUMMARY OF THE INDENTURE".

"**Education Tax**" means the special privilege, license and excise taxes (commonly called sales and use taxes) levied within the County pursuant to the Sales Tax Ordinance.

"**Federal Securities**" means direct obligations of, or obligations the payment of which is guaranteed by, the United States of America.

"**Foundation Program**" means the program established in 1995 by the Alabama Legislature (now codified at Section 16-13-230 *et seq*. of the Code of Alabama 1975) that is the principal state funding mechanism for local boards of education. The Foundation Program is intended to provide funding for a minimum number of teacher units (calculated according to a complex formula based primarily on average daily student attendance), fringe benefits, instructional support and other current expenses.

"Grant Fund" means the fund by that name established pursuant to the Indenture. See Appendix C— "SUMMARY OF THE INDENTURE".

"**Improvements**" means the capital improvements being financed with grants made to local school boards operating in the County out of proceeds of the Series 2004/2005 Warrants, which are described more particularly elsewhere in this Official Statement. See "THE PLAN OF FINANCING".

"**Indenture**" means the Trust Indenture dated as of December 1, 2004, as supplemented by a First Supplemental Indenture dated as of January 1, 2005, between the County and the Trustee, pursuant to which the Series 2005-A Warrants and the Series 2005-B Warrants will be issued.

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

"**Pledged Tax Proceeds**" means the gross proceeds of the Education Tax collected from persons within the County.

"**Policy**" or "**Financial Guaranty Insurance Policy**" means the financial guaranty insurance policy issued by Ambac Assurance Corporation insuring the payment of the principal of and interest on the Series 2005-A Warrants and the Series 2005-B Warrants when due.

"**Remarketing Agent**" means Raymond James & Associates, Inc. and its successors and assigns.

"Redemption Fund" means the fund by that name established pursuant to the Indenture. See Appendix C— "SUMMARY OF THE INDENTURE".

"Reserve Fund" means the fund by that name established pursuant to the Indenture. See Appendix C— "SUMMARY OF THE INDENTURE".

"Sales Tax Ordinance" means Ordinance No. 1769 adopted by the governing body of the County on December 16, 2004.

"Series 2004/2005 Warrants" means the Series 2004-A Warrants, Series 2005-A Warrants and Series 2005-B Warrants.

"**Series 2004-A Warrants**" means the County's $650,000,000 Limited Obligation School Warrants, Series 2004-A, dated December 1, 2004, which were issued by the County on December 29, 2004.

"**Series 2005-A Warrants**" means the County's Series 2005-A-1 Warrants, Series 2005-A-2 Warrants, Series 2005-A-3 Warrants, and Series 2005-A-4 Warrants, which are being offered by this Official Statement.

"**Series 2005-A-1 Warrants**" means the County's $50,000,000 Limited Obligation School Warrants, Series 2005-A-1, dated their initial date of delivery, which are being offered by this Official Statement.

"**Series 2005-A-2 Warrants**" means the County's $50,000,000 Limited Obligation School Warrants, Series 2005-A-2, dated their initial date of delivery, which are being offered by this Official Statement.

"**Series 2005-A-3 Warrants**" means the County's $50,000,000 Limited Obligation School Warrants, Series 2005-A-3, dated their initial date of delivery, which are being offered by this Official Statement.

"**Series 2005-A-4 Warrants**" means the County's $50,000,000 Limited Obligation School Warrants, Series 2005-A-4, dated their initial date of delivery, which are being offered by this Official Statement.

"**Series 2005-B Warrants**" means County's $200,000,000 Limited Obligation School Warrants, Series 2005-B, dated their initial date of delivery, which are being offered by this Official Statement.

"**Standby Purchase Agreement**" means the Standby Warrant Purchase Agreement dated as of January 31, 2005 among the County, the Trustee, and the Bank, as extended, modified or supplemented from time to time, pursuant to which such Bank has agreed to purchase, upon the terms and conditions thereof, any Variable Rate Demand Warrant that is not remarketed after a tender of such Warrant for purchase pursuant to the optional or mandatory tender provisions of the Indenture.

"Surety Bond" means the debt service reserve surety bond issued by Ambac Assurance Corporation in connection with issuance of the Series 2005-A Warrants and the Series 2005-B Warrants.

"**Tender Agent**" means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Tender Agent" means such successor.

"**Trustee**" means Wachovia Bank, National Association, Birmingham, Alabama, which is the trustee with respect to the Series 2005-A Warrants and the Series 2005-B Warrants. Wachovia Bank, National Association is the successor by merger to SouthTrust Bank, the trustee for the Series 2004-A Warrants.

"**Variable Rate Demand Warrants**" means the Series 2005-B Warrants while such series bears interest at the Weekly Rate or the Daily Rate.

"Warrants" means the Series 2004/2005 Warrants and any refunding obligations issued pursuant to the Indenture.

DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS

General Description

This Official Statement provides certain information concerning the Variable Rate Demand Warrants prior to a date on which an Alternate Liquidity Facility is delivered or the Standby Purchase Agreement expires, and not during any Auction Rate Period, Term Rate Period or Fixed Rate Period for such warrants. Owners and prospective purchasers of the Variable Rate Demand Warrants should not rely on this Official Statement for information concerning the Variable Rate Demand Warrants on and after any such date or during any such period, but should look to the revisions, amendments, supplements or substitutions hereof for information concerning the Variable Rate Demand Warrants on or after any such date.

The Series 2005-A Warrants will be issued initially in the form of four separate, fully registered warrants, one for each subseries (namely, the Series 2005-A-1 Warrants, Series 2005-A-2 Warrants, Series 2005-A-3 Warrants, and Series 2005-A-4 Warrants), each in a denomination equal to the aggregate principal amount of such subseries of Series 2005-A Warrants and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2005-A Warrants and the Series 2005-B Warrants. See "Book-Entry Only System" below.

Payment of the principal of, and interest on, the Series 2005-A Warrants and the Series 2005-B Warrants at maturity shall be made upon the presentation and surrender of the Series 2005-A Warrants and the Series 2005-B Warrants as hereinafter described. All payments of interest (other than at maturity) and premium, if any, on, and of principal upon redemption of, the Series 2005-A Warrants and the Series 2005-B Warrants shall be paid, except as set forth below under "Book-Entry Only System", in accordance with DTC's normal procedures, which provide for payment by DTC to its participants in same-day funds.

The Series 2005-A Warrants will initially bear interest at the Auction Rate. The Series 2005-B Warrants will initially bear interest at the Weekly Rate.

Series 2005-A Warrants and Series 2005-B Warrants bearing a Commercial Paper Rate, a Daily Rate or a Weekly Rate shall be fully registered warrants in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof. Series 2005-A Warrants and Series 2005-B Warrants bearing an Auction Rate shall be fully registered warrants in the denomination of $25,000 or any integral multiple thereof. Series 2005-A Warrants and Series 2005-B Warrants bearing a Term Rate or a Fixed Rate shall be fully registered warrants in the denomination of $5,000 or any integral multiple thereof.

The Series 2005-A Warrants and the Series 2005-B Warrants shall mature on January 1, 2027. The Series 2005-A Warrants and the Series 2005-B Warrants initially shall be issued in fully registered form, without coupons, and dated their date of first authentication and delivery, and thereafter shall be dated their date of authentication.

Interest on Series 2005-A Warrants and Series 2005-B Warrants—General

Interest shall accrue on the Series 2005-A Warrants and the Series 2005-B Warrants at the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate, the Fixed Rate or the Auction Rate.

Interest Payment Dates. "Interest Payment Date," for any particular Series 2005-A Warrant or Series 2005-B Warrant, means:

(a) for each Commercial Paper Rate Period, the Business Day immediately succeeding any Calculation Period, and for any Calculation Period of more than 180 days, also the Business Day immediately following the 180th day of such Calculation Period;

(b) during an Auction Rate Period (i) for an Auction Period of 91 days or less, the Business Day immediately succeeding such Auction Period and (ii) for an Auction Period of more than 91 days, each 13th Friday after the first day of such Auction Period and the Business Day immediately succeeding such Auction Period;

(c) for each Daily Rate Period, the first Business Day of each month;

(d) for each Weekly Rate Period, the first Business Day of each month (beginning in March, 2005 for the Variable Rate Demand Warrants);

(e) for each Term Rate Period, (i) the first day of the sixth calendar month following the month in which the first day of such Term Rate Period occurred, (ii) each anniversary of the date so determined, (iii) each anniversary of the first day of the first month of such Term Rate Period, and (iv) the Business Day immediately succeeding such Term Rate Period;

(f) for the Fixed Rate Period, the January 1 or July 1 next succeeding the Fixed Rate Conversion Date and each January 1 and July 1 thereafter; but if the January 1 or July 1 next succeeding the Fixed Rate Conversion Date occurs less than 21 days after the Fixed Rate Conversion Date, the first Interest Payment Date shall be the second such date following the Fixed Rate Conversion Date;

(g) the Fixed Rate Conversion Date;

(h) any day on which Series 2005-A Warrants or Series 2005-B Warrants are subject to mandatory tender for purchase or redemption pursuant to the Indenture;

(i) the Stated Maturity of the Series 2005-A Warrants and the Series 2005-B Warrants; and

(j) with respect to Bank Warrants, the first Business Day of each month and the date on which such Bank Warrants are remarketed and cease to be Bank Warrants;

but if any such date, other than a date specified in clause (e), (f) or (i) above, determined in any of the foregoing clauses is not a Business Day, the Interest Payment Date shall be the next succeeding day which is a Business Day. If a date specified in clause (e), (f) or (i) above is not a Business Day, the Interest Payment Date shall be the next succeeding day which is a Business Day and the payment on such postponed Interest Payment Date shall include interest accrued only to the originally scheduled Interest Payment Date.

Interest Accrual and Payment. While Series 2005-A Warrants and Series 2005-B Warrants bear interest at a Commercial Paper Rate, a Daily Rate or a Weekly Rate, interest accrued on such warrants shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. While Series 2005-A Warrants and Series 2005-B Warrants bear interest at a Term Rate or the Fixed Rate, interest accrued on such warrants shall be computed on the basis of a 360-day year, consisting of twelve 30-day months. While Series 2005-A Warrants and Series 2005-B Warrants bear interest at an Auction Rate, interest accrued on such warrants shall be computed on the basis of a 360-day year for the number of days actually elapsed. The Series 2005-A Warrants and the Series 2005-B Warrants shall bear interest from the date of initial issuance thereof payable on each Interest Payment Date. The Series 2005-A Warrants and the Series 2005-B Warrants issued upon transfers or exchanges of Series 2005-A Warrants and Series 2005-B Warrants shall bear interest from such date of initial issuance or from the Interest Payment Date next preceding their date of authentication, unless the date of authentication is an Interest Payment Date in which case such warrants shall bear interest from such date, or unless the date of authentication is after the Record Date next preceding the next succeeding Interest Payment Date, in which case such warrants shall bear interest from such next succeeding Interest Payment Date.

From and after any Change in the Interest Rate Mode pursuant to the applicable provisions of the Indenture, the Series 2005-A Warrants and the Series 2005-B Warrants, or any subseries thereof, shall bear interest determined in accordance with the provisions of the Indenture pertaining to the new Adjustable Rate or at the Fixed Rate, as the case may be. Series 2005-A Warrants and Series 2005-B Warrants shall bear interest for each Calculation Period, Auction Period or Fixed Rate Period at the rate of interest per annum for such Calculation Period, Auction Period or Fixed Rate Period established in accordance with the Indenture. From and after a Fixed Rate Conversion Date, the affected Series 2005-A Warrants and Series 2005-B Warrants shall bear interest at the Fixed Rate until their Stated Maturity. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his or her address as it appears on the registration books kept by the Trustee pursuant to the Indenture at the close of business on the applicable Record Date; provided that (i) while the Securities Depository or its nominee is the registered owner of any Series 2005-A Warrants and Series 2005-B Warrants, all payments of principal of, premium, if any, and interest on such warrants shall be paid to the Securities Depository or its nominee by wire transfer, (ii) if the Securities Depository, or its nominee, is no longer the registered owner of any Series 2005-A Warrants and Series 2005-B Warrants, prior to and including the Fixed Rate Conversion Date, interest on such warrants shall be payable to any registered owner of at least one million dollars ($1,000,000) in aggregate principal amount of such warrants, by wire transfer, upon written notice received by the Trustee at least five Business Days prior to the applicable Record Date, from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) during a Commercial Paper Rate Period, interest shall be payable on the Series 2005-A Warrants and the Series 2005-B Warrants bearing interest at a Commercial Paper Rate only upon presentation and surrender thereof to the Tender Agent upon purchase thereof pursuant to the Indenture and if such presentation and surrender are made by 2:00 p.m. (New York City time) such payment shall be by wire transfer. If and to the extent that there shall be a default in the payment of the interest due on any Interest Payment Date, such interest shall cease to be payable to the person in whose name each Series 2005-A Warrant and Series 2005-B Warrant was registered on such applicable Record Date and shall be payable, when and if paid, to the person in whose name each Series 2005-A Warrant and Series 2005-B Warrant is registered at the close of business on the record date fixed therefor by the Trustee, which shall be the fifth Business Day next preceding the date of the proposed payment, which also shall be a Business Day. Except as provided above, payment of the principal of, and premium, if any, on all Series 2005-A Warrants and Series 2005-B Warrants shall be made upon the presentation and surrender of such warrants at the principal office of the Trustee as the same shall become due and payable.

At or prior to 9:30 a.m. (New York City time) on the Determination Date for each Calculation Period or at or prior to 3:00 p.m. (New York City time) on each Auction Date, the Remarketing Agent or the Auction Agent, as the case may be, shall determine the interest rate for such Calculation Period or Auction Period and shall make available to the County, the Trustee, the Tender Agent and the issuer of a Support Facility the interest rate determined on such Determination Date or Auction Date.

If for any reason on any Determination Date (A) any rate of interest or a Calculation Period and related Commercial Paper Rate is not determined by the Remarketing Agent, (B) no Remarketing Agent is serving as such under the Indenture or (C) the rate so determined is held to be invalid or unenforceable by a final judgment of a court of competent jurisdiction, (i) during any Daily Rate Period, the interest rate for the Calculation Period with respect to such Determination Date shall be the last interest rate in effect, or, if a Daily Rate is not determined by the Remarketing Agent for five or more consecutive Business Days, on the next and each succeeding Determination Date, the Daily Rate shall be a rate per annum equal to 80% of the latest 30-day dealer taxable commercial paper rate published by the Federal Reserve Bank of New York on or immediately before such Determination Date, (ii) during any Weekly Rate Period, the interest rate for the Calculation Period with respect to such Determination Date shall be the last interest rate in effect, or, if a Weekly Rate is not determined by the Remarketing Agent for two or more consecutive Calculation Periods, the Weekly Rate shall be equal to 85% of the latest 30-day dealer taxable commercial paper rate published by the Federal Reserve Bank of New York on or before the day next preceding such Determination Date, (iii) during any Term Rate Period, the interest rate per annum for the Calculation Period with respect to such Determination Date shall be equal to 85% of the rate listed in the table most recently circulated by the United States Treasury Department known as "Table [applicable dates shown on the most recent Table], Maximum Interest Rate Payable on United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series Subscribed for During Period [applicable dates shown on the most recent Table]" or any substantially equivalent table circulated by the United States Treasury Department for the maturity most closely approximating the Calculation Period, and (iv) during any Commercial Paper Rate Period, the Calculation Period with respect to such Determination Date and related Commercial Paper Rate shall be (A) a Calculation Period which shall consist of the period from and including the prior Interest Payment Date to, but excluding the first Business Day of the following calendar month, and thereafter each period from and including the first Business Day of the calendar month to but excluding the first Business Day of the following calendar month, and (B) a Commercial Paper Rate equal to 85% of the interest rate applicable to 90-day United States Treasury Bills determined on the basis of the average per annum discount rate at which such 90-day Treasury Bills shall have been sold at the most recent Treasury auction within the 30 days next preceding such Calculation Period, or if there shall have been no such auction within the 30 days next preceding such Calculation Period, a Commercial Paper Rate equal to the rate of interest during the immediately preceding Calculation Period. The rate of interest or Calculation Period and related Commercial Paper Rate shall be established pursuant to the Indenture until the Remarketing Agent again determines the rate of interest or Calculation Period and related Commercial Paper Rate in accordance with the Indenture. The County shall select any person otherwise meeting the qualifications of the Indenture to obtain, calculate and prepare any of the information required by, and to notify the Trustee of any of the determinations made pursuant to the Indenture.

The determination of any rate of interest by the Remarketing Agent in accordance with the Indenture or by the Auction Agent in accordance with the Auction Procedures applicable to Series 2005-A Warrants or the establishment of Calculation Periods or Auction Periods by the Remarketing Agent as provided in the Indenture shall be conclusive and binding upon the County, the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent, the issuer of a Support Facility, and the registered and beneficial owners of the Series 2005-A Warrants and the Series 2005-B Warrants. Failure of the Remarketing Agent, the Trustee, the Tender Agent, the Auction Agent, or the Securities Depository or any Securities Depository participant to give any of the notices described in the Indenture, or any defect therein, shall not affect the interest rate to be borne by any of the Series 2005-A Warrants or the Series 2005-B Warrants or the applicable Calculation Period or Auction Period nor in any way change the rights of the registered owners of the Series 2005-A Warrants or the Series 2005-B Warrants to tender their Warrants for purchase or to have them redeemed in accordance with the Indenture. The Trustee shall be fully protected in relying on the most recent rate in effect if it has not received timely notice of any interest rate change.

Except as otherwise set forth above, interest on the Series 2005-A Warrants and the Series 2005-B Warrants shall be paid to the registered owner thereof at his or her address as it appears on the registration books kept by the Trustee pursuant to the Indenture at the close of business on the applicable Record Date. No transfer or exchange of Series 2005-A Warrants or Series 2005-B Warrants shall be required to be made by the Trustee after a Record Date until the next succeeding Interest Payment Date.

Except as otherwise provided in this paragraph, the Trustee shall calculate and notify the Tender Agent of the amount of interest due and payable on each Interest Payment Date or other date on which interest is payable and on each purchase date by 10:00 a.m. (1:00 p.m. during a Daily Rate Period) on the Business Day next preceding such Interest Payment Date or other date or purchase date, as the case may be. In preparing such calculation the Trustee may rely on calculations or other services provided by the Remarketing Agent, the Auction Agent or any person or persons selected by the Trustee in its discretion, or by the County pursuant to provisions described above. During a Commercial Paper Rate Period, the Remarketing Agent shall notify the Trustee, the Tender Agent and the County of the amount of interest due and payable on each Interest Payment Date by 10:00 a.m. on the Business Day next preceding such Interest Payment Date. During an Auction Rate Period, the Auction Agent shall notify the Trustee at least seven days prior to each Interest Payment Date of the Auction Rate and the aggregate amount of interest payable on such Interest Payment Date.

Anything in the Indenture to the contrary notwithstanding, in no event shall the interest rate borne by any Series 2005-A Warrant or Series 2005-B Warrant exceed the maximum rate allowable by applicable law.

Commercial Paper Rate

During any Commercial Paper Rate Period, at or prior to 9:30 a.m. (New York City time) on the Determination Date for each Calculation Period, the Remarketing Agent shall determine the Calculation Period and related Commercial Paper Rate, and shall notify the Trustee and the County of the Calculation Period. The Remarketing Agent shall select the Calculation Period and the applicable Commercial Paper Rate that, together with all other Calculation Periods and related Commercial Paper Rates, in the sole judgment of the Remarketing Agent, will result in the lowest overall borrowing cost on the Series 2005-A Warrants and the Series 2005-B Warrants or are otherwise in the best financial interests of the County, as determined in consultation with the County.

The County may place such limitations upon the establishment of Calculation Periods as may be set forth in a written direction from the County, which direction must be received by the Trustee and the Remarketing Agent prior to 10:00 a.m. (New York City time) on the day prior to any Determination Date to be effective on such date, but only if the Trustee receives an Opinion of Bond Counsel to the effect that such action is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes.

Auction Rate

Interest Rate. In the initial Auction Period (*i.e.*, the period commencing from and including the Closing Date and expiring on and including the initial Auction Date specified on the inside cover hereof), only the Series 2005-A Warrants will bear interest at an Auction Rate as set forth in the Indenture.

The interest rate on each subseries of the Series 2005-A Warrants or the Series 2005-B Warrants bearing interest at the Auction Rate for each Auction Period after the initial Auction Period shall, subject to certain exceptions described below, be equal to the rate per annum that the Auction Agent referred to below advises has resulted on the Auction Date therefor referred to below from the implementation of auction procedures set forth in the Indenture, and attached hereto as Appendix D (the "Auction Procedures"), in which persons determine to hold or offer to sell or, based on interest rates bid by them, offer to purchase or sell Series 2005-A Warrants or Series 2005-B Warrants. Each periodic implementation of the Auction Procedures for each subseries of the Series 2005-A Warrants or the Series 2005-B Warrants is hereinafter referred to as an "Auction". Separate Auctions will be conducted for each subseries of the Series 2005-A Warrants or the Series 2005-B Warrants that bears interest at the Auction Rate.

During any Auction Rate Period, the Series 2005-A Warrants and the Series 2005-B Warrants shall bear interest at the Auction Rate determined as set forth in the Indenture. The Auction Rate for any initial Auction Period immediately after any Change in the Interest Rate Mode to an Auction Rate for an Auction Rate Period shall be the rate of interest per annum determined and certified to the Trustee (with a copy to the County) by the Remarketing Agent on a date not later than the effective date of such Change in the Interest Rate Mode as the minimum rate of interest which, in the opinion of the Remarketing Agent, would be necessary as of such date to market such Series 2005-A Warrants or Series 2005-B Warrants in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate shall not exceed 110% of the sum of the Index and 0.50% per annum. For any other Auction Period, the Auction Rate shall be the rate of interest per annum that results from implementation of the Auction Procedures. If on any Auction Date, the Auction Agent shall fail to take any action necessary to determine, or any action which effectively prevents the determination of, a rate of interest pursuant to the Auction Procedures, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as provided in clause (i) of the definition thereof in the Indenture on and as of such Auction Date. Determination of the Auction Rate pursuant to the Auction Procedures shall be suspended upon a Change in the Interest Rate Mode, the occurrence of a Failure to Deposit or the occurrence of an Event of Default. Upon the occurrence of a Failure to Deposit on any Auction Date, no Auction will be held, all Submitted Bids and Submitted Sell Orders shall be rejected, the existence of Sufficient Clearing Bids shall be of no effect and the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate on and as of such Auction Date. The Auction Rate for any Auction Period or remaining portion thereof following the occurrence of an Event of Default shall be equal to the Overdue Rate as determined on and as of the immediately preceding Auction Date. The Overdue Rate shall be redetermined by the Remarketing Agent on each Auction Date.

Auction Periods may be established pursuant to the Indenture at any time unless a Failure to Deposit or an Event of Default has occurred and has not been cured or waived. Each Auction Period shall be a Standard Auction Period unless a different Auction Period is established, and each Auction Period which immediately succeeds a non-Standard Auction Period shall be a Standard Auction Period unless a different Auction Period is established.

Auction Periods. The initial Auction Period shall commence from and include the Closing Date and shall expire on and include the initial Auction Date specified for the Series 2005-A Warrants as shown on the inside cover hereof. Thereafter, each Auction Period immediately succeeding such initial Auction Period shall be a Standard Auction Period. The length of a single Auction Period or the Standard Auction Period may be changed at any time by the County in accordance with the Indenture unless a Payment Default has occurred and has not been cured or Sufficient Clearing Bids were not present in both the Auction immediately prior to the date on which notice of the change was given and the Auction immediately prior to the change. It is presently anticipated that an Auction Period of generally 35 days will be maintained as the "Standard Auction Period" for each subseries of the Series 2005-A Warrants or the Series 2005-B Warrants bearing interest at an Auction Rate. Each Standard Auction Period shall be maintained and each Auction Period which is not a Standard Auction Period shall automatically revert to a Standard Auction Period unless a different Auction Period is established by the County. See "Changes in the Auction Terms".

Auction Dates. An Auction to determine the Auction Rate for the Series 2005-A Warrants or the Series 2005-B Warrants bearing interest at an Auction Rate for each Auction Period after the initial Auction Period, shall occur on each Auction Date (the "Auction Date"). The Auction Date for the Series 2005-A Warrants or the Series 2005-B Warrants bearing interest at an Auction Rate for each Auction Period shall be the last Wednesday of the immediately preceding Auction Period; provided, if such day is not a Business Day, the Auction Date shall be the next succeeding Business Day. It is presently anticipated that an Auction Period of 35 days will be maintained as the Standard Auction Period. So long as such 35 day Auction Period is maintained as the Standard Auction Period for each subseries of the Series 2005-A Warrants or the Series 2005-B Warrants bearing interest at an Auction Rate, the initial Auction and each Auction thereafter will generally be held on the days specified for each such subseries on the inside cover hereof.

Purchase Price. The purchase price of each Series 2005-A Warrant or Series 2005-B Warrant sold in any Auction shall be equal to the principal amount thereof.

Auction Agent. The Bank of New York will serve as the Auction Agent for the Series 2005-A Warrants and the Series 2005-B Warrants (together with any successor bank or trust company or other entity, the "Auction Agent"). The Auction Agent will enter into an agreement (the "Auction Agency Agreement") with the County which will provide, among other things, that the Auction Agent will follow the Auction Procedures for the purposes of determining the Auction Rate so long as the Auction Rate is to be based on the results of an Auction.

Broker-Dealers. Each Auction requires the participation of one or more broker-dealers. The County and the Auction Agent will enter into an agreement with Raymond James & Associates, Inc. relating to the Series 2005-A Warrants and the Series 2005-B Warrants and may enter into similar agreements (collectively, the "Broker-Dealer Agreements") with one or more additional broker-dealers (collectively, the "Broker-Dealers") selected by the County and the Auction Agent which provide for the participation of Broker-Dealers in Auctions.

Auction Procedures. For a description of procedures to be used in conducting Auctions, see Appendix D attached hereto.

Changes in the Auction Terms. Certain Auction provisions may be changed or certain actions may be taken under the Indenture if there is delivered an opinion (a "Series 2005-A/2005-B Bond Counsel Opinion") of a firm or firms of attorneys ("Series 2005-A/2005-B Bond Counsel"), satisfactory to the County, the insurer of the Series 2005-A Warrants and the Series 2005-B Warrants and the Trustee, to the effect that any such change or action is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes.

Change of Auction Period by County. During an Auction Rate Period, the County may change the length of a single Auction Period or the Standard Auction Period for any series by means of a written notice delivered at least 10 days prior to the Auction Date for such Auction Period to the Trustee, the Remarketing Agent, the Auction Agent and the Securities Depository in substantially the form furnished to the Trustee and the Auction Agent at the time of a Change in the Interest Rate Mode to an Auction Rate. Any Auction Period or Standard Auction Period established by the County may not exceed 365 days in duration. If such Auction Period will be of less than 35 days, such notice shall be effective only if it is accompanied by a written statement of the Trustee, the Remarketing Agent, the Auction Agent and the Securities Depository to the effect that they are capable of performing their duties under the Indenture and under the Remarketing Agreement and the Auction Agency Agreement with respect to such Auction Period. If such notice specifies a change in the length of the Standard Auction Period, such notice shall be effective only if it is accompanied by the written consent of the Remarketing Agent to such change. The length of an Auction Period or the Standard Auction Period may not be changed unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Period.

The change in length of an Auction Period or the Standard Auction Period shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the County by telecopy, facsimile, or similar means in substantially the form furnished to the Trustee and the Auction Agent at the time of a Change in the Interest Rate Mode to an Auction Rate authorizing the change in the Auction Period or the Standard Auction Period, which shall be specified in such certificate, and confirming that Bond Counsel expects to be able to give an Opinion of Bond Counsel referred to in (D) below on the first day of such Auction Period, (B) the Trustee shall not have delivered to the Auction Agent by 12:00 noon (New York City time) on the Auction Date for such Auction Period notice that a Failure to Deposit has occurred, (C) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period, and (D) the Trustee and the Auction Agent receive by 9:30 a.m. (New York City time) on the first day of such Auction Period, an opinion of Bond Counsel to the effect that the change in the Auction Period or the Standard Auction Period is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Series 2005-A Warrants or Series 2005-B Warrants from gross income for federal income tax purposes. If the condition referred to in (A) above is not met, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures and the next succeeding Auction Period shall be a Standard Auction Period. If any of the conditions referred to in (B), (C) or (D) above is not met, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined as of such Auction Date.

Change of Auction Date by Remarketing Agent. During an Auction Rate Period, the Remarketing Agent, with the written consent of the County, may change, in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date, the Auction Date for all future Auction Periods to a different day, so long as the first such Auction Date will be a Business Day in the calendar week in which the next succeeding Auction Date is then scheduled to occur. If a change in an Auction Date is undertaken in conjunction with a change in an Auction Period and the conditions for the establishment of such change in Auction Period are not met, the Auction Date may be, and the next succeeding Auction Period may be adjusted to end on, a Business Day in the calendar week in which such Auction Date was scheduled to occur and such Auction Period was scheduled to end to accommodate the change in the Auction Date. The Remarketing Agent shall deliver a written notice of its determination to change an Auction Date at least 10 days prior to the Auction Date immediately preceding such Auction Date to the County, the Trustee, the Auction Agent and the Securities Depository which shall state (i) the determination of the Remarketing Agent to change the Auction Date, (ii) the new Auction Date and (iii) the date on which such Auction Date shall be changed. If, as a result of any proposed change in the Auction Date, any Auction Period would be less than 28 days in duration, such notice shall be effective only if it is accompanied by a written statement of the Auction Agent, the Trustee, the Remarketing Agent and the Securities Depository to the effect that they are capable of performing their duties under the Indenture and under the Remarketing Agreement and Auction Agency Agreement with respect to any such Auction Period. In no event shall any Standard Auction Period be less than seven days.

Optional Conversion of Interest Rate Mode by County

Prior to the Fixed Rate Conversion Date, at the times specified below, the Series 2005-A Warrants and the Series 2005-B Warrants, in whole or in part, shall cease to bear interest at the Adjustable Rate then borne by the Series 2005-A Warrants and the Series 2005-B Warrants and shall bear interest at such different Adjustable Rate as shall be specified by the County in a written notice delivered at least 30 days prior to the proposed effective date of the Change in the Interest Rate Mode to the Trustee, the Remarketing Agent, any Securities Depository and the Tender Agent (and to the Auction Agent if such Change in the Interest Rate Mode is to or from an Auction Rate). A Change in the Interest Rate Mode to a different Adjustable Rate may only be effected on the last Interest Payment Date for a Daily Rate Period, a Weekly Rate Period, an Auction Rate Period, or a Term Rate Period, and a Change in the Interest Rate Mode from a Commercial Paper Rate to a different Adjustable Rate may only take effect on the Interest Payment Date immediately following the last day of a Calculation Period. A notice of a Change in the Interest Rate Mode as described in this paragraph shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on the proposed effective date of such Change in the Interest Rate Mode to the effect that such Change in the Interest Rate Mode is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes.

The Trustee shall mail, or cause the Tender Agent to mail, the notice received pursuant to the preceding paragraph on or before the third Business Day after receipt thereof to the Holders of the Series 2005-A Warrants and the Series 2005-B Warrants.

A Change in the Interest Rate Mode to another Adjustable Rate shall be effective as described in the second preceding paragraph only if

(i) with respect to any Change in the Interest Rate Mode from an Auction Rate to another Adjustable Rate, the Trustee and the Auction Agent shall receive:

(1) a certificate of an Authorized County Representative by no later than the seventh day prior to the effective date of such Change in the Interest Rate Mode stating (A) that a written agreement between the County and the Remarketing Agent to remarket such Series 2005-A Warrants and Series 2005-B Warrants on such effective date at a price of 100% of the principal amount thereof has been entered into, which agreement (i) may be subject to such reasonable terms and conditions agreed to by the Remarketing Agent which in the judgment of the Remarketing Agent reflect the current market standards regarding investment banking risk and (ii) must include a provision requiring payment by the Remarketing Agent in same-day funds for any Series 2005-A Warrant, tendered or deemed tendered; and (B) that a Liquidity Facility is in effect or has been obtained by the County with respect to those of the Series 2005-A Warrants and the Series 2005-B Warrants to be converted from an Auction Rate to another Adjustable Rate and shall be in effect on or prior to the date of such Change in the Interest Rate Mode and thereafter for a period of at least 364 days;

(2) by 11:00 a.m. (New York City time) on the second Business Day prior to the effective date of such Change in the Interest Rate Mode, by telecopy, facsimile or other similar means, a certificate from the County (x) authorizing the establishment of the new Adjustable Rate, (y) confirming that Bond Counsel

expects to be able to give an opinion on the effective date of such Change in the Interest Rate Mode to the effect that such Change in the Interest Rate Mode is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes and (z) confirming that any amendment to the Indenture necessary to provide for the application of moneys available under the Liquidity Facility have been agreed to by the parties thereto and will be in effect prior to the Change in the Interest Rate Mode; and

(3) by 4:00 p.m. (New York City time) on the effective date of such Change in the Interest Rate Mode, by telecopy, facsimile or other similar means, a certificate from the County that all of the Series 2005-A Warrants during an Auction Rate Period tendered or deemed tendered have been purchased at a price equal to the principal amount thereof with funds provided from the remarketing of such Series 2005-A Warrants and Series 2005-B Warrants in accordance with the Remarketing Agreement, and that accrued and unpaid interest, if any, and premium, if any, on the Series 2005-A Warrants and the Series 2005-B Warrants shall have been paid pursuant to the Indenture from funds deposited with the Trustee;

(ii) with respect to any Change in the Interest Rate Mode to a Commercial Paper Rate, an Auction Rate or a Term Rate, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to an Auction Rate) shall receive by 4:00 p.m., New York City time, on the effective date of such Change in the Interest Rate Mode, a certificate from an Authorized County Representative that all of the Series 2005-A Warrants and the Series 2005-B Warrants tendered or deemed tendered have been purchased at a price equal to the principal amount thereof, with funds provided from the remarketing of such Series 2005-A Warrants and Series 2005-B Warrants in accordance with the Remarketing Agreement, or from other funds deposited with the Tender Agent (other than proceeds from a draw on a Liquidity Facility), and that accrued and unpaid interest, if any, and premium, if any, have been paid in accordance with the Indenture from funds deposited with the Trustee;

(iii) with respect to any Change in the Interest Rate Mode, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to an Auction Rate) shall receive, by 10:30 a.m. (New York City time) on the effective date of such Change in the Interest Rate Mode, an Opinion of Bond Counsel to the effect that such Change in the Interest Rate Mode is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes;

(iv) with respect to any Change in the Interest Rate Mode to an Adjustable Rate (other than to an Auction Rate or, unless the County elects to provide a Liquidity Facility, a Term Rate), a Liquidity Facility that applies to all Series 2005-A Warrants and Series 2005-B Warrants subject to such change and that meets the requirements of the Indenture has been delivered to the Trustee not less than one Business Day prior to the effective date of such Change in the Interest Rate Mode and is, by its terms, in effect prior to such effective date; and

(v) with respect to any Change in the Interest Rate Mode, the Trustee shall receive written confirmation from S&P, if the Series 2005-A Warrants or the Series 2005-B Warrants are then rated by S&P, from Moody's, if the Series 2005-A Warrants or the Series 2005-B Warrants are then rated by Moody's, and from another rating agency, if the Series 2005-A Warrants or the Series 2005-B Warrants are then rated by such rating agency, to the effect that such Change in Interest Rate Mode will not result in a reduction or withdrawal of its long- or short-term rating of the Series 2005-A Warrants or the Series 2005-B Warrants below the rating of S&P, Moody's, or the other rating agency, as the case may be, then in effect with respect to the Series 2005-A Warrants or the Series 2005-B Warrants.

If any of the conditions referred to in (i)(1) or (i)(2) above is not met with respect to any Change in the Interest Rate Mode for any Series 2005-A Warrants or Series 2005-B Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to Series 2005-A Warrants. If the condition referred to in (i)(3) above is not met with respect to any Change in the Interest Rate Mode for any Series 2005-A Warrants or Series 2005-B Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period for such Series 2005-A Warrants or Series 2005-B Warrants shall be equal to the Maximum Auction Rate as determined on the date the condition is not met, or the Auction Date for the current Auction Period for such Series 2005-A Warrants or Series 2005-B Warrants, if later. If any of the conditions referred to in (iii), (iv) or (v) above is not met with respect to any Change in the Interest Rate Mode for any Series 2005-A Warrants or Series 2005-B Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period for such Series 2005-A Warrants or Series 2005-B Warrants shall equal the Maximum Auction Rate as determined on the date the condition is not met, or the Auction Date for the current Auction Period for such Series 2005-A Warrants or Series 2005-B Warrants, if later. If any of the conditions referred to in (iii), (iv) or (v) above is not met with respect to any other Change in the Interest Rate Mode for any Series 2005-A Warrants or Series 2005-B Warrants, such warrants shall continue to bear interest at the Current Adjustable Rate and be subject to the provisions of the Indenture applicable thereto while such Series 2005-A Warrants or Series 2005-B Warrants bear interest at such Current Adjustable Rate. If any of the foregoing conditions for a Change in the Interest Rate Mode is not met (other than with respect to any contemplated change from an Auction Rate), the Trustee shall mail, or cause the Tender Agent to mail, to the County and the Holders notice thereof within three Business Days after the failure to meet any of such conditions.

Optional Conversion to Fixed Rate. The rate of interest per annum which Series 2005-A Warrants and Series 2005-B Warrants will bear, in whole or in part, may be fixed, at the option of the County, for the balance of the term thereof. In the event the County exercises its Option to Convert, the selected Series 2005-A Warrants or Series 2005-B Warrants shall cease to bear interest at the Adjustable Rate then borne by the Series 2005-A Warrants or the Series 2005-B Warrants and shall bear interest at the Fixed Rate until maturity, subject to the terms and conditions of the Indenture (the date on which the Fixed Rate shall take effect being herein called the "Fixed Rate Conversion Date"). The Option to Convert may be exercised at any time through a written notice given by the County at least 30 days prior to the proposed Fixed Rate Conversion Date to the Trustee, any Securities Depository, the Tender Agent and the Remarketing Agent (and to the Auction Agent if such Change in Interest Rate Mode to a Fixed Rate is from an Auction Rate). The Fixed Rate Conversion Date may only be the last Interest Payment Date for a Daily Rate Period, a Weekly Rate Period, an Auction Rate Period or a Term Rate Period, as applicable, and a Change in the Interest Rate Mode from a Commercial Paper Rate to the Fixed Rate may only take effect on the Interest Payment Date immediately following the last day of a Calculation Period. A notice of conversion to a Fixed Rate shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to give on the Fixed Rate Conversion Date to the effect that the establishment of the Fixed Rate is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes.

The Trustee shall mail, or cause the Tender Agent to mail, the notice received pursuant to the preceding paragraph on or before the third Business Day after receipt thereof to the Holders.

The Fixed Rate shall take effect only if

(i) with respect to a change to the Fixed Rate from an Auction Rate, the Trustee and the Auction Agent shall receive:

(1) a certificate of an Authorized County Representative by no later than the tenth day prior to the Fixed Rate Conversion Date stating that a written agreement has been entered into by the County and the Remarketing Agent to remarket the Series 2005-A Warrants and the Series 2005-B Warrants affected on the Fixed Rate Conversion Date at a price of not less than 100% of the principal amount thereof, which written agreement (i) may be subject to reasonable terms and conditions imposed by the Remarketing Agent which in the judgment of the Remarketing Agent reflect current market standards regarding investment banking risk and (ii) must include a provision requiring

payment by the Remarketing Agent in same-day funds for any Series 2005-A Warrants tendered or deemed tendered; and

(2) by 11:00 a.m. (New York City time) on the second Business Day prior to the Fixed Rate Conversion Date, by telecopy, facsimile or other similar means, a certificate from the County (y) authorizing the establishment of the Fixed Rate and (z) confirming that Bond Counsel expects to be able to give an opinion on the Fixed Rate Conversion Date to the effect that the change to the Fixed Rate is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes; and

(ii) with respect to any change to a Fixed Rate, the Trustee (and the Auction Agent in the case of any change to a Fixed Rate from an Auction Rate) receives on the Fixed Rate Conversion Date:

(1) by 10:30 a.m. (New York City time) an Opinion of Bond Counsel to the effect that the conversion to the Fixed Rate is authorized by the Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Series 2005-A Warrants or the Series 2005-B Warrants from gross income for federal income tax purposes; and

(2) by 4:00 p.m. (New York City time) a certificate from an Authorized County Representative that all of the Series 2005-A Warrants and the Series 2005-B Warrants tendered or deemed tendered have been purchased at a price equal to the principal amount thereof with funds provided from the remarketing of such Series 2005-A Warrants and Series 2005-B Warrants in accordance with the Remarketing Agreement or from other funds deposited with the Tender Agent (other than proceeds from a draw on the Liquidity Facility), and that accrued and unpaid interest, if any, has been or shall be paid in accordance with the Indenture from funds deposited with the Trustee, and that the premium, if any, has been paid from funds deposited with the Trustee on terms permitting payment of such premium when due.

(iii) If any of the conditions referred to in (i) above are not met with respect to any change to a Fixed Rate for any Series 2005-A Warrants or Series 2005-B Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to the Series 2005-A Warrants. If the conditions referred to in (ii) above are not met with respect to any change to a Fixed Rate for any Series 2005-A Warrants or Series 2005-B Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate on the date the condition is not met or the Auction Date for the current Auction Period for such Series 2005-A Warrants or Series 2005-B Warrants, if later. If the conditions referred to in (ii) above are not met with respect to any change from any other Adjustable Rate to a Fixed Rate for any Series 2005-A Warrants or Series 2005-B Warrants, the Series 2005-A Warrants or the Series 2005-B Warrants shall continue to bear interest at the Current Adjustable Rate and be subject to the provisions of the Indenture applicable thereto while the Series 2005-A Warrants and the Series 2005-B Warrants bear interest at such Current Adjustable Rate. If any of the foregoing conditions to the establishment of the Fixed Rate (other than with respect to any attempted change from an Auction Rate to a Fixed Rate) are not met, the Trustee shall mail, or cause the Tender Agent to mail, to the County and the Holders, notice thereof within three Business Days after the failure to meet any of said conditions.

If the Series 2005-A Warrants or the Series 2005-B Warrants commence to bear interest at the Fixed Rate as described above, the interest rate on such Series 2005-A Warrants or Series 2005-B Warrants may not thereafter be changed to an Adjustable Rate.

Conversion Generally. In the event of a Change in the Interest Rate Mode on less than all the Series 2005-A Warrants or the Series 2005-B Warrants to or from an Auction Rate, the minimum aggregate principal amount of Series 2005-A Warrants or Series 2005-B Warrants that continue to bear, or are adjusted to bear, interest at an Auction Rate for an Auction Rate Period, shall not be less than $10,000,000 for such Series 2005-A Warrants or Series 2005-B Warrants.

Upon any Change in the Interest Rate Mode or upon any change to a new Calculation Period or Periods during a Commercial Paper Rate Period, the Remarketing Agent and the Trustee shall take all steps necessary to comply with any agreement entered into with a Securities Depository or its nominee with respect to such Change in the Interest Rate Mode or such change to a new Calculation Period or Periods during a Commercial Paper Rate Period, including, without limitation, the purchase (at the expense of the County) and designation of sufficient CUSIP numbers to comply with the requirements of such Securities Depository following any such Change in the Interest Rate Mode or such change to a new Calculation Period or Periods during a Commercial Paper Rate Period.

If the interest rate on less than all Series 2005-A Warrants or Series 2005-B Warrants of a particular subseries is to be converted to a new Adjustable Rate or to a Fixed Rate, the particular Series 2005-A Warrants or Series 2005-B Warrants of such subseries to be converted shall be chosen by the Trustee, or the Trustee shall direct the Tender Agent to so choose, in such manner as the Trustee or Tender Agent in its discretion may deem proper; provided, however, that the portion of any Series 2005-A Warrant or Series 2005-B Warrants to be converted shall be in an Authorized Denomination for the Interest Rate Mode to which such Series 2005-A Warrant or Series 2005-B Warrants is being converted (and the portion of such Series 2005-A Warrant or Series 2005-B Warrants that is not being converted shall be in an Authorized Denomination for the Interest Rate Mode then applicable thereto). If it is determined that a portion, but not all, of any Series 2005-A Warrant or Series 2005-B Warrants is to be converted, then upon notice of such conversion pursuant to the Indenture, the Holders of such Series 2005-A Warrants or Series 2005-B Warrants shall forthwith surrender such Series 2005-A Warrants or Series 2005-B Warrants to the Tender Agent for (1) payment of the purchase price (including the premium, if any, and accrued and unpaid interest to the date fixed for conversion) of the portions thereof chosen for conversion and (2) exchange for a new Series 2005-A or Series 2005-B Warrant or Warrants in the aggregate principal amount of the balance of the principal of such Series 2005-A Warrants or Series 2005-B Warrants not subject to conversion. If the Holders of any such Series 2005-A Warrant or Series 2005-B Warrant shall fail to present such Series 2005-A Warrant or Series 2005-B Warrant to the Tender Agent, for payment and exchange as aforesaid, such Series 2005-A Warrant or Series 2005-B Warrant shall, nevertheless, become due and payable on the date fixed for conversion to the extent of the portions thereof chosen for such conversion (and to that extent only).

Redemption and Purchase of Series 2005-A and Series 2005-B Warrants

Optional Redemption. The Series 2005-A Warrants and the Series 2005-B Warrants shall be subject to redemption, in whole or in part, at the option of the County, upon its written request delivered to the Trustee not less than forty-five (45) days (thirty (30) days for Series 2005-A Warrants and Series 2005-B Warrants bearing interest at an Adjustable Rate) prior to the date selected for redemption, from the proceeds of a draw on or payment under a Support Facility (if available for such purpose), and any other money held by the Trustee and available to be applied to the redemption of Series 2005-A Warrants and Series 2005-B Warrants as provided below:

(a) For any Commercial Paper Rate Period, such Series 2005-A Warrants and Series 2005-B Warrants shall be subject to redemption (i) on each Interest Payment Date for such Commercial Paper Rate Period, as a whole or in part, at the principal amount thereof, and (ii) on any Business Day, as a whole or in part, at the principal amount thereof plus accrued interest, if any, to the date fixed for redemption.

(b) For any Auction Rate Period, such Series 2005-A Warrants and Series 2005-B Warrants shall be subject to redemption on the Business Day immediately preceding each Auction Date, as a whole or in part, at the principal amount thereof plus accrued interest, if any, to the date fixed for redemption.

(c) For any Daily Rate Period, such Series 2005-A Warrants and Series 2005-B Warrants shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption.

(d) For any Weekly Rate Period, such Series 2005-A Warrants and Series 2005-B Warrants shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption.

(e) For any Term Rate Period and after the Fixed Rate Conversion Date, such Series 2005-A Warrants and Series 2005-B Warrants shall be subject to redemption in whole or in part on any Business Day on or after the tenth anniversary of the commencement of such Term Rate Period or the Fixed Rate Conversion Date, as the case may be. The redemption price shall be equal to the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption.

Scheduled Mandatory Redemption. The Series 2005-A Warrants shall be redeemed at the redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on January 1 (or, in the case of Auction Rate Warrants, if any such January 1 is not an Interest Payment Date, then on the first Interest Payment date subsequent thereto) in years and principal amounts (after credit as provided below) as follows:

Year	**Amount**
2007	$4,550,000
2008	5,075,000
2009	5,225,000
2010	5,400,000
2011	5,575,000
2012	5,750,000
2013	5,950,000
2014	6,150,000
2015	6,350,000
2016	6,550,000
2017	6,775,000
2018	6,975,000
2019	7,225,000
2020	7,450,000
2021	7,700,000
2022	7,950,000
2023	8,200,000
2024	8,475,000
2025	8,750,000
2026	36,375,000

$37,550,000 of the Series 2005-A Warrants
will be retired at Maturity.

The Series 2005-B Warrants shall be redeemed at the redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on January 1 (or, in the case of Auction Rate Warrants, if any such January 1 is not an Interest Payment Date, then on the first Interest Payment date subsequent thereto) in years and principal amounts (after credit as provided below) as follows:

Year	**Amount**
2007	$4,550,000
2008	5,075,000
2009	5,225,000
2010	5,400,000
2011	5,575,000
2012	5,750,000
2013	5,950,000
2014	6,150,000
2015	6,350,000
2016	6,550,000
2017	6,775,000
2018	6,975,000

Year	Amount
2019	7,225,000
2020	7,450,000
2021	7,700,000
2022	7,950,000
2023	8,200,000
2024	8,475,000
2025	8,750,000
2026	36,375,000

$37,550,000 of the Series 2005-B Warrants
will be retired at Maturity.

Not less than 60 days prior to each such scheduled mandatory redemption date, the County may specify the particular subseries from which Series 2005-A Warrants and Series 2005-B Warrants are to be called for such redemption and (if more than one subseries is so specified) the respective principal amounts to be called for redemption from each thereof. In any such case, the particular Series 2005-A Warrants and Series 2005-B Warrants (or portions thereof) within a given subseries to be called for redemption shall be selected by the Trustee by lot. If the County fails to make such a specification with respect to any scheduled mandatory redemption date, not less than 45 or more than 60 days prior to each such date, the Trustee shall proceed to select for redemption, by lot, Series 2005-A Warrants and Series 2005-B Warrants or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 2005-A Warrants and Series 2005-B Warrants or portions thereof for redemption on such scheduled mandatory redemption date. In any event, the County may, upon direction delivered to the Trustee not less than 60 days prior to any such scheduled mandatory redemption date, direct that any or all of the following amounts be credited against the principal amount of Series 2005-A Warrants and Series 2005-B Warrants scheduled for redemption on such date: (i) the principal amount of Series 2005-A Warrants and Series 2005-B Warrants delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Series 2005-A Warrants and Series 2005-B Warrants previously redeemed (other than Series 2005-A Warrants and Series 2005-B Warrants redeemed pursuant to this paragraph) and not previously claimed as a credit.

Excess Tax Proceeds Mandatory Redemption. The Series 2005-A Warrants and the Series 2005-B Warrants will be subject to mandatory redemption and payment on March 1, 2006, and on each March 1 thereafter, to the extent of any moneys (rounded to the next smaller integral multiple of $5,000) accumulated in the Redemption Fund as of the 60th day prior to each such date, at and for a redemption price, with respect to each Series 2005-A Warrant and Series 2005-B Warrants (or portion thereof) called for redemption, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption. The County may specify the particular subseries from which Series 2005-A Warrants and Series 2005-B Warrants are to be called for such redemption and (if more than one subseries is so specified) the respective principal amounts to be called for redemption from each thereof. In any such case, the particular Series 2005-A Warrants and Series 2005-B Warrants (or portions thereof) within a given subseries to be called for redemption shall be selected by the Trustee by lot. If the County fails to make such a specification with respect to any special mandatory redemption date, not less than 45 or more than 60 days prior to each such special mandatory redemption date, the Trustee shall proceed to select for redemption Series 2005-A Warrants and Series 2005-B Warrants or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 2005-A Warrants and Series 2005-B Warrants or portions thereof for redemption on such special mandatory redemption date.

Extraordinary Mandatory Redemption. The Series 2004/2005 Warrants, including the Series 2005-A Warrants and the Series 2005-B Warrants, will be subject to mandatory redemption in whole under the following circumstances:

(A) On or before December 1, 2006, if the County delivers to the Trustee a certificate to the effect that a final, unappealable judgment has been entered by a court that (1) the County lacks the power to issue the Series 2004/2005 Warrants or the Series 2004/2005 Warrants are otherwise invalid or (2) the pledge of the Pledged Tax Proceeds made in the Indenture is not valid and binding; or

(B) On December 1, 2006, if the County has failed to certify on or before October 20, 2006 that no litigation is then pending which attacks or questions (1) the validity or legality of the Series 2004/2005 Warrants or any of the authorizing proceedings therefor or (2) the validity and binding effect of the pledge of the Pledged Tax Proceeds made in the Indenture. The Series 2004/2005 Warrants will not be subject to extraordinary mandatory redemption even though litigation is pending against the County as described above (i) if such litigation was filed after the issuance of the Series 2004/2005 Warrants, (ii) the County receives an opinion of Bond Counsel stating that the claims asserted are without merit and that the final disposition of such lawsuit will not adversely affect the validity of the Series 2004/2005 Warrants or the ability of the County to make payment thereon and (iii) the Bond Insurer provides its consent for such exception to the extraordinary mandatory redemption requirement.

If the County makes the certifications described in paragraph (B) above on or before October 20, 2006, then the extraordinary redemption requirement in the Indenture will terminate.

The redemption price for each Series 2004/2005 Warrant redeemed pursuant to this extraordinary mandatory redemption shall be the sum of (1) the principal amount of such Series 2004/2005 Warrant (or, in the case of any Series 2004/2005 Warrant initially offered and sold at a price that reflected an original issue discount, the issue price of such Series 2004/2005 Warrant increased by the portion of such discount accrued as of the date fixed for redemption), (2) the interest accrued thereon to the date fixed for redemption, and (3) in the case of any Series 2004/2005 Warrant offered and sold at the time of initial issuance at a price that included an original issue premium, the unamortized portion of such premium as of the date fixed for redemption (calculated using the constant-yield method).

In the event of extraordinary mandatory redemption, the County has covenanted to make certain payments, if necessary, with respect to the payment of the redemption price of the Series 2005-A Warrants and Series 2005-B Warrants. See, "Covenant Regarding Extraordinary Mandatory Redemption." However, in such event, the Policy does not insure the payment of such redemption price.

For further discussion of certain litigation related to the Series 2004/2005 Warrants, see "LITIGATION—Education Tax Litigation".

Tender for and Purchase upon Election of Holder. (a) During any Daily Rate Period or Weekly Rate Period, any Series 2005-A Warrant and Series 2005-B Warrant or portion thereof (other than a Bank Warrant) in a principal amount equal to an Authorized Denomination (so long as the principal amount not purchased is an Authorized Denomination) shall be purchased on the demand of the Holder thereof on any Business Day at a price equal to the principal amount thereof plus accrued interest, if any, to (but not including) the date of purchase, upon delivery to the Tender Agent and the Remarketing Agent at their respective principal offices, by the close of business on any Business Day of a Notice of Election to Tender in substantially the form described in the Indenture; provided, however, that the substance of such Notice of Election to Tender must also be given telephonically to the Remarketing Agent prior to or simultaneously with delivery of such written Notice of Election to Tender to the Remarketing Agent. The date on which such Series 2005-A Warrant or Series 2005-B Warrant shall be purchased shall, at the request of the Holder thereof, (i) if the Series 2005-A Warrant or the Series 2005-B Warrant then bears interest at a Daily Rate, be the date of delivery of such Notice of Election to Tender if such Notice of Election to Tender is delivered to the Tender Agent and the Remarketing Agent by 11:00 a.m. (New York City time) on such date or may be any Business Day thereafter, and (ii) if the Series 2005-A Warrant or the Series 2005-B Warrant then bears interest at a Weekly Rate, shall be a Business Day not prior to the 7th day next succeeding the date of the delivery of such Notice of Election to Tender to the Tender Agent and the Remarketing Agent.

Any Notice of Election to Tender shall be irrevocable.

The right of a Holder to tender a Series 2005-A Warrant or Series 2005-B Warrant to the Tender Agent described in this subsection shall terminate after conversion of the Interest Rate Mode to a Commercial Paper Rate, an Auction Rate, a Term Rate or a Fixed Rate with respect to such Series 2005-A Warrant or Series 2005-B Warrant. Furthermore, any Series 2005-A Warrant or Series 2005-B Warrant tendered for purchase as described in this subsection after the date notice of redemption or mandatory tender is given shall not be remarketed except to a purchaser who agrees at the time of such purchase to tender such Series 2005-A Warrant or Series 2005-B Warrant for redemption or purchase on the applicable redemption or mandatory tender date.

Mandatory Tender for Purchase upon Change in the Interest Rate Mode and on a Business Day Following Certain Calculations. Upon a Change in the Interest Rate Mode (including any change to the Fixed Rate on the Fixed Rate Conversion Date), the Series 2005-A Warrants and the Series 2005-B Warrants bearing an Auction Rate, a Daily Rate, a Weekly Rate, a Term Rate or a Commercial Paper Rate shall be subject to mandatory tender for purchase in accordance with the terms of the Indenture, on the effective date of such Change in the Interest Rate Mode at a price equal to the principal amount thereof.

For any Term Rate Period or Commercial Paper Rate Period, the Series 2005-A Warrants and the Series 2005-B Warrants shall be subject to mandatory tender for purchase in accordance with the terms hereof on the Business Day immediately following each Calculation Period, at a price equal to the principal amount thereof.

Mandatory Tender for Purchase Upon Expiration, Termination, Substitution or Amendment of any Liquidity Facility. Except as otherwise set forth in the last sentence of this paragraph, the Series 2005-A Warrants and the Series 2005-B Warrants shall be subject to mandatory tender for purchase at a price equal to the principal amount thereof, (i) on the second Business Day immediately preceding the substitution of an Alternate Liquidity Facility for an existing Liquidity Facility or the effective date of a Liquidity Facility Amendment which results in either case in a reduction or withdrawal of the short-term or long-term rating assigned to such Series 2005-A Warrants and Series 2005-B Warrants, as further described under the second paragraph of "Support Facilities—Liquidity Facility" below, (ii) on the first anniversary of the initial failure by the Liquidity Provider to maintain its short-term ratings (unless sooner restored) as described in the third paragraph of "Support Facilities—Liquidity Facility" below, and (iii) on the second Business Day immediately preceding the date of expiration or termination of any Liquidity Facility (other than a termination that results from an event that permits termination of such Liquidity Facility without notice), unless on or prior to the 45th day prior to such date of expiration or termination or the effective date of such Liquidity Facility Amendment or such first anniversary of the initial failure of the Liquidity Provider to maintain its short-term ratings the County has furnished to the Trustee (a) an agreement by the Liquidity Provider to extend such Liquidity Facility in the case of an expiration, or (b) an Alternate Liquidity Facility in replacement of the expiring, terminating or amended Liquidity Facility or the Liquidity Facility whose Liquidity Provider has so failed to maintain its short-term ratings together with the confirmation of ratings referred to in the first paragraph under "Support Facilities—Liquidity Facility" below. No tender for purchase of any Series 2005-A Warrants or Series 2005-B Warrants shall be required as described in this paragraph if the Fixed Rate Conversion Date shall have occurred on a date prior to such date of expiration, termination, substitution or the effective date of a Liquidity Facility Amendment.

Notice of the mandatory tender for purchase described under this subheading shall be given on or prior to the 30th day (or, in the case of any termination, such lesser number of days as may be practicable under the terms of the Liquidity Facility then in effect) before the expiration, termination, substitution or amendment date or the 30th day prior to the date of the first anniversary referred to in clause (ii) of the paragraph above by the Trustee in the name of the County (with copies thereof given to the County, the Remarketing Agent, each issuer of a Support Facility and the Tender Agent) by first-class mail to the Holders of the Series 2005-A Warrants and the Series 2005-B Warrants subject to mandatory tender for purchase at their addresses shown on the books of registry. Such notice shall be in substantially the form attached to, or contain substantially the information contained in, the Indenture. Such notice may also state, if applicable, that such mandatory tender will not occur if the Trustee receives, on or before the date that is five (5) days preceding the mandatory tender date, an Alternate Liquidity Facility in replacement of the expiring, terminating or amended Liquidity Facility or of the Liquidity Facility whose Liquidity Provider failed to maintain the ratings required hereby, together with the confirmation of ratings referred to in the first paragraph under "Support Facilities— Liquidity Facility" below.

Bank Warrants or Series 2005-A Warrants or Series 2005-B Warrants held by or for the account of the County are not subject to mandatory tender for purchase pursuant to the provisions described under this subheading.

General Provisions Applicable to Mandatory and Optional Tenders for Purchase of Series 2005-A Warrants and Series 2005-B Warrants. If interest has been paid on the Series 2005-A Warrants and the Series 2005-B Warrants, or an amount sufficient to pay interest thereon has been deposited in the Debt Service Fund, or an amount sufficient to pay accrued interest thereon, if any, has been set aside in the Warrant Purchase Fund, and the purchase price equal to the principal of, and premium, if any, on the Series 2005-A Warrants and the Series 2005-B Warrants shall be available in the Warrant Purchase Fund for payment of Series 2005-A Warrants and Series 2005-B Warrants subject to tender for purchase pursuant to the provisions described above, and if any Holder fails to deliver or does not properly deliver the Series 2005-A Warrants or the Series 2005-B Warrants to the Tender Agent for which a Notice of Election to Tender has been properly filed or which are subject to mandatory tender for purchase on the purchase date therefor, such Series 2005-A Warrants or Series 2005-B Warrants shall nevertheless be deemed tendered and purchased on the date established for the purchase thereof, interest on such Series 2005-A Warrants or Series 2005-B Warrants shall cease to be payable to the former Holders thereof from and after the date of purchase and such former Holders shall have no rights under the Indenture as the registered owners of such Series 2005-A Warrants or Series 2005-B Warrants, except the right to receive the purchase price of and interest to the purchase date, if any, on such Series 2005-A Warrants or Series 2005-B Warrants upon delivery thereof to the Tender Agent in accordance with the provisions hereof.

The purchaser of any Series 2005-A Warrants or Series 2005-B Warrants remarketed by the Remarketing Agent shall be the registered owner of such Series 2005-A Warrants or Series 2005-B Warrants; or, if the Series 2005-A Warrants or the Series 2005-B Warrants are registered in the name of the Securities Depository or its nominee, any such purchaser shall be the beneficial owner of such Series 2005-A Warrants or Series 2005-B Warrants. To the extent Series 2005-A Warrants or Series 2005-B Warrants are purchased with the proceeds of a payment under a Liquidity Facility, the issuer of such Liquidity Facility shall be treated as the owner of such Series 2005-A Warrants or Series 2005-B Warrants. While Series 2005-A Warrants or Series 2005-B Warrants are held by or for the benefit of a Liquidity Provider, the Trustee shall not effect payment under such Liquidity Facility to pay principal, interest or premium on such Series 2005-A Warrants or Series 2005-B Warrants.

The payment of Series 2005-A Warrants and Series 2005-B Warrants pursuant to the tender provisions described above shall be subject to delivery of such Series 2005-A Warrants or Series 2005-B Warrants duly endorsed in blank for transfer or accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank for transfer at the principal office of the Tender Agent at or prior to 10:00 a.m. (11:30 a.m. for Series 2005-A Warrants and Series 2005-B Warrants bearing interest at a Weekly Rate and 12:00 noon for Series 2005-A Warrants and Series 2005-B Warrants bearing interest at a Daily Rate and being purchased pursuant to the provisions described above under the subheading "Tender for and Purchase upon Election of Holder") (New York City time), on a specified purchase date. The Tender Agent may refuse to make payment with respect to any Series 2005-A Warrants and Series 2005-B Warrants tendered for purchase pursuant to the tender provisions described above, not endorsed in blank or for which an instrument of transfer satisfactory to the Tender Agent has not been provided.

The purchase price of Series 2005-A Warrants and Series 2005-B Warrants subject to tender for purchase pursuant to the tender provisions described above in an aggregate principal amount of at least one million dollars ($1,000,000) shall be payable in immediately available funds or by wire transfer upon written notice from the Holder thereof containing the wire transfer address (which shall be in the continental United States) to which such Holder wishes to have such wire directed, if such written notice is received by the Tender Agent not less than five Business Days prior to the related purchase date.

If a Liquidity Facility is in effect with respect to any Series 2005-A Warrants or Series 2005-B Warrants, the Trustee shall request a payment under the Liquidity Facility in accordance with its terms to enable the Trustee to effect a deposit of the proceeds of the Liquidity Facility into the Warrant Purchase Fund in an amount necessary to effect full and timely payment of the Purchase Price of all Series 2005-A Warrants or Series 2005-B Warrants for which such Liquidity Facility is in effect and for which remarketing proceeds are not available.

Covenant Regarding Extraordinary Mandatory Redemption

In the Indenture, the County will covenant, for the benefit of the holders of Series 2004/2005 Warrants, including the Series 2005-A Warrants and the Series 2005-B Warrants, that if the Series 2004/2005 Warrants become subject to extraordinary mandatory redemption, then the County will pay, out of all moneys legally available to the County, the difference, if any, between the redemption price of the Series 2004/2005 Warrants to be redeemed and the moneys then held in the Indenture funds (including proceeds held in the Grant Fund) which will be used for such redemption. The County will further covenant that, until the expiration or termination of the extraordinary mandatory redemption requirement in accordance with the Indenture, the County will maintain its constitutional debt margin in an amount greater than the contingent general obligation liability which results from the foregoing covenant.

Support Facilities

The County agrees in the Indenture to maintain a Liquidity Facility meeting the requirements of the Indenture with respect to the Series 2005-A Warrants and the Series 2005-B Warrants at all times except during any Auction Rate Period, Term Rate Period or Fixed Rate Period. A Liquidity Facility meeting the criteria set forth in the Indenture may be provided during a Term Rate Period, at the option of the County. Each time the County obtains a Liquidity Facility with respect to Series 2005-A Warrants and Series 2005-B Warrants, the County shall submit such Liquidity Facility to Moody's, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by Moody's, and to S&P, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by S&P, and to another rating agency, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by such rating agency, for the purposes of obtaining a rating on such Series 2005-A Warrants and Series 2005-B Warrants. The Trustee shall be furnished with any Liquidity Facility obtained together with evidence of any rating or ratings obtained on the Series 2005-A Warrants and the Series 2005-B Warrants in connection therewith.

The initial Liquidity Facility with respect to each subseries of Variable Rate Demand Warrants is the Standby Purchase Agreement, which only covers interest at the Daily Rate and the Weekly Rate.

Liquidity Facility. At any time that Series 2005-A Warrants or the Series 2005-B Warrants bear interest at an Adjustable Rate (other than an Auction Rate or a Term Rate), the County shall, and at any time that Series 2005-A Warrants or Series 2005-B Warrants bear interest at a Term Rate, the County may, provide for the delivery to the Trustee of a Liquidity Facility that is issued by (1) a financial institution with ratings that are equivalent to or higher than the ratings of the provider of the Liquidity Facility being replaced or (2) a financial institution with a long term debt rating of at least A from S&P or Moody's and that supports ratings at least the equivalent of A-1 from S&P and VMIG1 from Moody's. The form of such Liquidity Facility shall be approved in writing by the Bond Insurer so long as the Bond Insurer has not denied in writing its obligations under the Policy and is not in default under the Policy. The Liquidity Facility shall satisfy the definition of "Liquidity Facility" herein and shall be, in case of an Alternate Liquidity Facility, the same as the Liquidity Facility it replaces in all respects material to the security for the Series 2005-A Warrants or the Series 2005-B Warrants; provided that (i) the expiration date of such Liquidity Facility shall be a date not earlier than 364 days from its date of issuance (or the length of the Calculation Period with respect to any Series 2005-A Warrant or Series 2005-B Warrant bearing interest at a Term Rate to which such Liquidity Facility applies, if longer), subject to earlier termination upon the occurrence of (a) a Terminating Event or another event of default under the Standby Purchase Agreement, (b) the issuance of an Alternate Liquidity Facility, (c) payment in full of the Outstanding Series 2005-A Warrants and Series 2005-B Warrants which are secured by such Liquidity Facility or (d) a Change in the Interest Rate Mode to an Auction Rate, a Commercial Paper Rate, a Term Rate or a Fixed Rate; and (ii) if, between the effective date of a Liquidity Facility and the effective date of an Alternate Liquidity Facility, there occurs a Change in the Interest Rate Mode with respect to some or all of the Series 2005-A Warrants or the Series 2005-B Warrants, such Alternate Liquidity Facility shall comply with the requirements applicable to a Liquidity Facility in effect with respect to the new Interest Rate Mode with respect to the Series 2005-A Warrants and the Series 2005-B Warrants so affected. On or prior to the date of the delivery of an Alternate Liquidity Facility or an amendment to a Liquidity Facility (other than an amendment which only extends the expiration date of an existing Liquidity Facility) (a "Liquidity Facility Amendment") to the Trustee, the County shall furnish to the Trustee (a) an opinion of Bond Counsel stating that the delivery of such Alternate Liquidity Facility or Liquidity Facility Amendment to the Trustee is authorized under the Indenture and complies with the terms thereof and (b) written confirmation from S&P, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by S&P, and from Moody's, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by Moody's, and from another rating agency, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by such rating agency, to the effect that such rating agency has reviewed the proposed Alternate Liquidity Facility or Liquidity Facility Amendment and that the substitution of the proposed Alternate Liquidity Facility for the existing Liquidity Facility or the delivery of the Liquidity Facility Amendment will not result in a reduction or withdrawal of its long- or short-term rating of the Series 2005-A Warrants and the Series 2005-B Warrants below the rating of S&P or Moody's or such other rating agency, as the case may be, then in effect with respect to the Series 2005-A Warrants and the Series 2005-B Warrants.

If the County delivers an Alternate Liquidity Facility in substitution for a Liquidity Facility or a Liquidity Facility Amendment which will result in a reduction in or withdrawal of the short-term or long-term rating (or both) assigned to such Series 2005-A Warrants or Series 2005-B Warrants by Moody's or S&P or such other rating agency as a result of the Alternate Liquidity Facility or Liquidity Facility Amendment, all affected Series 2005-A Warrants and Series 2005-B Warrants (unless the Series 2005-A Warrants or the Series 2005-B Warrants bear interest at an Auction Rate or Fixed Rate) shall be subject to mandatory tender for purchase pursuant to the provisions of the Indenture. It shall be a condition to the delivery of such an Alternate Liquidity Facility or Liquidity Facility Amendment that the Opinion of Bond Counsel referred to in the preceding paragraph be obtained.

If the Liquidity Provider of a Liquidity Facility should fail to maintain short-term ratings equivalent to A-1 from S&P and P-1 from Moody's, and such Liquidity Provider is not replaced within 12 months, all Series 2005-A Warrants and Series 2005-B Warrants secured by such Liquidity Facility shall be subject to mandatory tender for purchase pursuant to the Indenture.

In any instance in which the Trustee accepts a new Liquidity Facility, or in which the existing Liquidity Facility is amended, under such circumstances that a mandatory tender of the Series 2005-A Warrants and the Series 2005-B Warrants to be covered by such Liquidity Facility is not required, the Trustee shall mail a written notice of such Liquidity Facility and the proposed effective date of such Liquidity Facility or such amendment) to the Holders of the affected Series 2005-A Warrants and Series 2005-B Warrants at least 15 days prior to the effective date of such new Liquidity Facility or of such amendment.

Alternate Credit Facility. The County may, at its option and consistent with the terms described below, obtain an Alternate Credit Facility in substitution for or in addition to the initial Policy or other Alternate Credit Facility. On or prior to the date of delivery of such Alternate Credit Facility, the County shall deliver to the Trustee (a) an opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under the Indenture and complies with the terms thereof and (b) in the case of a substitution or addition of a Credit Facility, written confirmation from S&P, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by S&P, and from Moody's, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by Moody's, and from another rating agency, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by such rating agency, to the effect that such rating agency has reviewed the proposed Alternate Credit Facility and that the substitution of the proposed Alternate Credit Facility for the existing Credit Facility will not, by itself, result in a reduction or withdrawal of its long- or short-term rating of the Series 2005-A Warrants or the Series 2005-B Warrants below the rating of S&P or Moody's or such other rating agency, as the case may be, then in effect with respect to the Series 2005-A Warrants and the Series 2005-B Warrants. If such substitution occurs when there is a Liquidity Facility in effect with respect to the Series 2005-A Warrants or the Series 2005-B Warrants or any Bank Warrants are outstanding, or prior to the conversion of the interest rate for all of the Series 2005-A Warrants or the Series 2005-B Warrants to the Fixed Rate, the prior written consent of the Liquidity Facility Provider shall be required with respect to the substitution of the Policy or Alternate Credit Facility with such Alternate Credit Facility.

The County may, at its option and consistent with this section, obtain an Alternate Credit Facility in substitution for or in addition to the initial Policy or other Alternate Credit Facility. On or prior to the date of delivery of such Alternate Credit Facility, the County shall deliver to the Trustee (a) an opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under the Indenture and complies with the terms thereof and (b) in the case of a substitution or addition of a Credit Facility, written confirmation from S&P, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by S&P, and from Moody's, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by Moody's, and from another rating agency, if the Series 2005-A Warrants and the Series 2005-B Warrants are then rated by such rating agency, to the effect that such rating agency has reviewed the proposed Alternate Credit Facility and that the substitution of the proposed Alternate Credit Facility for the existing Credit Facility (or proposed addition of a Credit Facility) will not, by itself, result in a reduction or withdrawal of its long- or short-term rating of the Series 2005-A Warrants or the Series 2005-B Warrants below the rating of S&P or Moody's or such other rating agency, as the case may be, then in effect with respect to the Series 2005-A Warrants or the Series 2005-B Warrants. If any such substitution or addition occurs, or any Credit Facility is surrendered, cancelled, terminated, amended or modified in any material respect, when there is a Liquidity Facility in effect with respect to the Series 2005-A Warrants or the Series 2005-B Warrants or any Bank Warrants are outstanding, or prior to the conversion of the interest rate for all of the Series 2005-A Warrants or the Series 2005-B Warrants to the Fixed Rate, the prior written consents of the Liquidity Facility Provider and the related liquidity agent (if any institution is then serving in that capacity) shall be required with respect to the substitution of the Policy or Alternate Credit Facility with such Alternate Credit Facility, or for the addition of a new Credit Facility, or for any such surrender, cancellation, termination, amendment or modification of such Credit Facility. In any instance in which an Alternate Credit Facility is delivered to the Trustee or any Credit Facility is surrendered, cancelled, terminated, amended or modified in any material respect, the Trustee shall mail a written notice of such action to the Holders of the affected Series 2005-A Warrants and the Series 2005-B Warrants, with such notice to be mailed (a) at least 15 days prior to the effective date of any such Alternate Credit Facility or (b) as soon as practicable in the case of any surrender, cancellation, termination, amendment or modification in any material respect of any existing Credit Facility.

Registration and Exchange

See "Book-Entry Only System" for a description of provisions relating to the registration, transfer and exchange of the Series 2005-A Warrants and the Series 2005-B Warrants.

Book-Entry Only System

The information contained in this section concerning DTC and DTC's book-entry only system has been obtained from materials furnished by DTC to the County. Neither the County, the Underwriter nor the Financial Advisor make any representation or warranty as to the accuracy or completeness of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2005-A Warrants and the Series 2005-B Warrants. The Series 2005-A Warrants and the Series 2005-B Warrants will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee. The Series 2005-A Warrants and the Series 2005-B Warrants will be issued as a single fully-registered certificate 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 Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of beneficial ownership interests in the Series 2005-A Warrants and the Series 2005-B Warrants under the DTC system must be made by or through DTC Participants, which will receive a credit for the Series 2005-A Warrants and the Series 2005-B Warrants on DTC's records. The ownership interest of each beneficial owner of a Series 2005-A Warrant or a Series 2005-B Warrant (a "Beneficial Owner") is in turn to be recorded on the DTC Participants' and Indirect Participants' records. Beneficial Owners will not receive written communication 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 2005-A Warrants and the Series 2005-B Warrants are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2005-A Warrants and the Series 2005-B Warrants, except in the event that use of the book-entry only system for the Series 2005-A Warrants and the Series 2005-B Warrants is discontinued.

To facilitate subsequent transfers, all Series 2005-A Warrants and Series 2005-B Warrants deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2005-A Warrants and Series 2005-B 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 2005-A Warrants and the Series 2005-B Warrants. DTC's records reflect only the identity of the DTC Participants to whose accounts such Series 2005-A Warrants and Series 2005-B Warrants are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC 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.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2005-A Warrants and the Series 2005-B 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 2005-A Warrants and Series 2005-B Warrants. 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 DTC Participants to whose accounts the Series 2005-A Warrants and the Series 2005-B Warrants are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2005-A Warrants and the Series 2005-B Warrants will be made to DTC. DTC's practice is to credit DTC Participants' accounts on a payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payment date. Payments by DTC 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 DTC Participants and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium (if any) and interest to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of the DTC Participants and Indirect Participants.

The County and the Trustee cannot and do not give any assurances that DTC, the DTC Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2005-A Warrants and the Series 2005-B Warrants (1) payments of principal of or interest and premium, if any, on the Series 2005-A Warrants and the Series 2005-B Warrants, (2) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2005-A Warrants and Series 2005-B Warrants, or (3) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2005-A Warrants and the Series 2005-B Warrants, or that they will do so on a timely basis or that DTC, DTC 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 DTC Participants are on file with DTC.

Neither the County nor the Trustee will have any responsibility or obligation to any DTC Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series 2005-A Warrants and the Series 2005-B Warrants; (2) the accuracy of any records maintained by DTC or any DTC Participant or Indirect Participant; (3) 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 2005-A Warrants and the Series 2005-B Warrants; (4) 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 Indenture to be given to warrantholders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2005-A Warrants and the Series 2005-B Warrants; or (6) any consent given or other action taken by DTC as warrantholder.

DTC may determine to discontinue providing its service with respect to the Series 2005-A Warrants and the Series 2005-B Warrants at any time by giving notice to the County and the Trustee and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the book-entry only system for the Series 2005-A Warrants and the Series 2005-B Warrants will be discontinued unless a successor securities depository is appointed by the County. In addition, the County may discontinue the book-entry only system for the Series 2005-A Warrants and the Series 2005-B Warrants at any time by giving reasonable notice to DTC.

Authority for Issuance

The Series 2005-A Warrants and the Series 2005-B Warrants are being issued under the authority of the Constitution and laws of the State of Alabama, including particularly Article 1, Chapter 28, Title 11 of the Code of Alabama (1975), Section 11-28-1 *et seq*. (the "Act").

STANDBY PURCHASE AGREEMENT FOR VARIABLE RATE DEMAND WARRANTS

General

The purchase price of each subseries of Variable Rate Demand Warrants bearing interest at a Daily Rate or a Weekly Rate which are tendered or deemed tendered for purchase will be payable, to the extent that remarketing proceeds are not sufficient therefor, from funds made available by the Bank pursuant to the Standby Purchase Agreement, subject to the terms and conditions thereof. The Standby Purchase Agreement will provide liquidity for the purchase of those Variable Rate Demand Warrants which are optionally tendered for purchase or are subject to mandatory purchase but not remarketed by the Remarketing Agent. The Standby Purchase Agreement is scheduled to expire (absent extension or certain events of default and other events described herein) on January 30, 2015. The enforceability of the Standby Purchase Agreement may be limited by the bankruptcy, insolvency or reorganization of the Bank. No assurances can be given that in such event the obligation of the Bank under the Standby Purchase Agreement would survive.

Available Commitment

The obligation of the Bank is only to fund its available commitment under the Standby Purchase Agreement applicable to its respective subseries of the Variable Rate Demand Warrants, subject to the terms and conditions of the Standby Purchase Agreement. The initial principal commitment and the initial interest commitment of the Bank for the Series 2005-B Warrants are $200,000,000 and $1,863,014, respectively.

Purchase of Tendered Warrants by the Bank

From time to time during the period prior to the expiration or earlier termination of the Standby Purchase Agreement (the "Purchase Period"), the Bank will purchase, subject to the terms and conditions of the Standby Purchase Agreement, Variable Rate Demand Warrants of its respective subseries (i) bearing interest at a Daily Rate or a Weekly Rate that have been optionally tendered for purchase pursuant to the Indenture under an optional tender but not remarketed or (ii) bearing interest at a Daily Rate or a Weekly Rate which are tendered pursuant to a mandatory tender under the Indenture and are not remarketed on the date specified for purchase (the "Purchase Date"). See "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A Warrants and Series 2005-B Warrants". The price to be paid by the Bank for such Variable Rate Demand Warrants will be equal to the aggregate principal amount of such Variable Rate Demand Warrants plus interest accrued thereon to but not including the Purchase Date calculated at the applicable interest rate for the Variable Rate Demand Warrants. If the purchase date is an Interest Payment Date, interest is not included. The Bank's commitment with respect to interest shall be equal to 34 days' interest on the principal amount of Variable Rate Demand Warrants of such subseries outstanding (assuming an interest rate of 10% per annum).

Under certain circumstances described below, the obligation of the Bank to purchase Variable Rate Demand Warrants tendered by the owners thereof or subject to Mandatory Purchase may be terminated or suspended without notice. In such event, sufficient funds may not be available to purchase Variable Rate

Demand Warrants tendered by the owners thereof or subject to Mandatory Purchase. The financial guaranty insurance policy does not insure payment of the Purchase Price of the Variable Rate Demand Warrants.

Events of Termination Without Mandatory Tender

Under the Standby Purchase Agreement, if any of the following events shall occur and be continuing, the obligations of the Bank under the Standby Purchase Agreement shall automatically and immediately terminate without notice:

(a) Any principal or interest due on the Series 2005-B Warrants is not paid by the County when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Policy; or

(b) Any material provision of the Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, or the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority, or the Bond Insurer denies that it has any or further liability or obligation under the Policy; or

(c) A proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer under applicable law and such proceeding is not terminated for a period of 60 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action for the purposes of instituting any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any insurance policy or policies when due, and either (i) any such default shall continue unremedied for a period of one day, or (ii) the aggregate amount of such payment defaults shall exceed $75,000,000 at any one time outstanding.

Events of Termination With Mandatory Tender

Under the Standby Purchase Agreement, upon the happening of any of the following events, the obligation of the Bank to purchase Variable Rate Demand Warrants upon the terms and conditions of the Standby Purchase Agreement shall terminate 45 days after notice from the Bank to the Trustee of such termination.

(a) Any representation or warranty made by the County under or in connection with the Standby Purchase Agreement or any of certain related documents shall prove to be untrue in any material respect on the date as of which it was made; or

(b) Nonpayment of certain amounts payable under the Standby Purchase Agreement within five Business Days after the County has received written notice from the Bank that the same were not paid when due; or

(c) Nonpayment of any other fees, or any other amount, when due under the Standby Purchase Agreement, if such failure to pay when due shall continue for seven Business Days after written notice thereof to the County by the Bank; or

(d) The breach by the County of certain terms or provisions of the Standby Purchase Agreement; or

(e) The breach by the County of any of the other terms or provisions of the Standby Purchase Agreement which is not remedied within 30 days after written notice thereof shall have been received by the County from the Bank; or

(f) The Indenture shall terminate or cease to be in full force and effect, other than as a result of any redemption or prepayment in full of the Series 2005-B Warrants; or

(g) The occurrence of any "Events of Default" as defined in the Indenture; or

(h) (i) The County shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the County shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the County any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismissed, undischarged or unbonded for a period of 90 days; or (iii) there shall be commenced against the County, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 90 days from the entry thereof, or (iv) the County shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the County shall generally not, or shall be unable to, or shall admit in writing its inability to, pay certain of its debts as they become due; or

(i) Any provision of the Standby Purchase Agreement or any of certain related documents shall at any time for any reason cease to be valid and binding on the County or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the County or by any court or tribunal having jurisdiction, or the County shall deny that it has any or further liability or obligation under any such document.

(j) Entry of filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of $5,000,000 against the County or against any of its property and failure of the affected entity to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 30 days or failure to pay or satisfy such judgment within 60 days or as otherwise required by such judgment, writ or warrant of attachment.

(k) Any failure, wholly or partially, to make timely any payment required to be made on any obligations on a parity with the Series 2005-B Warrants.

(l) A judgment or other ruling adverse to the County or the warrantholders shall be entered with respect to the litigation described under "LITIGATION – Education Tax Litigation," or any other litigation challenging the validity of the Series 2005-B Warrants or the security therefor.

In the event of termination of the Standby Purchase Agreement, upon the occurrence of any of the preceding events, the Indenture provides that the Variable Rate Demand Warrants will be subject to mandatory tender. The date specified for termination of a Liquidity Facility is referred to herein as the "Termination Date with Mandatory Tender."

Extension, Reduction, Adjustment or Termination of the Standby Purchase Agreement

Upon any redemption, repayment or other payment of all or any portion of the principal amount of the Series 2005-B Warrants, the Bank's purchase commitment under the Standby Purchase Agreement with respect to principal of and interest on Series 2005-B Warrants shall automatically be reduced proportionally by the principal amount of the Series 2005-B Warrants so redeemed, repaid or otherwise paid, as the case may be.

The renewal or extension of each Standby Purchase Agreement is subject to agreement by the Bank and the County. The Bank has no obligation to extend or renew the Standby Purchase Agreement beyond its initial term. The County has the right under certain circumstances to terminate the Standby Purchase Agreement.

Alternate Liquidity Facility

The Indenture provides that, under certain circumstances, an Alternate Liquidity Facility may be substituted for any of the existing Liquidity Facility represented by the Standby Purchase Agreement, which comprises the initial Liquidity Facility. See "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Support Facilities—Liquidity Facility".

SECURITY AND SOURCE OF PAYMENT

General

The Series 2005-A Warrants and the Series 2005-B Warrants will not constitute general obligations of the County or a charge against the general credit or taxing powers of the County, the State of Alabama, or any political subdivision of the State of Alabama. The Series 2005-A Warrants and the Series 2005-B Warrants will be limited obligations of the County payable solely from, and secured by a pledge and assignment of, (1) the gross proceeds of the Education Tax described below (the "Pledged Tax Proceeds") and (2) certain moneys in the Grant Fund, Debt Service Fund, Reserve Fund, and Redemption Fund. See Appendix C— "SUMMARY OF THE INDENTURE".

The pledge and assignment of the Pledged Tax Proceeds in favor of the Series 2005-A Warrants and the Series 2005-B Warrants will be on a parity of lien with the pledge thereof in favor of the County's Series 2004-A Warrants, which were issued by the County in December 2004. After the issuance of the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants, no additional obligations other than refunding obligations may be issued by the County which will be secured by the Pledged Tax Proceeds.

Reserve Fund

The Indenture provides for the establishment of a reserve fund (the "Reserve Fund") with respect to the Series 2004/2005 Warrants. Contemporaneously with the issuance of the Series 2004/2005 Warrants, the County will fund the Reserve Fund in an amount equal to the lesser of (1) 125% of the average annual debt service on the Series 2004/2005 Warrants, (2) the maximum annual debt service on the Series 2004/2005 Warrants, or (3) an amount equal to the aggregate of 10% of the original principal amount of the Series 2004/2005 Warrants.

The Reserve Fund will be funded, in part, through a debt service reserve surety bond (the "Surety Bond") with an initial policy limit of approximately $29,400,000 furnished by Ambac Assurance Corporation. The remaining portion of the Reserve Fund was funded out of Series 2004-A Warrant proceeds in an amount equal to $54,654,887; the County has the right, under certain circumstances, to obtain a surety bond that covers this portion of the Reserve Fund requirement. For a description of the funds and accounts established under the Indenture, see Appendix C — "SUMMARY OF THE INDENTURE". For information with respect to Ambac Assurance Corporation, see "THE FINANCIAL GUARANTY INSURANCE POLICY" herein. For information with respect to the Surety Bond, see "THE DEBT SERVICE RESERVE SURETY BOND" herein.

Redemption Fund

The Indenture provides for the establishment of a special redemption fund (the "Redemption Fund"), which shall be maintained as long as any of the Series 2004/2005 Warrants are outstanding. All excess proceeds of the Education Tax not needed to pay debt service on the Series 2004/2005 Warrants will be paid into the Redemption

Fund on December 31 of each year. All such moneys, including investment income, in the Redemption Fund will be used first, to redeem Series 2005-A Warrants and Series 2005-B Warrants, and then to redeem Series 2004-A Warrants, only if all Series 2005-A Warrants and Series 2005-B Warrants have been redeemed, provided that the County may use moneys in the Redemption Fund for other purposes if ordered to do so by a court of competent jurisdiction. If there exists any deficiency or deficit in the Debt Service Fund or the Reserve Fund, then Redemption Fund moneys will be used to make good such deficiency or deficit before any Series 2004/2005 Warrants are redeemed.

Grant Fund

The Indenture provides for the establishment of a grant fund (the "Grant Fund") into which Series 2004/2005 Warrant proceeds will be deposited. Moneys in the Grant Fund will be distributed to a local school board only after the Series 2004/2005 Warrants are no longer subject to extraordinary mandatory redemption under the terms of the Indenture. See "PLAN OF FINANCING". Moneys in the Grant Fund, including investment income thereon, will be pledged as security for the Series 2004/2005 Warrants until such moneys are distributed to the local school boards, and will be available to pay the redemption price of the Series 2004/2005 Warrants in the event the Series 2004/2005 Warrants are redeemed as a result of the extraordinary mandatory redemption requirement in the Indenture.

Description of Education Tax

Pursuant to Section 40-12-4 of the Code of Alabama (1975), the Jefferson County Commission is authorized by ordinance to levy and provide for the collection of franchise, excise and privilege license taxes on receipts from sales made within Jefferson County. All net proceeds from the levy of such tax are required to be used exclusively for public school purposes, including without limitation, capital improvements and retirement of debt. In counties having more than one local board of education, such as Jefferson County, revenues derived from the levy of any such tax are required to be distributed within such county on the same basis as the total calculated cost for the Foundation Program for local boards of education within such county.

On December 16, 2004, the Jefferson County Commission adopted Ordinance No. 1769 which provides for the levy of the Education Tax and repealed a prior version of such ordinance. Ordinance No. 1769 is hereinafter referred to as the "Sales Tax Ordinance". The Education Tax, which generally parallels the statewide sales and use taxes levied by the State of Alabama, consists of (i) a privilege or license (commonly called sales) tax on persons engaged in the business of selling at retail in the County any tangible personal property or in the business of conducting or operating places of amusement or entertainment in the County, generally measured by the gross receipts or sales of such businesses and (ii) an excise (commonly called use) tax on the storage, use or other consumption of tangible personal property in the County, generally measured by the sales price of the property. The use tax complements the sales tax and applies only where property placed in use in the County was not purchased in a retail sale in which the sales tax was collected.

The general rate for the Education Tax is one percent (1%) , except as follows:

(1) Sales of machines used in mining, quarrying, compounding, processing and manufacturing of tangible personal property are subject to a tax of 0.375% of the gross proceeds from the sale of such machines;

(2) Sales of automobiles, truck trailers, semi trailers, house trailers and mobile home set-up materials and supplies are subject to a tax of 0.375% of the gross proceeds from the sale of such items; and

(3) Sales of food and beverage products sold through coin-operated dispensing machines are subject to a tax of 0.75% of the gross proceeds from the sale of such products.

The Sales Tax Ordinance provides that the Education Tax become effective on January 1, 2005 and will be due and payable monthly on or before the 20th day of each month. The Sales Tax Ordinance expressly provides that the Education Tax shall be levied only for such period as shall be necessary to collect revenues for the full payment and retirement of the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants, and when the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants have been fully paid in accordance with the terms thereof, the levy of the Education Tax shall automatically be terminated without further action by the County Commission.

The County is permitted to retain up to 5% of the gross revenues derived by the Education Tax in order to reimburse the County for its actual costs of collection. The Sales Tax Ordinance authorizes the withholding of up to 4% of such gross revenues for such purpose. Nevertheless, all of the gross proceeds of the Education Tax are pledged to secure payment of the Series 2004/2005 Warrants.

Comparable Sales Tax Collections

The Education Tax became effective on January 1, 2005. Thus, at present, there are no historical data available on the collection of the Education Tax. However, for a number of years, the County has levied a sales and use tax pursuant to the provisions of Act No. 405 enacted at the 1967 Regular Session of the Legislature of Alabama, as amended (the "General Sales Tax"). The General Sales Tax is levied and collected at the same rate and is subject to the same exemptions as the Education Tax. See "Description of Education Tax".

The amount of General Sales Tax proceeds collected by the County during each of the last 10 fiscal years is shown below.

Fiscal Year Ended September 30	Amount of General Tax Proceeds Collected by the County
1995	$66,268,243
1996	68,927,809
1997	71,320,520
1998	75,635,599
1999	78,898,175
2000	79,466,508
2001	81,836,173
2002	81,519,000
2003	82,381,463
2004	86,730,044

The County has budgeted, and expects to collect, approximately $90,000,000 in General Sales Tax proceeds during the fiscal year of the County ending September 30, 2005. Based on the historical collections of the General Sales Tax, the County expects to collect, on an annualized basis, approximately $90,000,000 in Pledged Tax Proceeds during the first year the Education Tax is levied. However, the County can provide no assurances that the actual future revenues of the Education Tax will equal or approximate the historical revenues from the existing General Sales Tax.

Disposition of Pledged Tax Proceeds

Pursuant to the Indenture, the County will establish a special debt service fund (the "Debt Service Fund") that will be held by the Trustee. Money deposited in the Debt Service Fund is to be used exclusively for the payment of debt service on the Series 2005-A Warrants and the Series 2005-B Warrants. The County will be required to make periodic deposits into the Debt Service Fund from the Pledged Tax Proceeds.

After making periodic debt service payments on the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants, all excess Pledged Tax Proceeds will be deposited into the Redemption Fund held for the benefit of the Series 2004/2005 Warrants. Prior to the first optional redemption date for the Series 2004-A Warrants, the County expects to accelerate payment of the Series 2005-A Warrants and the Series 2005-B Warrants out of excess Pledged Tax Proceeds; however, the County may use moneys in the Redemption Fund for other purposes if ordered to do so by a court of competent jurisdiction. See "SECURITY AND SOURCE OF PAYMENT—Redemption Fund". Beginning March 1, 2014 and on each March 1 thereafter, the County may use moneys in the Redemption Fund to redeem Series 2004-A Warrants. See "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A and Series 2005-B Warrants—Extraordinary Mandatory Redemption".

The County may cause any money on deposit in the Debt Service Fund not then needed for the payment of debt service on the Series 2005-A Warrants and the Series 2005-B Warrants to be invested or reinvested by the Trustee in direct obligations of, or obligations the payment of which is guaranteed by, the United States of America and certain other investments described more particularly in Appendix C— "SUMMARY OF THE INDENTURE".

All interest accruing on such investments and any profit realized therefrom shall be deposited in the Debt Service Fund and shall be credited against the required monthly deposits by the County; any losses resulting from liquidation of investments shall be charged to the Debt Service Fund and shall be added to the amount of the next ensuing deposit required.

Any investment of money in the funds established pursuant to the Indenture may be made by the Trustee through its own bond department or investment department, and any certificates of deposit issued by the Trustee shall be deemed investments rather than deposits.

No Parity Obligations Other Than Refunding Obligations

The Indenture expressly provides that, after the issuance of the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants, the County may not issue any additional obligations which will be payable out of the Pledged Tax Proceeds other than refunding obligations.

Covenant to Levy Education Tax

The County has covenanted in the Indenture that it will continue to levy and collect the Education Tax and will apply the Pledged Tax Proceeds as provided in the Indenture until the payment in full of the Series 2004/2005 Warrants. The County has further agreed to levy and collect the Education Tax subsequent to the payment in full of the Series 2004/2005 Warrants if and to the extent needed to provide a source of payment of (i) any claims made against the County for damages caused by or resulting from a breach of any of the covenants or other agreements contained in the Indenture or (ii) any amounts that the County determines should be paid in order to resolve or settle any legal disputes or challenges pertaining to the Series 2004/2005 Warrants.

Remedies

The County is, under existing law, subject to suit in the event that it defaults in payment of the principal of or the interest on the Series 2005-A Warrants and the Series 2005-B Warrants. However, the extent of the remedies afforded to the holders of the Series 2005-A Warrants and the Series 2005-B Warrants by any such suit, and the enforceability of any judgment against the County resulting therefrom, are subject to those limitations inherent in the fact that the Series 2005-A Warrants and the Series 2005-B Warrants are limited obligations of the County payable solely out of the Pledged Tax Proceeds, and may be subject, among other things, to (1) the provisions of the United States Bankruptcy Code, referred to below, and (2) the provisions of other statutes that may hereafter be enacted by the Congress of the United States or the Legislature of Alabama extending the time for payment of county, municipal or public authority indebtedness or imposing other restraints upon the enforcement of rights of warrantholders.

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

The United States Bankruptcy Code

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

A petition filed under Chapter 9 of the Bankruptcy Code, however, does not operate as a stay of application of pledged special revenues to payment of debt secured by such revenues. Thus, an automatic stay under Chapter 9 would not be effective to prevent payment of principal and interest on the Series 2005-A Warrants and the Series 2005-B Warrants from the Pledged Tax Proceeds.

DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE

The following table contains debt service requirements on the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants, as well as the projected coverage on the warrants:

Bond Year Ending January 1	Series 2004-A Warrants	Series 2005-A Warrants[1]	Series 2005-B Warrants[1]	Total Debt Service	Coverage[2]
2006	$36,543,420	$6,061,444	$5,932,363	$48,537,228	1.56x
2007	54,652,388	11,153,333	11,012,795	76,818,515	1.17x
2008	54,651,388	11,528,108	11,390,764	77,570,259	1.16x
2009	54,653,138	11,526,412	11,376,767	77,556,317	1.16x
2010	54,654,888	11,513,036	11,382,932	77,550,855	1.16x
2011	54,653,888	11,509,746	11,383,437	77,547,070	1.16x
2012	54,653,813	11,500,678	11,378,285	77,532,775	1.16x
2013	54,653,650	11,524,868	11,392,476	77,570,994	1.16x
2014	54,649,725	11,514,383	11,400,213	77,564,321	1.16x
2015	54,653,363	11,511,330	11,401,482	77,566,175	1.16x
2016	54,650,100	11,501,675	11,396,287	77,548,061	1.16x
2017	54,651,000	11,522,367	11,409,627	77,582,995	1.16x
2018	54,651,337	11,486,728	11,390,704	77,528,769	1.16x
2019	54,651,387	11,506,436	11,415,314	77,573,138	1.16x
2020	54,651,163	11,492,891	11,406,845	77,550,898	1.16x
2021	54,650,413	11,506,500	11,416,104	77,573,016	1.16x
2022	54,652,588	11,492,688	11,417,289	77,562,565	1.16x
2023	54,651,338	11,480,206	11,410,393	77,541,937	1.16x
2024	54,652,813	11,484,469	11,420,418	77,557,699	1.16x
2025	54,653,313	11,486,542	11,421,555	77,561,410	1.16x
2026	–	38,815,757	38,763,811	77,579,568	1.16x
2027	–	38,789,776	38,763,390	77,553,166	1.16x
	$1,074,935,107	$301,909,374	$299,683,251	$1,676,527,732	

(1) For purposes of this table, (i) the principal amount of Series 2005-A Warrants and the Series 2005-B Warrants to be retired in a bond year pursuant to mandatory redemption provisions is shown as maturing in that bond year and (ii) debt service requirements on the Series 2005-A Warrants and the Series 2005-B Warrants, which will bear interest initially at a variable rate, is calculated assuming an interest rate of 3.00% plus an allowance for ongoing liquidity fees, remarketing fees, broker-dealer fees, rating agency fees, and certain other fees.

(2) Coverage is based on the assumption that the variable-rate Series 2005-A Warrants and Series 2005-B Warrants bear interest at the rate of 3.00%. As discussed under "SECURITY AND SOURCE OF PAYMENT—Comparable Sales Tax Collections", based on the historical collections of the General Sales Tax, the County expects to collect, on an annualized basis, approximately $90,000,000 in Pledged Tax Proceeds during the first year the Education Tax is levied, and coverage is based on this $90,000,000 figure.

THE FINANCIAL GUARANTY INSURANCE POLICY

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Policy") relating to the Series 2005-A Warrants and the Series 2005-B Warrants effective as of the date of issuance of the Series 2005-A Warrants and the Series 2005-B Warrants. Under the terms of the Policy, Ambac Assurance will pay to The Bank of New York, New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Series 2005-A Warrants and the Series 2005-B Warrants which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2005-A Warrants and the Series 2005-B Warrants and, once issued, cannot be canceled by Ambac Assurance. **In the event of extraordinary mandatory redemption, the Policy will not insure payment of the redemption price of the Series 2005-A Warrants or Series 2005-B Warrants.** However, such redemption price will be paid from moneys then held in the Indenture funds and, under certain circumstances, funds of the County. See "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A and Series 2005-B Warrants—Extraordinary Mandatory Redemption" and "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Covenant Regarding Extraordinary Mandatory Redemption".

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2005-A Warrants or the Series 2005-B Warrants become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2005-A Warrants and the Series 2005-B Warrants, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2005-A Warrants and Series 2005-B Warrants on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2005-A Warrants and the Series 2005-B Warrants, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2005-A Warrant or a Series 2005-B Warrant which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

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

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

3. nonpayment of principal or interest caused by the insolvency or negligence of any trustee, paying agent or bond registrar, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Series 2005-A Warrants and Series 2005-B Warrants to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2005-A Warrants and Series 2005-B Warrants to be registered in the name of Ambac Assurance to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2005-A Warrant and the Series 2005-B Warrants, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2005-A Warrant and Series 2005-B Warrant and will be fully subrogated to the surrendering Holder's rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments made in connection with the sale of Series 2005-A Warrants at auctions or losses suffered as a result of a holder's inability to sell Series 2005-A Warrants.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of Series 2005-B Warrants upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of Series 2005-B Warrants upon tender by a registered owner thereof.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$8,069,000,000** (unaudited) and statutory capital of **$5,015,000,000** (unaudited) as of **September 30, 2004**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in the Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the obligor of the Series 2005-A Warrants and the Series 2005-B Warrants.

Ambac Assurance makes no representation regarding the Series 2005-A Warrants or the Series 2005-B Warrants or the advisability of investing in the Series 2005-A Warrants or the Series 2005-B Warrants and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "THE FINANCIAL GUARANTY INSURANCE POLICY".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

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

Incorporation of Certain Documents by Reference

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

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;

2. The Company's Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;

4. The Company's Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004; and

6. The Company's Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004;

7. The Company's Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004;

8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2004 and filed on November 9, 2004; and

9. The Company's Current Report on Form 8-K dated November 12, 2004 and filed on November 12, 2004.

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

THE DEBT SERVICE RESERVE SURETY BOND

Debt Service Reserve Fund Ambac Assurance Surety Bond

The Indenture requires the establishment of a Reserve Fund in an amount equal to approximately $29,400,000. The Indenture authorizes the County to obtain a Surety Bond in place of fully funding the Reserve Fund. Accordingly, application has been made to Ambac Assurance Corporation ("Ambac Assurance") for the issuance of a Surety Bond for the purpose of funding that portion of the Reserve Fund relating to the Series 2005-A Warrants and the Series 2005-B Warrants (see the "SECURITY AND SOURCE OF PAYMENT—Reserve Fund" herein). The Series 2005-A Warrants and the Series 2005-B Warrants will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Series 2005-A Warrants and the Series 2005-B Warrants. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2005-A Warrants and the Series 2005-B Warrants when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2005-A Warrants and the Series 2005-B Warrants, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the County is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the County is subordinate to the County's obligations with respect to the Series 2005-A Warrants and the Series 2005-B Warrants.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from first available revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument shall be deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

Ambac Assurance Corporation

For information with respect to Ambac Assurance Corporation, see "THE FINANCIAL GUARANTY INSURANCE POLICY" herein.

THE BANK

The following information has been provided by the Bank (at times referred to hereinafter as "DEPFA") for use in this Official Statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County or the Underwriter. This information has not been independently verified by the County or the Underwriter. No representation is made by the County or the Underwriter as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DEPFA BANK plc ("DEPFA") is the parent company of the DEPFA BANK plc group of companies comprising DEPFA and its consolidated subsidiaries (the "Group"). DEPFA will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of DEPFA BANK plc, Dublin. DEPFA is based in Dublin and has a banking license from the Irish Financial Services Regulatory Authority as part of the Central Bank and Financial Services Authority of Ireland (formerly the Central Bank of Ireland). It is registered in the Irish companies Registration Office with company number 348819 and its shares are listed on the Frankfurt Stock Exchange. DEPFA has a network of subsidiaries, branches and offices across many European countries, as well as in North America and Asia.

The Group provides a broad range of products and services to public sector entities, from governmental budget financing and financing of infrastructure projects to placing of public sector assets and investment banking and other advisory services. The Group has direct client contacts with many state entities and focuses on those public sector entities involved in large volume business. The Group advises individual public sector borrowers on their international capital market transactions and preparations for the ratings process.

As of December 31, 2003, DEPFA had total consolidated assets of Euro 174.0 billion, outstanding medium and long term loans to customers of Euro 63 billion, shareholders' equity of Euro 1.4 billion and consolidated net income of Euro 384 million, determined in accordance with the United States generally accepted accounting principles (US GAAP). DEPFA maintains its records and prepares its financial statements in Euro. At December 31, 2003, the exchange rate was 1.0000 Euro equals 1.2630 United States dollars. Such exchange rate fluctuates from time to time.

On March 1, 2004, DEPFA announced that it intends to sell its German subsidiary, DEPFA Deutsche Pfandbriefbank AG, which represents approximately 50% of the Group's total assets and approximately 20% of net profits, as of December 31, 2003. Deutsche Pfandbriefbank AG is primarily engaged in public finance in Germany. The transaction should permit DEPFA to de-leverage its balance sheet and further expand and diversify its business internationally, including the U.S. public finance market. Information regarding the status of the sale of DEPFA Deutsche Pfandbriefbank AG is available on DEPFA's website at: www.depfa.com.

DEPFA is rated "Aa3" long-term and "P-1" short-term by Moody's, "AA-" long-term and "A-1+" short-term by S&P, and "AA-" long-term and "F1+" short-term by Fitch. In connection with the intended sale of DEPFA Deutsche Pfandbriefbank AG, on March 1, 2004, Moody's placed DEPFA BANK plc and related entities on negative outlook, noting uncertainty as to how DEPFA will expend sale proceeds. DEPFA's short-term ratings were not affected.

DEPFA has agreed to provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: DEPFA BANK plc, New York Branch, 623 Fifth Avenue, 22nd Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date. In addition, updated financial information may be found from the DEPFA website at: www.depfa.com.

THE REMARKETING AGENT

Under a Broker-Dealer Agreement dated as of January 31, 2005 between the County and Raymond James & Associates, Inc. ("Raymond James"), Raymond James is appointed as the initial Remarketing Agent for the Series 2005-A Warrants. Under a Remarketing Agreement dated as of January 31, 2005 between the County and Raymond James & Associates, Inc. ("Raymond James"), Raymond James is appointed as the initial Remarketing Agent for the Series 2005-B Warrants. Under the Indenture, the Remarketing Agent may be removed by the County, with the consent of the insurer for such subseries and the related Bank or Banks providing liquidity for the subseries being remarketed by such Remarketing Agent, on 30 days' notice. A Remarketing Agent may resign and be discharged of its duties and obligations at any time by giving at least 30 days' notice to the other financing participants. A successor Remarketing Agent may be appointed by the County upon satisfaction of certain conditions.

THE PLAN OF FINANCING

The Series 2005-A Warrants and the Series 2005-B Warrants are being issued for the purpose of making grants to the eleven local school boards operating in Jefferson County in order to finance a variety of capital improvement projects (the "Improvements"). In December 2004, the County issued its Series 2004-A Warrants in the aggregate principal amount of $650,000,000, also for the purpose of making grants to local school boards in order to finance improvements, as well as to retire certain outstanding indebtedness of such school boards.

Excess Pledged Tax Proceeds not needed to pay debt service on the Series 2004/2005 Warrants will be paid into the Redemption Fund on December 31 of each year. All such moneys, including investment income, in the Redemption Fund will be used first to redeem Series 2005-A Warrants and Series 2005-B Warrants, and then to redeem Series 2004-A Warrants, only if all Series 2005-A Warrants and Series 2005-B Warrants have been redeemed, provided that the County may use moneys in the Redemption Fund for other purposes if ordered to do so by a court of competent jurisdiction. If there exists any deficiency or deficit in the Debt Service Fund or the Reserve Fund, then Redemption Fund moneys will be used to make good such deficiency or deficit before any Series 2004/2005 Warrants are redeemed. See "SECURITY AND SOURCE OF PAYMENT—Redemption Fund."

Net proceeds from the sale of the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants will be allocated and distributed to local boards of education on the same percentage basis as the state Foundation Program funds are distributed. The distribution formula will be certified and approved by the Department of Education of the State of Alabama prior to the issuance of the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants. The expected allocable shares of the local school boards are as follows:

Board	**Allocable Percentage**
Jefferson County Board of Education	37.00836%
Bessemer City Board of Education	3.93928
Birmingham City Board of Education	33.09043
Fairfield City Board of Education	2.18594
Homewood City Board of Education	3.15572
Hoover City Board of Education	7.83911
Leeds City Board of Education	1.24794
Midfield City Board of Education	1.12876
Mountain Brook City Board of Education	4.05905
Tarrant City Board of Education	1.29632
Vestavia Hills City Board of Education	5.04908
Total	**100%**

The Indenture provides that the proceeds of the Series 2004/2005 Warrants will be deposited in a special grant fund pending the distribution of such proceeds to the local school boards. Grants will be made to a local school board only after the Series 2004/2005 Warrants are no longer subject to extraordinary mandatory redemption under the terms of the Indenture. See "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A and Series 2005-B Warrants—Extraordinary Mandatory Redemption" and "LITIGATION—Education Tax Litigation".

SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	
Principal amount of Series 2005-A Warrants and Series 2005-B Warrants	<u>$400,000,000</u>
Total	<u>$400,000,000</u>
<u>Uses of Funds</u>	
Grants to local school boards	$389,660,487
Deposit to Capitalized Interest Fund[1]	1,561,814
Expenses of issuance (including underwriter's discount, bond insurance premium, surety bond premium, standby purchase agreement fees, legal, accounting and other issuance expenses)	<u>8,777,699</u>
Total	<u>$400,000,000</u>

[1] The Indenture creates a capitalized interest fund into which a portion of the proceeds of the Series 2005-A Warrants and the Series 2005-B Warrants will be deposited. This sum will be used to pay interest on the Series 2005-A Warrants and the Series 2005-B Warrants to and including March 1, 2005. This sum also will be used to pay ongoing liquidity fees, remarketing fees, broker-dealer fees, rating agency fees, and certain other fees.

COUNTY GOVERNMENT AND ADMINISTRATION

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

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

In the 2004 fiscal year, the County employed 3,919 individuals. The County's employees perform tasks in five areas of County government. These areas are the Department of Finance and General Services, the Department of Roads and Transportation, the Department of Environmental Services, the Department of Health and Human Services and the Department of Technology and Development. A description of these areas follows:

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

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

The Department of Environmental Services. The Department of Environmental Services is responsible for construction, operation, and maintenance within the County of 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

General

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

Pursuant to Alabama law, the County is audited annually by the State Department of Examiners of Public Accounts. Historically, the emphasis of the state audit has been on compliance with applicable state law. Such audits are generally completed within one year after the end of the audit period. The most recent available state audit is for the fiscal year ended September 30, 2003. In addition to the state audit, the Director of Finance of the County prepares internal financial statements that conform to the format of the state audit. **A copy of the latest audit for the County is included in Appendix A for general information purposes only. The Series 2005-A Warrants and the Series 2005-B Warrants will not constitute general obligations of the County or a charge against the general credit or taxing powers of the County. The Series 2005-A Warrants and the Series 2005-B Warrants will be limited obligations of the County payable solely from and secured by a pledge and assignment of the**

Pledged Tax Proceeds on a parity of lien with the Series 2004-A Warrants. See "SECURITY AND SOURCE OF PAYMENT".

Budget System

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

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

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

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

Accounting System

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

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

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

Pension and Retirement Plan

The General Retirement System for Employees of Jefferson County (the "Pension System") is established under Act No. 497 of the 1965 Regular Session of the Alabama Legislature, as amended (the "Pension Act"). With certain limited exceptions, all employees of the County who are subject to the Civil Service System are members of the Pension System. County officers and those County employees who are not subject to the Civil Service System may elect to be members of the Pension System. As of September 30, 2004, there were 5,771 members of the Pension System.

Benefits payable under the Pension System are funded through a trust to which both the County and the members of the Pension System (the "Members") are required to contribute. With certain exceptions, each Member is required to make contributions to the Pension System, by means of regular payroll deductions, at a rate equal to

6% of the Member's compensation. The County is required to make a monthly contribution to the Pension System in an amount equal to the contributions made by Members for the month.

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

Summary of County Revenues and Expenses

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

The copy of the latest audit for the County is included in Appendix A for general information purposes only. The Series 2005-A Warrants and the Series 2005-B Warrants will not constitute general obligations of the County or a charge against the general credit or taxing powers of the County. The Series 2005-A Warrants and the Series 2005-B Warrants will be limited obligations of the County payable solely from and secured by a pledge and assignment of the Pledged Tax Proceeds on a parity of lien with the Series 2004-A Warrants. See "SECURITY AND SOURCE OF PAYMENT".

DEBT MANAGEMENT

General

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

The County Financial Control Act generally prohibits the issuance of warrants by counties unless, at the time of such issuance, funds are available for their payment. The statutes pursuant to which the Series 2005-A Warrants and the Series 2005-B 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.

Outstanding Indebtedness

Long-Term Indebtedness. Following the issuance of the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants, all indebtedness of the County (including the Series 2004-A Warrants, the Series 2005-A Warrants and the Series 2005-B Warrants but apart from (1) current liabilities incurred in the regular and ordinary operations of the County and (2) certain conduit financings for which the County has no payment obligation or other liability) will consist of the following outstanding warrants of the County:

Obligations Not Subject to Debt Limit	Principal Amount Outstanding as of January 1, 2005
Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, maturing February 1, 2005, through February 1, 2027	$59,730,000
Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001, maturing February 1, 2007, through February 1, 2041	15,365,000
Sewer Revenue Capital Improvement Warrants, Series 2002-A, maturing February 1, 2042	110,000,000
Sewer Revenue Capital Improvement Warrants, Series 2002-C, maturing February 1, 2040	839,500,000
Sewer Revenue Refunding Warrants, Series 2003-A, maturing February 15, 2005 through February 15, 2015	36,730,000
Sewer Revenue Refunding Warrants, Series 2003-B, maturing February 1, 2009 through February 1, 2042	1,155,765,000
Sewer Revenue Refunding Warrants, Series 2003-C, maturing February 1, 2009 through February 1, 2036, and February 1, 2038 through February 1, 2042	1,052,025,000
Limited Obligation School Warrants, Series 2004-A, maturing January 1, 2007 through January 1, 2025	650,000,000
Limited Obligation School Warrants, Series 2005-A, maturing January 1, 2027	200,000,000
Limited Obligation School Warrants, Series 2005-B, maturing January 1, 2027	200,000,000
TOTAL	$4,319,115,000

Obligations Subject to Debt Limit	
General Obligation Warrants, Series 2001-A, maturing April 1, 2005 through April 1, 2011	$60,660,000
General Obligation Warrants, Series 2001-B, maturing April 1, 2021	120,000,000
General Obligation Refunding Warrants, Series 2002-A, maturing April 1, 2005 through April 1, 2007	11,390,000
General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, maturing April 1, 2005 through April 1, 2023	87,755,000
General Obligation Capital Improvement Warrants, Series 2004-A, maturing April 1, 2011 through April 1, 2024	51,020,000
Other General Obligation Indebtedness[(1)]	
TOTAL	$330,825,000

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

Anticipated Indebtedness

The County has no authorized but unissued debt outstanding. The County does not expect to incur additional long-term indebtedness, other than the Series 2005-A Warrants and the Series 2005-B Warrants, within the next 12 months.

Outstanding Swap Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Constitutional Debt Limit

The County's present constitutional debt limit is an amount equal to 5% of the assessed value of the taxable property located therein. Bond Counsel is of the opinion that the Series 2005-A Warrants and the Series 2005-B Warrants will not be chargeable against the County's constitutional debt limit because such obligations are payable solely out of and secured by a new tax levied for the purpose of retiring such obligations. See "LITIGATION—Education Tax Litigation".

Civic Center Financing

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

Jefferson County Economic and Industrial Development Authority Financing

The Jefferson County Economic and Industrial Authority (the "JCEIA") is a public corporation organized and existing under and pursuant to the provisions of Chapter 92A of Title 11 of the Code of Alabama 1975, Section 11-92A-1 *et seq*. (the "Enabling Law"). The Enabling Law authorizes the incorporation by counties in the State of Alabama of public corporations referred to as "industrial development authorities" for the purpose of promoting the industrial and economic development of the State by inducing industrial and commercial enterprises to locate, expand, or improve their operations or remain in the State. Such authorities are empowered, among other things, to issue bonds for the purpose of acquiring, constructing and developing industrial parks. The JCEIA has developed an industrial park known as the Jefferson Metropolitan Park (the "JMP") located in the western portion of the County. The JCEIA issued Industrial Park Revenue Bonds, Series 2004-A in the aggregate amount of $3,240,000 and Taxable Industrial Park Revenue Bonds, Series 2005-A in the aggregate amount of $7,410,000 (collectively "the JCEIA Bonds"). The JCEIA Bonds were issued for the purpose of refunding bonds issued by JCEIA in 1998 to finance a portion of the cost of acquiring and developing the JMP. The County, the JCEIA and the JCEIA's trustee entered into a Funding Agreement dated February 1, 2004 pursuant to which the County agreed to pay amounts sufficient to provide for the principal of and interest on the JCEIA Bonds due in any fiscal year of the County to the extent that funds available for such purpose are insufficient to pay such principal and interest.

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

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

LITIGATION

General

Except as described below, there is no litigation pending or, to the knowledge of the County, threatened questioning the validity of the Series 2005-A Warrants and the Series 2005-B Warrants, the proceedings under which they are to be issued, the security for the Series 2005-A Warrants and the Series 2005-B Warrants provided by the Indenture, the consummation of the transactions contemplated by the Indenture, the organization of the County, the operations of the County, or the election or qualification of the County's officers.

Education Tax Litigation

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

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

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

The County will vigorously defend the lawsuit and expects to prevail. All the local school boards will be required to approve and consent to the County's plan of financing prior to the issuance of the Series 2004/2005 Warrants. No grants will be made to any local school boards until after the Series 2004/2005 Warrants are no longer subject to extraordinary mandatory redemption under the terms of the Indenture. See "PLAN OF FINANCING". The County will receive an opinion of Bond Counsel, upon which holders of the Series 2004/2005 Warrants will be entitled to rely, that the claims asserted in the lawsuit are without merit and the final disposition of such lawsuit will not adversely affect (i) the validity of the Sales Tax Ordinance or the levy and collection of the Education Tax provided for therein, or (ii) the validity of the Series 2004/2005 Warrants or the obligation of the County to provide for the full and timely payment thereof in accordance with the Indenture in accordance with the Indenture. Moreover, Bond Counsel will specifically opine that (i) the County has the power and authority under current Alabama law to issue the Series 2004/2005 Warrants for the purposes for which such warrants are being issued, (ii) the Series 2004/2005 Warrants do not constitute an indebtedness of the County for purposes of the debt limit imposed by Amendment No. 342 to the Constitution of Alabama of 1901 and (iii) neither the Sales Tax Ordinance nor the resolution of the Jefferson County Commission authorizing the issuance and sale of the Series 2004/2005 Warrants violates any applicable provisions of Section 40-12-4 of the Code of Alabama (1975).

Pension Board Litigation

Two consolidated cases, *Black et al. v. The Pension Board*, Civil Action No. 03-870, and *Alexander et al. v. Jefferson County Commission et al.*, Civil Action No. 03-6139, involving the constitutionality of Alabama Act 03-343 were filed on June 25, 2003 and September 29, 2003, respectively. Act 03-343 purports to allow any County employee to obtain service credit toward a County pension by buying back from the County any County service time for which the employee withdrew County pension funds and service time worked with any other governmental jurisdiction subject to the Jefferson County Merit System. If allowed to buy back this time the County will also be required to contribute 6% of the employee's buy-back amount to the pension system on behalf of the employee. The Actuary for the County's Pension Board has estimated that Act 03-343 will cost the County $60 million dollars if every employee entitled by Act 03-343 to buy back unpaid service time does so. The litigation is in the discovery stage. In its answer to the complaint the County has alleged that Act 03-343 was enacted in violation of sections 45 and 63 of the Alabama Constitution and the equal protection clause of the U.S. Constitution. The County expects that Act 03-343 will ultimately be declared null and void.

Civic Center Transactional Taxes Litigation

Two consolidated cases, *City of Birmingham v. BJCC*, Civil Action No. 03-6523 and *BJCC v. Jefferson County*, Civil Action No. 04-0532, involve the constitutionality of Alabama Acts 03-288, 03-357 and 04-531. Act 03-357 purports to authorize the Birmingham-Jefferson Civic Center Authority to retain certain county, city and state transaction taxes. The projected impact on the County is approximately $1 million dollars of lost revenue per year. Act 03-288 purports to levy a sales tax on alcohol with the proceeds earmarked for the Birmingham-Jefferson Civic Center Authority. Act 04-531 purports to validate Acts 03-357 and 03-288. In its answer to the consolidated cases, the County asserts that all three acts were enacted in violation of Section 63 of the Alabama Constitution and are void. The cases were tried on June 4, 2004. The trial court has ruled in favor to the County, holding that the acts are unconstitutional under Section 63. The case is now on appeal to the Alabama Supreme Court.

Residential Sewer Rates Litigation

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

Landlord/Tenant Sewer Charges and Collections Litigation

The Alabama Legislature passed Act No. 2004-522 in May 2004. The Act eliminates the County's authority to record a lien on the property owned by landlords for the delinquent sewer service charges of their tenants. The County's authority to collect from the owner of the property and to place a lien on the property is established by Amendment 73, Constitution of Alabama. The County asserts that the Alabama legislature has no power to eliminate or restrict a power provided by Constitution. The County has filed a declaratory judgment suit to declare Act No. 2004-522 unconstitutional and null and void. The suit is styled *Jefferson County v. Tice Brothers et al.*, Jefferson County Circuit Court Case No. CV 04-4223.

Clean Water Act Consent Decree

The County has been a defendant in certain civil actions (collectively referred to as the "Clean Water Act litigation") in which the County allegedly violated various provisions of the federal Clean Water Act, 33 U.S.C. §§ 1251 *et seq.* (the "Clean Water Act") in the operation of the County's sanitary sewer system (the "System"). The plaintiffs in the Clean Water Act litigation included private citizens, an environmental group, and the United States Justice Department, acting at the request and on behalf of the Environmental Protection Agency ("EPA"). The actions were filed and consolidated in the United States District Court for the Northern District of Alabama, Southern Division (*United States of America v. Jefferson County, Alabama, et al.*, Civil Action No. 94-G-

2947-S, and *R. Allen Kipp, Jr. et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama et al.*, Civil Action No. 93-G-2492-S).

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

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

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

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

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

The economic impact of the Consent Decree on the County and the System is likely to be substantial. The County estimates that the cost of bringing the System into consistent compliance with the Clean Water Act, as required by the Consent Decree, will likely exceed $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.

Other Litigation

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

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

RISK FACTORS

General

An investment in the Series 2005-A Warrants and the Series 2005-B Warrants involves certain risks that should be carefully considered by investors. The sufficiency of Pledged Tax Proceeds to pay debt service on the Series 2005-A Warrants and the Series 2005-B Warrants may be affected by events and conditions relating to, among other things, population and employment trends and economic conditions in the County, the nature and extent of which are not presently determinable. Each prospective investor should carefully examine his own financial condition in order to make a judgment as to his ability to bear the risk of an investment in the Series 2005-A Warrants and the Series 2005-B Warrants.

Series 2005-A Warrants and the Series 2005-B Warrants are Limited Obligations

The Series 2005-A Warrants and the Series 2005-B Warrants will not constitute general obligations of the County or a charge against the general credit or taxing powers of the County, the State of Alabama, or any political subdivision of the State of Alabama. The Series 2005-A Warrants and the Series 2005-B Warrants will be limited obligations of the County payable solely from and secured by a pledge and assignment of the Pledged Tax Proceeds. See "SECURITY AND SOURCE OF PAYMENT". The sufficiency of Pledged Tax Proceeds to pay debt service on the Series 2005-A Warrants and the Series 2005-B Warrants may be affected by events and conditions relating to, among other things, population and employment trends and economic conditions in the County, the nature and extent of which are not presently determinable.

Litigation Risk

Two lawsuits are presently pending in Jefferson County Circuit Court which challenge the validity of the Sales Tax Ordinance and the use of the Pledged Tax Proceeds for the purpose of paying debt service on the Series 2004/2005 Warrants. See "LITIGATION—Education Tax Litigation". The County will vigorously defend the lawsuits and expects to prevail; moreover, the County will receive opinions from Bond Counsel that the claims asserted in such lawsuits are without merit. See "LITIGATION—Education Tax Litigation". Nevertheless, if the County does not prevail in the lawsuits, or if the lawsuits are not successfully concluded before December 1, 2006, all the Series 2004/2005 Warrants will be subject to mandatory redemption and payment at a redemption price equal to the sum of (a) the principal amount of such Series 2004/2005 Warrants (b) the interest accrued thereon to the date fixed for redemption, and (c) in the case of any Series 2004/2005 Warrant sold at a price that included an original issue premium, the unamortized portion of such premium as of the date fixed for redemption. See "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS—Redemption and Purchase of Series 2005-A and Series 2005-B Warrants—Extraordinary Mandatory Redemption". If the Series 2004/2005 Warrants are redeemed pursuant to such extraordinary mandatory redemption requirement, the proceeds of the

Series 2004/2005 Warrants being held in the Indenture funds and the investment earnings thereon will be available to pay the redemption price on such Series 2004/2005 Warrants, but such amounts may not be sufficient to pay in full the redemption price. See "PLAN OF FINANCING". The County will covenant, for the benefit of the holders of the Series 2004/2005 Warrants, that, in such event, the County will pay, out of all moneys legally available to the County, the difference, if any, between the redemption price of the Series 2004/2005 Warrants to be redeemed and the moneys then held in the Indenture funds, which will be used for such redemption. If there is a final judicial determination that the Series 2004/2005 Warrants are invalid, no assurance can be given that interest on the Series 2004/2005 Warrants will not be found to be retroactively taxable. The County has covenanted in the Indenture to continue levying and collecting the Education Tax after payment in full of the Series 2004/2005 Warrants if needed to provide a source of payment for the settlement of legal disputes pertaining to the Series 2004/2005 Warrants, but no assurance can be given that a court will uphold the County's authority to use the proceeds of the Education Tax to remedy any adverse effect resulting from a determination of taxability.

Efforts Could be Made to Repeal the Education Tax by Legislative Action

During the November 2004 special session of the Alabama Legislature, legislation was introduced in the House of Representatives that would have proposed a constitutional amendment to repeal the Education Tax and that would have required that, before the Jefferson County Commission may levy any such tax in the future, it must first be approved by popular referendum within the County. Neither house of the Alabama Legislature took action on this proposed legislation. The County expects that the bill will be reintroduced when the Alabama Legislature reconvenes in February 2005.

Both the Alabama Constitution and the United States Constitution provide that no law may be enacted impairing the obligations of contracts. In *Ambac Assurance Corporation v. Blount County*, 786 So.2d 443 (Ala. 2000), based on analogous principles, the Alabama Supreme Court held unconstitutional certain legislative efforts to abrogate or reduce the rate of an existing ad valorem tax that secured outstanding indebtedness. The County intends to vigorously oppose any efforts to repeal the Education Tax both in the Alabama Legislature and in the courts, if necessary.

Online Commerce and Other Factors Could Erode the Education Tax Base

The amount of Education Tax revenues is subject to increase or decrease due to (1) increases or decreases in the dollar volume of taxable sales with the County, (2) legislative changes relating to the Education Tax, which may include changes in the scope of taxable sales, and (3) other factors that may be beyond the control of the County, including, but not limited to, the potential for increased use of electronic commerce and other internet-related sales activity that could have a material adverse effect upon the amount of Education Tax revenues. In November, 2004, Congress adopted legislation that will extend a federal moratorium preventing state and local governments from taxing internet access services through November 1, 2007. President Bush signed the bill into law on December 3, 2004.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Jefferson County is Alabama's most populous county and is the principal center of finance, trade, manufacturing, transportation, health care and education in the State of Alabama. Birmingham, the State's largest city and the county seat, and 45 other municipalities are located within the County's 1,141 square miles. In 2000 the Birmingham MSA was expanded to include additional counties and was officially designated the Birmingham-Hoover MSA by the federal Office of Management and Budget. The seven Birmingham-Hoover MSA counties are: Bibb, Blount, Chilton, Jefferson, Saint Clair, Shelby and Walker. The County, which had a population of 663,047 in 2000, is the center of the new seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA),[1] which

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

covers approximately 5,310 square miles. The total population of the 7 counties now comprising the Birmingham-Hoover MSA was 1,075,248[1] in 2003, making it the 48th most populated area among the 316 metropolitan areas in the U.S.[2]

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

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

Banking and finance is also a major pillar of the region's economic base. Birmingham is the Southeast's largest banking center outside Charlotte, North Carolina. Headquarters to three of the nation's top fifty largest banks, Birmingham ranks among the nation's top ten cities in total banking assets.

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

Population

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

Population Trends

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

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

in 1993. Bibb, Chilton and Walker Counties were added in 2003, at which time the official federal government designation became the Birmingham-Hoover MSA.

[1] Source: Birmingham Regional Chamber of Commerce.

[2] Source: Jefferson County.

Employment and Labor Force

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

Jefferson County
Nonagricultural Employment by Industry

	Number Employed	%
Mining	1,647	0.46
Construction	21,754	6.02
Manufacturing	29,885	8.27
Wholesale & Retail Trade	66,460	18.40
Transportation & Warehousing	8,689	2.40
Utilities & Information	16,747	4.64
Finance & Insurance	25,884	7.16
Real Estate, Rental & Leasing	5,237	1.45
Health Care & Social Assistance	43,708	12.10
Accommodation & Food Services	26,219	7.26
Prof., Tech. & Business Services	67,352	18.64
State & Local Government	47,702	13.20
Other	9	0.00
Total wage and salary employees	361,293	100%

Source: Alabama Department of Industrial Relations.

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

Jefferson County Employment and Labor Force

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

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

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

BIRMINGHAM-HOOVER MSA
LARGEST EMPLOYERS
2002

Employer	Service or Product	Number of Employees
University of Alabama at Birmingham	Education, medical research	16,271
U.S. Government	Federal government	9,690
BellSouth	Telecommunications	7,500
State of Alabama	State government	6,784
Baptist Health System	Integrated healthcare system	6,000
Bruno's, Inc.	Retail grocery store	5,374
Jefferson County Board of Education	Education	5,000
Birmingham Public Schools	Education	4,555

Employer	Service or Product	Number of Employees
City of Birmingham	Municipal government	4,500
Wal-Mart	Discount department stores	4,320
Jefferson County Government	County government	4,191
HealthSouth Corporation	Healthcare and rehabilitation	3,960
AmSouth Bancshares	Banking and financial services	3,624
Southern Company Services	Utilities	3,207
SouthTrust Bank[(1)]	Banking and financial services	3,094
Alabama Power Company	Utilities	3,000
Regions Financial	Banking services	3,000
Drummond Company	Coal mining	2,900
Children's Health System	Healthcare	2,800
Blue Cross-Blue Shield of Alabama	Employee benefits	2,750
Shelby County Board of Education	Education	2,734
UAB Health Services Foundation	Healthcare	2,500
American Cast Iron Pipe	Iron and steel pipe, steel castings	2,400
USX	Steel Mill	2,400
Compass Bank	Banking and financial services	2,371

(1) SouthTrust Corporation, the parent company of SouthTrust Bank, recently was acquired by Wachovia Corporation. See "RECENT DEVELOPMENTS".
Source: Birmingham Regional Chamber of Commerce, May 2003.

Per Capita Personal Income

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

Per Capita Personal Income

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

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

Median Family Income

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

National, State And Birmingham MSA
Median Family Income

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

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

Retail Sales

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

Total Retail Sales (000s omitted)

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

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

Housing and Construction

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

Birmingham Area Housing Units

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

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

Birmingham-Hoover MSA
Residential Construction Activity

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

Source: Birmingham Regional Chamber of Commerce.

Post-Secondary Education

The County is the home of six colleges and universities, four business schools and five junior colleges and trade schools. These schools have a combined enrollment of over 35,000. The largest institution is the University of Alabama at Birmingham (UAB), which includes University College, the Graduate School and the UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 16,000. The UAB Medical Center consists of the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health. UAB has an annual payroll exceeding $590 million and is the largest employer in the County.

Institutions of Higher Education
Jefferson County

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

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

Primary and Secondary Education

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

Jefferson County, Alabama Statistical Comparison

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

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

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

[1] Information is not currently available for the new Birmingham-Hoover MSA. The statistics used herein are for the Birmingham MSA.
[2] Population as projected by Sales & Marketing Management.

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

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

Transportation

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

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

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

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

RECENT DEVELOPMENTS

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

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

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

LEGAL MATTERS

The legality and validity of the Series 2005-A Warrants and the Series 2005-B Warrants will be approved by Haskell Slaughter Young & Rediker, LLC, Birmingham, Alabama, Bond Counsel. Bond Counsel has been employed primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2005-A Warrants and the Series 2005-B Warrants have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2005-A Warrants and the Series 2005-B Warrants and the exemption of interest thereon from Federal and State of Alabama income taxes. As described in "LITIGATION—Education Tax Litigation", Bond Counsel also will deliver certain other opinions in connection with the issuance of the Series 2005-A Warrants and the Series 2005-B Warrants.

Although Bond Counsel assisted in the preparation of certain portions of this Official Statement and is of the opinion that the statements made therein under the captions "DESCRIPTION OF THE SERIES 2005-A WARRANTS AND THE SERIES 2005-B WARRANTS", "LEGAL MATTERS", "TAX EXEMPTION" and Appendix C—"SUMMARY OF THE INDENTURE" fairly summarize the matters therein referred to, Bond Counsel has not been requested to check or verify, has not checked or verified, and will express no opinion with respect to the adequacy, accuracy, completeness or fairness of any other information contained in this Official Statement.

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

Certain legal matters will be passed upon for the County by its special counsel, Miller, Hamilton, Snider & Odom, L.L.C., Birmingham, Alabama. Certain legal matters will be passed upon for the Underwriter by its counsel, Maynard, Cooper & Gale, P.C., Birmingham, Alabama, and Emond Vines Gorham & Waldrep, P.C., Birmingham, Alabama.

The various legal opinions to be delivered concurrently with the delivery of the Series 2005-A Warrants and the Series 2005-B 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 Bond Counsel, under existing law, interest on the Series 2005-A Warrants and the Series 2005-B Warrants will be excluded from gross income for federal income tax purposes if the County complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), that must be satisfied subsequent to the issuance of the Series 2005-A Warrants and the Series 2005-B Warrants in order that interest thereon be and remain excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2005-A Warrants and the Series 2005-B Warrants to be included in gross income, retroactive to the date of issuance of the Series 2005-A Warrants and the Series 2005-B Warrants. The County has covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2005-A Warrants and the Series 2005-B Warrants will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2005-A Warrants and the Series 2005-B Warrants other than the opinions expressed in the two preceding paragraphs. The form of Bond Counsel's opinion is expected to be substantially as set forth in Appendix B to this Official Statement.

Prospective purchasers of the Series 2005-A Warrants and the Series 2005-B Warrants should be aware that ownership of the Series 2005-A Warrants and the Series 2005-B Warrants may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to a branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2005-A Warrants and the Series 2005-B Warrants. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2005-A Warrants and the Series 2005-B Warrants should consult their tax advisors as to collateral federal income tax consequences.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2005-A Warrants and the Series 2005-B Warrants will be exempt from State of Alabama income taxation.

UNDERWRITING

The Series 2005-A Warrants are being purchased from the County by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2005-A Warrants for an aggregate purchase price of $199,209,621.50 (which represents the face amount of the Series 2005-A Warrants less underwriter's discount of $790,378.50). The Underwriter will purchase all the Series 2005-A Warrants if any are purchased.

The Series 2005-B Warrants are being purchased from the County by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2005-B Warrants for an aggregate purchase price of $199,209,621.50 (which represents the face amount of the Series 2005-B Warrants less underwriter's discount of $790,378.50). The Underwriter will purchase all the Series 2005-B Warrants if any are purchased.

CONTINUING DISCLOSURE

In order to provide certain continuing disclosure with respect to the Series 2005-A Warrants and the Series 2005-B 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 ("Rule 15c2-12"), the County has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Series 2005-A Warrants and the Series 2005-B Warrants with Digital Assurance Certification, L.L.C. ("DAC"), under which the County has designated DAC as Disclosure Dissemination Agent.

The County has covenanted for the benefit of the holders of the Series 2005-A Warrants and the Series 2005-B Warrants to provide certain information repositories with (i) certain financial information and operating data relating to the County on an annual basis (the "Annual Financial Information") within 180 days after the end of its fiscal year and (ii) notices ("Material Event Notices") of the occurrence of the following events, if it deems them to be material:

1. A delinquency in payment of principal of or interest on the Series 2005-A Warrants or the Series 2005-B Warrants.

2. Non-payment related defaults under the proceedings of the County authorizing the Series 2005-A Warrants and the Series 2005-B Warrants, whether or not such defaults constitute an event of default thereunder.

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

4. Unscheduled draws on any credit enhancement or liquidity facility with respect to the Series 2005-A Warrants and the Series 2005-B Warrants reflecting financial difficulties of the County.

5. Substitution of a credit enhancer for the one originally described in the Official Statement (if any), or the failure of any credit enhancer respecting the Series 2005-A Warrants and the Series 2005-B 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 2005-A Warrants and the Series 2005-B Warrants or events affecting the tax-exempt status of interest on the Series 2005-A Warrants and the Series 2005-B Warrants.

7. Any modification of the rights of the registered owners of the Series 2005-A Warrants or the Series 2005-B Warrants.

8. Redemption of any of the Series 2005-A Warrants or the Series 2005-B Warrants prior to the stated maturity or mandatory redemption date thereof.

9. Defeasance of the lien of any of the Series 2005-A Warrants or the Series 2005-B Warrants or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2005-A Warrants or the Series 2005-B 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 2005-A Warrants or the Series 2005-B Warrants.

11. Any changes in published ratings affecting the Series 2005-A Warrants or the Series 2005-B Warrants.

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

The Annual Financial Information will include financial information and operating data relating to the County of the type found in the table in "SECURITY AND SOURCE OF PAYMENT—Comparable Sales Tax Collections", with the County providing actual collection figures for the Pledged Tax proceeds. In addition, the County 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 depository.

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 2005-A Warrants and the Series 2005-B 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 2005-A Warrants and the Series 2005-B Warrants under the Indenture.

No person other than the County shall have any liability or responsibility for compliance by the County with its obligations to provide information. The Trustee has not undertaken any responsibility with respect to any required reports, notices or disclosures. The County may, upon proper notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing proper notice to the County.

The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the County has provided such information to the Disclosure Dissemination Agent as required by the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the 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 2005-A Warrants or the Series 2005-B Warrants or any other party. The Disclosure Dissemination Agent has no responsibility for the County's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the County has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the County at all times.

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

RATINGS

Series 2005-A Warrants

Moody's Investors Service, Inc. and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. (the "Rating Agencies") have assigned ratings to the Series 2005-A Warrants as indicated on the inside cover page. The first part of each rating shown reflects the respective Rating Agency's current assessment of the creditworthiness of Ambac Assurance Corporation and its ability to pay claims on its policies of insurance. The second part of the rating (as shown in parentheses on the inside cover page) reflects the Rating Agency's underlying rating of the creditworthiness of the County with respect to obligations payable from the Pledged Tax Proceeds. Any further explanation of the significance of such rating may be obtained only from the appropriate Rating Agency. The County furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the County and the Series 2005-A Warrants. Generally, Rating Agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated on the inside cover page are not recommendations to buy, sell or hold the Series 2005-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 rating may have an adverse effect on the market price of the affected Series 2005-A Warrants. The Board, the Financial Advisor and the Underwriter have undertaken no responsibility either to bring to the attention of the Series 2005-A Warrantholders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

Series 2005-B Warrants

Moody's Investors Service, Inc. and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. (the "Rating Agencies") have assigned ratings to the Series 2005-B Warrants as indicated on the inside cover page. The first part of each rating shown reflects the respective Rating Agency's understanding that a standard policy of Ambac Assurance Corporation insuring the timely payment of the principal of and interest on the Series 2005-B Warrants will be issued by Ambac Assurance Corporation and that the Standby Purchase Agreement will be delivered as described herein. See "THE FINANCIAL GUARANTY INSURANCE POLICY", "STANDBY PURCHASE AGREEMENT FOR VARIABLE RATE DEMAND WARRANTS", and "THE BANK" herein and Appendix E attached hereto. The second part of the rating (as shown in parentheses on the inside cover page) reflects the Rating Agency's underlying rating of the creditworthiness of the County with respect to obligations payable from the Pledged Tax Proceeds. Any further explanation of the significance of such rating may be obtained only from the appropriate Rating Agency. The County furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the County and the Series 2005-B Warrants. Generally, Rating Agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated on the inside cover page are not recommendations to buy, sell or hold the Series 2005-B 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 rating may have an adverse effect on the market price of the affected Series 2005-B Warrants. The Board, the Financial Advisor and the Underwriter have undertaken no responsibility either to bring to the attention of the Series 2005-B Warrantholders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

FINANCIAL STATEMENTS

The audited financial statements of the County included in Appendix A have been included for general information purposes only. The Series 2005-A Warrants and the Series 2005-B Warrants will not constitute general obligations of the County or a charge against the general credit or taxing powers of the County. The Series 2005-A Warrants and the Series 2005-B Warrants will be limited obligations of the County payable solely from and secured by a pledge and assignment of the Pledged Tax Proceeds. See "SECURITY AND SOURCE OF PAYMENT".

FINANCIAL ADVISOR

National Bank of Commerce of Birmingham, Birmingham, Alabama, is serving as Financial Advisor to the County with respect to the sale of the Series 2005-A Warrants and the Series 2005-B Warrants. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2005-A Warrants and the Series 2005-B Warrants and provided other advice.

FORWARD-LOOKING STATEMENTS

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

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2005-A Warrants and the Series 2005-B Warrants.

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

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

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

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County.

The Series 2005-A Warrants and the Series 2005-B Warrants will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

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

Insofar as any statements are made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement should not be construed as a contract with holders of any of the Series 2005-A Warrants or the Series 2005-B Warrants.

This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format. This Official Statement may be relied upon only if it is in its Original Bound Format or is printed in its entirety in such electronic format.

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

ADDITIONAL INFORMATION

For further information during the initial offering period with respect to the Series 2005-A Warrants and the Series 2005-B Warrants, contact Steve Sayler, Finance Director, Jefferson County Commission, 716 North 21st Street, Birmingham, Alabama 35263-0002, telephone (205) 325-5762, or Norm Davis, National Bank of Commerce of Birmingham, 1927 First Avenue North, Birmingham, Alabama 35202, telephone (205) 583-3678.

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

JEFFERSON COUNTY, ALABAMA

By: /s/ Larry P. Langford
President of the Jefferson County Commission

APPENDIX A

Financial Statements of Jefferson County, Alabama
for the fiscal year
ended September 30, 2003

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Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2002 Through September 30, 2003

Filed: March 26, 2004

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

04-277

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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, 2002 through September 30, 2003.

SCOPE AND OBJECTIVES

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

CONTENTS OF REPORT

This report includes the following segments:

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

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

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

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

5. ***Required Supplementary Information (RSI)*** – includes Budget to Actual Comparisons (Exhibits 11 through 13) which contain supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.

6. ***Supplementary Information*** – includes combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds (Exhibits 14 through 23), a Schedule of Expenditures of Federal Awards (Exhibit 24), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.

7. ***Additional Information*** – contains basic information related to the Commission (Exhibit 25) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

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

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

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

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

AUDIT COMMENTS

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

The Birmingham Water Works Board (BWWB) and the City of Bessemer, Alabama-Water Service Department (Bessemer Water Service) bill and collect sewer service charges for the Jefferson County Commission (Commission). For the fiscal year ended September 30, 2003, Bessemer Water Service had not engaged an auditor to provide a report on the entity's internal controls that may be relevant to the Commission's internal controls.

AUDIT FINDINGS

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

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

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

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

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

STATUS OF PRIOR AUDIT

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

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

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

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

RECOMMENDATIONS

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

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

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

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

- The Commission should eliminate the deficit fund balances.

Respectfully submitted,

Larry S. McPherson
Examiner of Public Accounts

Elizabeth L. Crowson
Examiner of Public Accounts

Angela G. O'Neal
Examiner of Public Accounts

Roderick Edwards
Examiner of Public Accounts

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

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

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

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

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

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

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

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

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Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 10. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government, the Jefferson County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include financial data of the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jefferson County, as of September 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government, the Jefferson County Commission, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 6, 2004 on our consideration of the Jefferson County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, Exhibits 11 through 13, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 24) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, and the combining financial statements (Exhibits 14 through 23) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

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

February 6, 2004

Management's Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Jefferson County, Alabama's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with County's basic financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

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

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

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

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

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 1 and 3) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements (pages 5 through 21) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the County as a Whole

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

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

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

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

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

Reporting the County's Most Significant Funds

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

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

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

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

THE COUNTY AS A WHOLE

The County's combined net assets decreased approximately $110 million, or 7.2%, from a year ago, while the previous year showed an $86 million decrease, or 5.3%. The analysis below focuses on the net assets and changes in net assets, as reflected in the following condensed statements, of the County's governmental and business-type activities.

Net Assets
($000 omitted)

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

Net assets of the County's governmental activities decreased by approximately $2.3 million, or 1.2%. However, the components of net assets showed a much greater change from the prior year. Net assets invested in capital assets, net of related debt, decreased $14 million, or 106 %. Restricted net assets decreased $51 million, or 25%. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from a $12 million deficit at September 30, 2002 to a $51 million surplus at the end of the current year.

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

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

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

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

Changes in Net Assets
($000 omitted)

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

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

Governmental Activities

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

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

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

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

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

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

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

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

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

The following presents the cost of each of the County's five largest programs – general government, public safety, highways and roads, welfare, and culture and recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Governmental Activities
($000 omitted)

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

Business-type Activities

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

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

THE COUNTY'S FUNDS

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

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

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

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

BUDGETS

Throughout the year, the original budget is amended to reflect changes in funding needs. The County has established policies and procedures for amending the budget. Statements reflecting original and final budgets, plus actual compared to final budget amounts, are shown on pages 82 through 85 for the general fund and all major special revenue funds.

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

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

CAPITAL ASSET AND DEBT ADMININSTRATION

Capital Assets

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

Capital Assets, net
($000 omitted)

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

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

Debt

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

Outstanding Debt
($000 omitted)

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

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

CURRENTLY KNOWN FACTS AND CONDITIONS

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

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

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

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

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

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

CORRECTED COPY

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

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

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

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

Change in Net Assets
Net Assets Beginning of Year, as Restated (Note 23)
Net Assets End of Year

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

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

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

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

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

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

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

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 210,302
Amounts reported for Governmental Activities in the Statement of Net Assets (Exhibit 1) are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds. These assets were added as net capital assets in the following amount:		244,626
Deferred loss on early retirement of debt is not reported in the funds.		1,665
Deferred credits related to issuance of long-term liabilities are not reported in the funds.		(5,112)
Internal Service funds are used by management to charge the costs of certain activities and risk management to individual funds. The assets and liabilities of certain internal service funds are included in the Statement of Net Assets.		34,861
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General Obligation Warrants Payable	(297,830)	
Estimated Liability for Compensated Absences	(11,841)	
Total Long-Term Liabilities		(309,671)
Total Net Assets - Governmental Activities (Exhibit 1)		$ 176,671

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

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

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

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

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

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003
(In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$	17,306
Amounts reported for Governmental Activities in the Statement of Activities (Exhibit 2) are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($29,103) exceeded depreciation ($14,077) in the current period.			15,026
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.			
Debt Issued:			
Refunding Warrants	(94,000)		
Premium on Refunding	(5,833)		
Repayments:			
Payment to Escrow Agent	48,241		
Principal	17,145		(34,447)
Some expenditures reported in the governmental funds are deferred on the Statement of Net Assets. This includes bond issuance costs.			1,069
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. The current year increases in Estimated Liability for Compensated Absences ($711) exceeded Amortization of Deferred Charges ($222).			(489)
Governmental Funds report proceeds from sale of fixed assets as other financing sources. However, the Statement of Activities reports a gain or loss on the sale of capital assets. The Proceeds from Sale of Capital Assets ($1,637) exceeded the Gain on the Sale of Capital Assets ($807).			(830)
Internal service funds are used by management to charge the costs of certain activities, such as building services and risk management to individual funds. The net revenue and expense of certain internal service funds is reported with governmental activities.			68
Change in Net Assets of Governmental Activities (Exhibit 2)		$	(2,297)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Jefferson County Commission (the "Commission"), except for the exclusion of the component units discussed below, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

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

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

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

A. Reporting Entity

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

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

Also, the General Retirement System for Employees of Jefferson County, Alabama is a component unit of the Jefferson County Commission. The financial statements for the General Retirement System can be obtained from: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35203.

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

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

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

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

Other non-major governmental funds are as follows:

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

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

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

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

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

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

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

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

The Commission reports the following major enterprise funds:

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

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

Other non-major enterprise funds are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The Commission also reports the following fiduciary fund type:

Agency Funds

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

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

The Commission reports the following fund types:

Proprietary Fund Types

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

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

Fiduciary Fund Type

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

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

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

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

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

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

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

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

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

1. Deposits and Investments

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

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

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

2. Receivables

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

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

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

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

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

Jefferson County, as lead agency, administers a joint grant agreement with the City of Birmingham for Title IX Revolving Loans Funds to provide funding for qualifying private enterprises. At September 30, 2003, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled $405,000.

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

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

3. Inventories

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

4. Prepaid Items

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

5. Restricted Assets

Certain resources set aside for the repayment of certain general obligation and sewer revenue warrants, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Also, various amounts in the Sanitary Operation Fund are classified as restricted because they are limited by bond covenants for the construction on various ongoing sewer projects.

6. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

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

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

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

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

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

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

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

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

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

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

8. Compensated Absences

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

Vacation Leave

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

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

Sick Leave

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

Compensatory Leave

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

Maximum limitations of accumulated compensatory time are as follows:

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

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

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

As of September 30, 2003, the liability for accrued vacation and compensatory leave is approximately $14,434,000. Of this amount $10,166,000 is reported in the government activities, and $4,268,000 is reported in the business-type activities.

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

9. Net Assets/Fund Equity

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

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

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

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

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

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

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

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

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

Note 3 – Stewardship, Compliance, and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

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

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2003, the following governmental funds had a deficit fund balance:

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

Note 4 – Deposits and Investments

Deposits

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

Investments

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

	(In Thousands)		
	Category 1	Reported Amounts	Fair Value
U. S. Government Securities	$235,002	$235,002	$235,002
Repurchase Agreements	580,506	580,506	580,506
Total Investments	$815,508	$815,508	$815,508

The County has entered into contracts for construction of various facilities within Jefferson County. Amounts were provided by some contractors that were used to purchase certificates of deposits and U. S. Government securities to be held by designated financial institutions in the name of the contractors and the Jefferson County Commission in lieu of retainage. These securities totaling $16,786,000 are included as part of Cash and Investments on Exhibit 1, but are not included in deposits and investments discussed above. They are not covered by collateral agreements between financial institutions and the Jefferson County Commission and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

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

Note 5 – Capital Assets

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

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

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

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

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

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

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

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The General Retirement System for Employees of Jefferson County, Alabama (Retirement System) is the administrator of a single-employer, defined benefit pension plan (the "Plan") covering substantially all employees of Jefferson County, Alabama. The Retirement System was established by Act Number 497, Acts of Alabama 1965, page 717, and provides guidelines for benefits to retired and disabled employees of the County.

The Plan's financial statements are publicly available in the annual report of the General Retirement System for Employees of Jefferson County for the year ended September 30, 2003. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35263-0003.

B. Funding Policy

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

C. Annual Pension Cost

For the year ended September 30, 2003, the Commission's annual pension contribution of $8,580,000 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of October 1, 2003, the latest actuarial valuation date, were: (a) 7.0 percent investment rate of return on present and future assets, and (b) projected salary increases of 5.5 percent. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding excess is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2003 was 13 years.

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

(In Thousands)			
Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2003	$8,580	100%	$0
9/30/2002	$8,189	100%	$0
9/30/2001	$7,543	100%	$0

D. Schedule of Funding Progress

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as of Percentage of Covered Payroll [(b-a)/c]
9/30/2001	$642,487	$550,172	($92,315)	116.8%	$133,919	(68.9%)
9/30/2002	$676,094	$610,321	($65,773)	110.8%	$144,465	(45.5%)
9/30/2003	$720,939	$651,635	($69,303)	110.6%	$151,206	(45.8%)

Note 7 – Other Postemployment Benefits (OPEB)

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

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

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

Currently 323 retirees meet eligibility requirements. The Commission subsidizes a portion of the retirees health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from $11.43 to $666 per month, and total insurance premiums range from $269 to $780. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $499,000 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

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

Note 9 – Contingent Liabilities

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

Note 10 – Deferred Revenues

Governmental funds and proprietary funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2003, the various components of deferred revenue and unearned revenue reported in the governmental funds and proprietary funds were as follows:

	(In Thousands)	
	Unavailable	Unearned
Ad Valorem Taxes Receivable	$68,729	$4,467
Grant Drawdowns Prior to Meeting All Eligibility Requirements		714
Total Deferred/Unearned Revenue	$68,729	$5,181

Note 11 – Lease Obligations

Operating Leases

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected as part of the Commission's capital assets. During the fiscal year ended September 30, 2003, total costs paid by the Commission were $1,234,000 for governmental activities and $303,000 for business-type activities.

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

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

Note 12 – County Appropriation Agreement

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

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

Note 13 – Long-Term Debt

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the debt service fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds and internal service funds.

The warrants payable that pertain to the Commission's business-type activities are paid by the Sanitary Operations Fund. These warrants are limited obligations of the County and are secured by a pledge and assignment of the revenues (other than tax revenues) from the County's sanitary sewer system.

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

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

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

Warrant Issuance Costs and Premiums

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

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

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

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

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

Refunded Debt

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

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

Defeased Debt

2002-C Sewer Revenue Refunding Warrants

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

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

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

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

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

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

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

2003-B Sewer Revenue Refunding Warrants

On May 1, 2003, the Commission issued $1,155,765,000 in Sewer Revenue Warrants with a variable interest rate to advance refund portions of the 1997-A Sewer Revenue Refunding Warrants, the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, the 2001-A Sewer Revenue Warrants, the 2002-B Sewer Revenue Warrants and the 2002-D Sewer Revenue Warrants. In connection with the issuance of the debt, the Commission entered into interest rate swap transactions obligating the County to pay a fixed rate on the debt of 3.678%. Issuance costs associated with this debt were approximately $21,570,000. The original issue premium on the issue was $10,724,000. Funds contributed from other sources were $12,731,000. Accrued interest on the issue was $526,000.00. The net proceeds of the issue were $1,157,650,000. Of this amount $1,028,910,000 was used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

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

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

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

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

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

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

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

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

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

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

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

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

2003-C Sewer Revenue Refunding Warrants

On August 7, 2003, the Commission issued $1,052,025,000 in Sewer Revenue Warrants with a variable interest rate to advance refund portions of the 1997-A Sewer Revenue Refunding Warrants, the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, the 2001-A Sewer Revenue Warrants, the 2002-B Sewer Revenue Warrants, and the 2002-D Sewer Revenue Warrants. In connection with the issuance of the debt the Commission entered into interest rate swap transactions obligating the county to pay a fixed rate on the debt of 3.596%. Issuance costs associated with this debt were approximately $24,187,000. Funds contributed from other sources were $171,928,000. The net proceeds of the issue were $1,199,765,000. Of this amount $1,128,462,000 was used to purchase U. S. Government Securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service transactions on the issues mentioned above. As a result the applicable portions of the above mentioned warrants are considered defeased and the liability for those warrants has been removed. Details of the transaction are described below.

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

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

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

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

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

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

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

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

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

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

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

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

Prior Year Defeasance of Debt

In prior years, the Commission defeased certain revenue warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2003, the total of $83,875,000 of warrants outstanding are considered defeased.

Note 14 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $3,271,710,000 at September 30, 2003. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 2001-A Taxable Sewer Revenue Capital Improvement Warrants, 3) the 2002-A Sewer Revenue Capital Improvement Warrants, 4) the 2002-C Sewer Revenue Refunding Warrants, 5) the 2003-A Sewer Revenue Refunding Warrants, 6) the 2003-B Sewer Revenue Refunding Warrants, and 7) the 2003-C Sewer Revenue Refunding Warrants.

In accordance with the bond indentures, the County uses 1) a debt service fund to which it deposits principal and interest amounts due, 2) a reserve fund which is required to be maintained at the lesser of (a) 125% of the average annual debt service on all outstanding parity securities, (b) the maximum annual debt service on all outstanding parity securities, or (c) 10% of the original principal amount of outstanding parity securities, 3) a rate stabilization fund which is maintained at a balance of 75% of the maximum annual debt service on the outstanding parity securities, 4) a depreciation fund which will grow to an amount equal to or greater than the accumulated depreciation of the Sanitary Operations Fund, 5) a debt service reserve fund to be established at an amount equal to 10% of the original principal amount.

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

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

Note 15 – Continuing Disclosure

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

Fiscal Year Ending September 30,	2003	2002	2001	2000
Active Accounts	143,056	143,038	142,305	142,277
Average Daily Treatment Volume (millions of gallons treated)	120	116	97	114
Sewer Charges	$92,409,648	$84,470,770	$72,129,478	$66,834,206
% Revenue - Largest Customer	3.98%	2.74%	2.66%	2.57%
% Revenue - Top Ten Customers	12.66%	11.13%	12.53%	11.99%

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

(*) Includes surcharge on same consumption

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

Note 16 – Landfill Closure and Postclosure Care Costs

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

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

The estimated liability for landfill closure and postclosure care costs had a balance of $3,139,000 as of September 30, 2003. This estimate was based on 52% usage (filled) of the Jefferson County Landfill Number 1, and 66% usage (filled) of the Jefferson County Landfill Number 2, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed October 1997.

This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2003. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 17 – Conduit Debt Obligations

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

As of September 30, 2003, the principal amount outstanding was $41,140,000.

Note 18 – Risk Management

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

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

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

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

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

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

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

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

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

Employee Health Insurance

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

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

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

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

Note 19 – Advances to Other Funds

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

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

Interfund Transfers

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

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

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

Note 20 – Subsequent Events

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

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

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

Note 21 – Deficit Cash Balance

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

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

Note 22 – Franchise Taxes

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

Note 23 – Restatements

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

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

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

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

Note 24 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

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

Terms - The swaps were executed with J P Morgan Chase Bank, Lehman Brothers Special Financing and Bank of America, NA with notional amounts of $539,446,000, $190,054,000 and $110,000,000 respectively. The swaps commenced on October 25, 2002 and mature on February 1, 2040. Under the swaps, the County pays a fixed rate of 3.92% and receives a variable rate computed as 67 percent of the London Interbank Offered Rate (LIBOR). The swaps have a combined notional amount of $839,500,000 and the associated variable-rate bond has a $839,500,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003, rates were as follows:

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the Swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swaps expose the County to basis risk should the relationship between LIBOR and the bonds converge, changing the synthetic rate on the bonds.

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

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

2003-B1 – B7 Sewer Refunding Warrants

Objective of the Swap - In May of 2003, the County entered into a swap to synthetically refund outstanding bonds that provided the County with present value savings of $64,676,000 or 7.009% of the refunded bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in May of 2003. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The swap was executed with J P Morgan Chase Bank. The swap commenced on May 1, 2003 and matures on February 1, 2042. Under the swap, the County pays a fixed rate of 3.678% and receives a variable rate computed as the BMA Municipal Swap Index (BMA) until May 1, 2004 and 67 percent of the London Interbank Offered Rate (LIBOR) thereafter. The swap has a notional amount of $1,035,800,000 and the associated variable-rate bond has a $1,035,800,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003, rates were as follows.

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the Swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

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

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

2003-C Sewer Refunding Warrants

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

Terms - The swaps were executed with J P Morgan Chase Bank and Bank of America, NA with notional amounts of $789,019,000 and $263,006,000 respectively. The swaps commenced on August 7, 2003 and mature on February 1, 2042. Under the swaps, the County pays a fixed rate of 3.596% and receives a variable rate computed as the BMA Municipal Swap Index (BMA) until February 1, 2005 and 67 percent of the London Interbank Offered Rate (LIBOR) thereafter. The swaps have a combined notional amount of $1,052,025,000 and the associated variable-rate bond has a $1,052,025,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003, rates were as follows.

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

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

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

2001-B General Obligation Refunding Warrants

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

Terms - The swap was executed with J P Morgan Chase Bank. The swap commenced on April 19, 2001 and matures on April 1, 2011. Under the swap, the County pays a fixed rate of 4.295% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of $120,000,000 and the associated variable-rate bond has a $120,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. J P Morgan Chase has the right to cancel the swap on or after April 1, 2008. As of September 30, 2003, rates were as follows.

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change. The swap increases the County's exposure to variable interest rates starting on April 1, 2008 and thereafter since J P Morgan Chase has the option to terminate the swap.

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

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

2002-A Sewer Revenue Warrants

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

Terms - The swap was executed with J P Morgan Chase Bank. The swap commenced on February 15, 2002 and matures on February 15, 2042. Under the swap, the County pays a fixed rate of 5.06% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of $110,000,000 and the associated variable-rate bond has a $110,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. As of September 30, 2003, rates were as follows.

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

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

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

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

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

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. After February 1, 2004 the swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009.

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

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$2,506	$(3,040)	$(534)

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

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

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. After February 1, 2004 the swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2004 and, if cancelled, reinstate the agreement on or after February 1, 2009.

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

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$1,441	$(2,546)	$(1,105)

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

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

Terms - The swap was executed with J P Morgan Chase Bank. Under the swap and short-term interim reversal, the County receives a fixed payment of 1.225% per year until February 1, 2007, unless cancelled by the counterparty on or after February 1, 2005. Once the short-term interim reversal matures or is cancelled, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.17%. The notional of the swap is $70 million and matures on February 1, 2031. J P Morgan Chase Bank has the option to cancel this swap on or after February 1, 2007. As of September 30, 2003, rates were as follows.

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

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

Risks - As of September 30, 2003, the County is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future Alabama law requires the counterparties to collateralize the swaps at a zero threshold. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not within 10 days (1) executed and delivered a collateral agreement satisfactory in form and substance to the counterparties providing for the collateralization of the County's obligations under the swaps or (2) obtained an insurance policy satisfactory in form and substance to the counterparties by a financial insurer satisfactory to the counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by S&P or lower than Baa3 by Moody's and the County has not within 10 days obtained an insurance policy satisfactory in form and substance to the counterparties by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. After February 1, 2005, the swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2007.

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

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2004	$	$ 756	$ (857)	$ (101)
2005		756	(857)	(101)
2006		756	(857)	(101)
2007		756	(1,880)	(1,124)
2008		756	(2,901)	(2,145)
2009-2013		3,780	(14,508)	(10,728)
2014-2018		3,780	(14,508)	(10,728)
2019-2023		3,780	(14,508)	(10,728)
2024-2028		3,780	(14,508)	(10,728)
2029-2031		1,890	(7,254)	(5,364)
Totals	$	$20,790	$(72,638)	$(51,848)

Note 25 – Jointly Governed Organization

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

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Required Supplementary Information

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

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

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

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

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

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

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

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

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

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

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Supplementary Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Risk Management Fund	Personnel Board Fund	Elections Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income/(Loss)	$ (3,405)	$ (2,144)	$ (671)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Amortization	55	67	68
(Increase)/Decrease in Prepaid Expenses	(4)		
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease In Due From Other Governments		(588)	(132)
(Increase)/Decrease In Inventories			
Increase/(Decrease) in Accounts Payable	27	25	(75)
Increase/(Decrease) in Accrued Wages and Benefits Payable	2	42	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	16	30	10
Increase in Estimated Claims Liability	2,993		
Total Adjustments	3,089	(424)	(127)
Net Cash Provided (Used) by Operating Activities	$ (316)	$ (2,568)	$ (798)

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

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

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

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

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

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Agriculture		
Passed Through Alabama Department of Education		
Food Donation (N)	10.550	
Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Nutrition Cluster		
Sub-Total Passed Through Alabama Department of Education		
Passed Through Alabama Department of Senior Services		
Nutrition Services Incentive	10.570	
Total U. S. Department of Agriculture		
U. S. Department of Commerce		
Direct Program		
Economic Development - Technical Assistance	11.303	04-39-3391.02
Total U. S. Department of Commerce		
U. S. Department of Housing and Urban Development		
Direct Programs		
Community Development Block Grants/Entitlement Grants	14.218	B99-UC-01-0001
	14.218	B00-UC-01-0001
	14.218	B01-UC-01-0001
	14.218	B02-UC-01-0001
Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants		
HOME Investment Partnerships Program	14.239	M97-UC-01-0202
	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
	14.239	M01-UC-01-0202
	14.239	M02-UC-01-0202
Sub-Total HOME Investment Partnerships Program		
Sub-Total Forward		

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

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

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

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

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

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

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

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Forward		
Appalachian Regional Commission		
Direct Program		
Appalachian Area Development	23.002	AL-13542
Total Appalachian Regional Commission		
U. S. Department of Education		
Passed Through Alabama Department		
of Economic and Community Affairs		
Safe and Drug-Free Schools and Communities - State Grants	84.186	02-GV-DR-032
Total U. S. Department of Education		
U. S. Department of Health and Human Services		
Direct Programs		
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	US2MPOWH10-01-0
Consolidated Knowledge Development and Application (KD&A) Program	93.230	6 H79 TI12422-03-1
Health Care and Other Facilities	93.887	4C76HF00183-01-01
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6H76HA00098-09-03
	93.918	6H76HA00098-10-03
Sub-Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (M)		
Passed Through Alabama Department of Senior Services		
Special Programs for the Aging		
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	03-01-01-03A
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	03-01-01-03A
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-01-03A
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-01-03A
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-01-03A
Sub-Total Title III, Part B		
Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-01-03A
Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-01-03A
Sub-Total Title III, Part C		
Total Aging Cluster (M)		
Sub-Total Forward		

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

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

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

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

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

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

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2003

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

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

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

Note 3 – Workforce Investment Act

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

Note 4 – Other

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

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

Additional Information

Commission Members and Administrative Personnel

October 1, 2002 through September 30, 2003

Commission Members			**Term Expires**
Hon. Larry P. Langford	President	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Mary M. Buckelew	Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Bettye Fine Collins	Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Shelia Smoot	Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Gary White	Member	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Jeff Germany	Member	927 Brandy Lane Birmingham, AL 35214	2002
Hon. Steve Small, Jr.	Member	401 19th Street South, Unit 404 Birmingham, AL 35233	2002

Administrative Personnel

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

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

We have audited the financial statements of the Jefferson County Commission as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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 believe none of the reportable conditions described above are material weaknesses.

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

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

February 6, 2004

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

Compliance

We have audited the compliance of the Jefferson County Commission with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to each of its major federal programs for the year ended September 30, 2003. The Jefferson County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on the Jefferson County Commission's compliance based on our audit.

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

In our opinion, the Jefferson County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

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

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

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

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

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

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

February 6, 2004

Section I - Summary of Examiner's Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Reportable condition(s) identified that are not considered to be material weakness(es)?	__X__ Yes	______ None reported
Type of opinion issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	__X__ Yes	______ No

Identification of major programs:

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

Dollar threshold used to distinguish Between Type A and Type B programs:	$629,440.77	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
99-1	Internal Control	**Finding:** Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services. **Recommendation:** Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.	
2003-1	Internal Control	**Finding:** Procedures were not in place to ensure that all customers who are receiving sewer service are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers. Of fifty-eight (58) new customer notifications tested, thirteen (13) were not set up for sewer billing by Bessemer Water Service. **Recommendation:** Procedures should be implemented to ensure that all customers who receive sewer service are billed for the service.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2003-2	17.263	U. S. Department of Labor; Youth Opportunity Grant Contract Number AZ-10126-00-60 for the period March 20, 2000 through June 30, 2004	**Finding:** The compliance requirement for subrecipient monitoring requires that all subrecipients be monitored to ensure compliance with all federal regulations. Procedures were not in place to monitor the subrecipient of the Youth Opportunity Grant to ensure that compliance requirements were timely and properly met. Some claims for reimbursement were submitted several months after the period of performance. The agency hired to monitor the subrecipient did not provide any monitoring reports to the Office of Community Development as required. **Recommendation:** The Jefferson County Office of Community Development should implement procedures to ensure that subrecipients of the Youth Opportunity Grant are in compliance with all requirements.	

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Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION

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

LARRY P. LANGFORD–COMMISSIONER
Finance and General Services

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

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

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

Corrective Action Plan
For the Year Ended September 30, 2003

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

Finding #1999-1: Procedures were not in place to ensure compliance with all provisions between the Commission and Bessemer Water Service for sewer billing services.

Response: The County test checks various transactions with the Water Service. Although we cannot force them to improve their operations, we feel these compensating controls will help uncover most material problems with the Water Service.

Finding #2003-1: Procedures were not in place to ensure that all customers who are receiving sewer service are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers. Of fifty-eight (58) new customer notifications tested, thirteen (13) were not set up for sewer billing by Bessemer Water Service.

Response: See response to 1999-1 above. Also, the County has added an inspector in the Sewer Billing Office to assist with locating these billing problems.

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

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

Other Matters in Report to the Chief Examiner
For the Year

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

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

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

Steve Sayler, Director of Finance of County Commission

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APPENDIX B

Proposed Opinion of Bond Counsel

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APPENDIX B

PROPOSED OPINION OF BOND COUNSEL

Jefferson County Commission
Birmingham, Alabama

Dear Sirs:

We have examined certified copies of proceedings, certificates and other documents relating to JEFFERSON COUNTY, ALABAMA (herein called the "County"), and to the authorization, sale and issuance by the County of

JEFFERSON COUNTY, ALABAMA

$200,000,000
Limited Obligation School Warrants
Series 2005-A

and

$200,000,000
Limited Obligation School Warrants
Series 2005-B

(said warrants being herein collectively called the "Series 2005 Warrants"). The statements herein made and the opinions herein expressed are based upon our examination of the said proceedings, certificates and other documents. In our examination of all documents pertaining to the issuance of the Series 2005 Warrants, we have assumed the genuineness of all signatures (except those of officers of the County), the authenticity of documents submitted to us as originals, the conformity to the original documents of documents submitted to us as copies, the authenticity of such latter documents and the correctness of any facts stated in such documents.

The documents submitted to us show as follows:

(a) the Series 2005 Warrants have been issued under a Trust Indenture dated as of December 1, 2004, as supplemented and amended by a First Supplemental Indenture dated as of January 1, 2005 (said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the County and Wachovia Bank, National Association, as trustee (herein called the "Trustee"), pursuant to which the County has pledged to the Trustee, to secure the payment of the principal of and the interest and premium (if any) on the obligations of the County issued pursuant to the Indenture, (i) the proceeds collected by the County from the levy of that certain sales tax and that certain use tax levied pursuant to Ordinance No. 1769 adopted by the governing body of the County on December 16, 2004 (said taxes being herein together called the "Education Tax" and said ordinance being herein called the "Ordinance"), and (ii) the income derived from the investment of moneys held in the funds established under the Indenture (herein together called the "Pledged Revenues"), along with the moneys on deposit in the funds and accounts established under the Indenture (subject to the right to disburse such money in accordance with the provisions of the Indenture);

(b) the County has heretofore issued under the Indenture $650,000,000 aggregate principal amount of its Limited Obligation School Warrants, Series 2004-A (herein called the "Series 2004-A Warrants");

(c) the Series 2005 Warrants have been issued on a parity with the Series 2004-A Warrants with respect to the security provided by the Indenture; and

(d) in the Indenture the County has reserved the privilege of issuing from time to time additional warrants, bonds, notes or other forms of indebtedness (herein called "Additional Parity Securities"), in one or more series, without limitation as to principal amount and secured by the Indenture on a parity with the Series 2004-A Warrants and the Series 2005 Warrants, but only upon compliance with the conditions set forth in the Indenture.

Based upon and subject to the foregoing, we are of the following opinion:

(1) The County is duly organized and existing as a county of the State of Alabama and has the power and authority to sell and issue the Series 2005 Warrants and to enter into the Indenture.

(2) The Series 2005 Warrants have been duly authorized, sold, executed, authenticated and delivered as provided by the Indenture and in accordance with the applicable provisions of the constitution and laws of the State of Alabama, are in due and legal form, and evidence legal, valid and binding special obligations of the County payable, as to principal, interest and premium (if any), solely from the Pledged Revenues.

(3) Under the Indenture the payment of the principal of and the interest and premium (if any) on the Series 2005 Warrants is secured, pro rata and without preference or priority of one over another or of any of the Series 2005 Warrants over any of the Series 2004-A Warrants or any Additional Parity Securities that may be issued hereafter, by a valid pledge and assignment of the Pledged Revenues.

(4) The Indenture has been duly authorized, executed and delivered on behalf of the County and constitutes a legal, valid and binding agreement of the County which is legally enforceable in accordance with its terms, except that (i) the enforceability of any of the agreements contained in the Indenture may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting the enforcement of creditors' rights generally, and (ii) any court before which any enforcement proceeding may be brought will have discretion, in accordance with general equitable principles, to deny or limit the remedy of specific performance or other equitable relief with respect to contractual obligations other than for the payment of money.

(5) The County is authorized by the constitution and laws of the State of Alabama to levy and collect the Education Tax and to pledge the proceeds therefrom to secure the payment of the Series 2004-A Warrants, the Series 2005 Warrants and any Additional Parity Securities.

(6) The Ordinance has been duly adopted by the governing body of the County and is valid and binding on the County.

(7) The Series 2005 Warrants do not constitute an indebtedness of the County for purposes of any constitutional limitation of the State of Alabama.

(8) Neither the registration of any security under the Securities Act of 1933, as amended, nor the qualification of any trust indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offering, sale and issuance of any of the Series 2005 Warrants.

(9) Under existing statutes, the interest income on the Series 2005 Warrants is exempt from income taxation in the State of Alabama.

(10) Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2005 Warrants is excluded 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, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the next preceding sentence are 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 Series 2005 Warrants in order that the interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2005 Warrants to be so included in gross income retroactive to the date of issuance of the Series 2005 Warrants. The County has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2005 Warrants.

The Indenture provides that, in the event the County should default in any of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all obligations then outstanding under the Indenture to be forthwith due and payable, whereupon the same shall immediately become due and payable and the Trustee shall be entitled to exercise the rights specified in the Indenture.

The opinions hereinabove expressed respecting the Series 2005 Warrants are subject to all applicable bankruptcy, insolvency, moratory and other laws respecting the enforcement of creditors' rights, including specifically, but without limitation, the provisions of Chapter 9 of the United States Bankruptcy Code, as amended, relating to the adjustment of debts of political subdivisions and public agencies and instrumentalities of the several states.

We have been employed solely for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2005 Warrants have been authorized to be issued and rendering an opinion in conventional form relating solely to the essential validity and legality of the Series 2005 Warrants, to the legal security for their payment, to the exclusion of the interest on the Series 2005 Warrants from gross income for federal income tax purposes, to the exemption of the interest on the Series 2005 Warrants from income taxation by the State of Alabama and to certain related matters. While we have participated in the preparation of the County's Official Statement respecting the Series 2005 Warrants, we have not made or participated in any investigation or inquiry into the financial condition of the County, nor have we reviewed any documents relating thereto, and we express no opinion whatever as to the accuracy or completeness of any factual information respecting the financial condition of the County contained in such Official Statement.

Very truly yours,

HASKELL SLAUGHTER YOUNG
& REDIKER, LLC

415669.1

APPENDIX C

Summary of the Indenture

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APPENDIX C

SUMMARY OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture pursuant to which the Series 2004-A Warrants have been issued and the Series 2005-A Warrants, the Series 2005-B Warrants and any Additional Parity Securities will be issued. This summary should be qualified by reference to other provisions of the Indenture referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Indenture in this Official Statement are qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Trustee.

Definitions

Capitalized terms used in this Appendix C without being defined herein shall have the meanings assigned to such terms elsewhere in this Official Statement.

"Act" means the statutes codified as Chapter 28 of Title 11 of the Code of Alabama 1975, as amended and supplemented and at the time in force and effect.

"Additional Parity Securities" means additional securities issued by the County pursuant to the Indenture that are secured on a parity of lien with the Series 2004/2005 Warrants.

"Adjustable Rate" means a Commercial Paper Rate, an Auction Rate, a Daily Rate, a Weekly Rate or a Term Rate.

"Alternate Credit Facility" means any Credit Facility obtained pursuant to the provisions of the Indenture in substitution for or in addition to an existing Credit Facility or Facilities.

"Alternate Liquidity Facility" means an agreement for the purchase of Series 2005-A Warrants or Series 2005-B Warrants not remarketed that is accepted by the Trustee pursuant to the terms and conditions of the Indenture.

"Auction Rate" means, with respect to Auction Rate Warrants and each Auction Period for such Auction Rate Warrants, the rate of interest per annum determined for such warrants pursuant to the procedures described in Appendix D, which shall not in any case exceed the Maximum Auction Rate.

"Auction Rate Interest Payment Date", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant in the Auction Rate Mode, means a date on which interest calculated at the Auction Rate is payable on such warrant.

"Auction Rate Mode" means the Interest Rate Mode in which a Series 2005-A Warrant or Series 2005-B Warrant bears interest at the Auction Rate.

"Authorized Denominations" means (i) for Series 2005-A Warrants or Series 2005-B Warrants bearing interest at the Weekly Rate, the Daily Rate or the Commercial Paper Rate, $100,000 or any larger amount that is a multiple of $5,000, (ii) for Series 2005-A Warrants or Series 2005-B Warrants bearing interest at the Auction Rate, $25,000 or any integral multiple thereof, and (iii) for Series 2005-A Warrants or Series 2005-B Warrants bearing interest at a Term Rate or a Fixed Rate, $5,000 or any multiple thereof.

"Bank Rate" has the meaning assigned to such term in a Liquidity Facility.

"Bank Warrant" means a Series 2005-A Warrant or Series 2005-B Warrant owned by a Liquidity Provider after purchase pursuant to a Liquidity Facility.

"Basis Swap" means an interest rate swap or exchange agreement or comparable transaction between the County and another entity in which each party to the transaction agrees to make periodic payments to the other party to such transaction, with the amount of each such periodic payment determined by multiplying a specified notional amount by a rate derived from a specified variable rate of interest or fluctuating interest rate index that is published or otherwise announced on a regular basis by one or more financial publications or financial information services; provided (a) that any such periodic payment amount may be adjusted by adding thereto or subtracting therefrom an incremental amount determined by multiplying said notional amount by a specified percentage rate and (b) that any such transaction may also include agreements by one or both of the parties to make one or more payments in addition to the periodic payments previously described.

"Basis Swap Adjustment" means, with respect to any Qualified Basis Swap that is in effect at the time of any determination of Maximum Annual Debt Service, the amount determined by an Independent Swap Consultant, based on the terms of such swap transaction and the then current market conditions (including the highest marginal tax rate in effect at the time of such calculation for purposes of determining the amount of United States federal income taxes owed by individuals), as the average net amount to be paid or received, as the case may be, by the County during each twelve-month period in the then remaining term of such transaction (with proportionate adjustments made for any partial twelve-month period); provided that, in making any such determination, any extraordinary non-periodic payments to be made by either party to the transaction in question shall be disregarded. If the average net amount so determined is to be paid by the County, then such Basis Swap Adjustment will effect an increase in the amount of Maximum Annual Debt Service. If the average net amount so determined is to be received by the County, then such Basis Swap Adjustment will effect a reduction in the amount of Maximum Annual Debt Service.

"Bond Year" means a twelve-month period beginning on January 2 of a given calendar year and ending on and including January 1 of the succeeding calendar year.

"Calculation Period" means (a) during any Commercial Paper Rate Period, the period from and including the effective date of the Change in the Interest Rate Mode to a Commercial Paper Rate Period to but not including any day not more than 270 days thereafter which is a day immediately preceding a Business Day established by the Remarketing Agent; (b) during any Daily Rate Period, the period from and including a Business Day to but not including the next succeeding Business Day; (c) during any Weekly Rate Period, initially the period from and including the effective date of the Change in the Interest Rate Mode to a Weekly Period to and including the following Wednesday (but not less than two days) and, thereafter, the period from and including the Thursday of each week to and including the following Wednesday; provided, however, that, if such Thursday is not a Business Day, the next succeeding Calculation Period shall begin on the Business Day next succeeding such Thursday and shall end on the day before the next succeeding Calculation Period; and (d) during any Term Rate Period, any period of not less than 270 days from and including a Business Day to and including any day (established by the County) not later than the day prior to the Stated Maturity of the Series 2005-A Warrants or Series 2005-B Warrants, as the case may be.

"Commercial Paper Rate" means, with respect to each Calculation Period during a Commercial Paper Rate Period, a rate of interest equal to the rate of interest per annum, established and certified to the

Trustee by the Remarketing Agent no later than 9:30 a.m. (New York City time) on and as of the first day of such Calculation Period as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket the Series 2005-A Warrants or Series 2005-B Warrants, as the case may be, in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed 10% per annum.

"Commercial Paper Rate Interest Payment Date", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant in the Commercial Paper Rate Mode, means a date on which interest calculated at the Commercial Paper Rate is payable on such warrant.

"Commercial Paper Rate Mode" means the Interest Rate Mode in which a Series 2005-A Warrant or Series 2005-B Warrant bears interest at the Commercial Paper Rate.

"Commercial Paper Rate Period", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant in the Commercial Paper Rate Mode, means a period of not more than 270 days established pursuant to the Indenture during which such warrant bears interest at a Commercial Paper Rate established for such period.

"Conversion Date" means the day on which conversion from one Interest Rate Mode to a different Interest Rate Mode becomes effective.

"Credit Facility" means the Policy and any other bond insurance policy or other instrument that provides for the payment when due of the principal of and interest on the Series 2005-A Warrants and Series 2005-B Warrants to substantially the same extent as the Policy.

"Daily Rate" means, with respect to each Calculation Period during a Daily Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee by the Remarketing Agent no later than 9:30 a.m. (New York City time) on and as of the first day of such Calculation Period as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Series 2005-A Warrants or Series 2005-B Warrants, as the case may be, in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon; provided that such rate of interest shall not exceed 10% per annum.

"Daily Rate Interest Payment Date", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant in the Daily Rate Mode, means a date on which interest calculated at the Daily Rate is payable on such warrant.

"Daily Rate Mode" means the Interest Rate Mode in which a Series 2005-A Warrant or Series 2005-B Warrant bears interest at the Daily Rate.

"Daily Rate Period", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant in the Daily Rate Mode, means a period established pursuant to the Indenture during which such warrant bears interest at a Daily Rate established for such period.

"Determination Date" means, for any Calculation Period (other than the Calculation Period or Periods commencing on and including the closing date for the Series 2005-A Warrants and Series 2005-B Warrants), the first Business Day occurring during such Calculation Period.

"Education Tax" means that certain sales tax and that certain use tax levied by the County pursuant to Ordinance No. 1769 adopted by the Governing Body on December 16, 2004.

"Education Tax Proceeds" means the proceeds collected by the County from the levy of the Education Tax.

"Eligible Bank Obligations" means demand and time deposits (whether or not interest-bearing and whether or not evidenced by certificates of deposit) in banks and acceptances by banks, provided that the banks obligated with respect to such deposits or acceptances, as the case may be, are organized under the laws of the United States of America or any state thereof and have, at the time any moneys are invested in such deposits or acceptances pursuant to the provisions of the Indenture, combined capital, surplus and undivided profits of not less than $50,000,000; provided that the bank obligated with respect to any such deposit or acceptance shall continuously secure such deposit or acceptance, to the extent not insured by the Federal Deposit Insurance Corporation (or any department, agency or instrumentality of the United States of America that may succeed to the functions of such corporation), by depositing with an independent third party, as collateral security therefor, Federal Obligations having a market value (exclusive of accrued interest) not less than the amount of the deposit or acceptance being secured.

"Eligible Investments" means any of the following: (i) Federal Obligations; (ii) Eligible Bank Obligations; (iii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that are fully payable, as to principal, premium (if any) and interest, from payments of principal of or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P and Aaa by Moody's; (iv) any share or other investment unit representing a beneficial interest in an investment company or investment trust which is registered under the Investment Company Act of 1940, as from time to time amended (or successor provision of federal law), provided that the investment portfolio of such investment company or investment trust consists exclusively of obligations or securities that would independently qualify as Eligible Investments if directly acquired by the County; (v) to the extent at the time permitted by applicable law, either of the following: (A) any repurchase agreement or collateralized investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least A- by S&P or A3 by Moody's, provided that (1) the obligations or securities subject to any such agreement shall be of the kind described in clauses (i), (ii) and (iii) of this definition, (2) no transfer of moneys shall be made by the County to invest in any such agreement unless the County obtains a security interest in all obligations and securities covered by such agreement that shall be perfected, prior to or simultaneously with the transfer of such moneys, through the physical delivery of such obligations and securities to the County or to an independent third party, and (3) such obligations and securities shall be supplemented by additional collateral from time to time to the extent required to continuously maintain collateral having an aggregate market value (exclusive of accrued interest) that is not less than the amount invested pursuant to such agreement; or (B) any investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least AA- by S&P or AA3 by Moody's; and (vi) any other investments at the time permitted by applicable law.

"Expiration Date", when used with respect to any Liquidity Facility, means the date on which the commitment of the related Liquidity Provider to purchase Series 2005-A Warrants or Series 2005-B Warrants, as the case may be, actually terminates.

"Federal Obligations" means (i) any direct general obligations of the United States of America, (ii) obligations the payment of the principal of and the interest on which is unconditionally and irrevocably guaranteed by, or entitled to the full faith and credit of, the United States of America, and (iii) Treasury Receipts.

"Fiscal Year" means any twelve month period ending on September 30 or any other period of twelve consecutive calendar months that may hereafter be adopted as the fiscal year of the County.

"Fitch" means Fitch Investors Service, L.P., and any successor thereto.

"Fixed Rate" means, with respect to the Fixed Rate Conversion Date for any Series 2005-A Warrants or Series 2005-B Warrants, the rate of interest per annum established and certified to the Trustee by the Remarketing Agent no later than 9:30 a.m. (New York City time) on and as of such date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such date to remarket such warrants in a secondary market transaction at a price equal to the principal amount thereof, provided that such rate of interest shall not exceed 12% per annum.

"Fixed Rate Conversion Date" means the effective date of a conversion of the interest rate on Series 2005-A Warrants or Series 2005-B Warrants to a Fixed Rate.

"Fixed Rate Period" means the period, if any, during which Series 2005-A Warrants or Series 2005-B Warrants bear interest at a Fixed Rate, which period shall commence on the Fixed Rate Conversion Date therefor and extend to the stated maturity date therefor.

"Improvement Costs" means the costs of acquiring, constructing, installing and making any School Improvements (including the purchase of all easements, rights of way and land, and all engineering, legal, financing and other expenses incidental to the acquisition, construction, installation and making of such School Improvements).

"Independent Accountant" means a certified public accountant or a firm of certified public accountants that has no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such accountant or firm of accountants in the performance of any services to be performed hereunder as an Independent Accountant, or the State Examiner of Public Accounts of the State of Alabama or any successor to his duties.

"Independent Swap Consultant" means an individual or firm that has knowledge and experience with respect to the documentation, structure and pricing of municipal interest rate swap transactions and that has no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such individual or firm in the performance of any services to be performed hereunder as an Independent Swap Consultant.

"Interest Payment Date", when used with respect to any installment of interest on a Series 2005-A Warrant or Series 2005-B Warrant, means the date specified in the Indenture and in such warrant as the fixed date on which such installment of interest is due and payable.

"Interest Rate Mode" means the Auction Rate Mode, the Daily Rate Mode, the Weekly Rate Mode, the Commercial Paper Rate Mode, the Term Rate Mode or the Fixed Rate Mode.

"Liquidity Facility" means any Standby Purchase Agreement and any Alternate Liquidity Facility.

"Liquidity Provider" means DEPFA Bank plc and each provider of an Alternate Liquidity Facility.

"Local Board of Education" means a county or municipal board of education located within the County.

"Mandatory Tender" means a required tender of a Series 2005-A Warrant or Series 2005-B Warrant for purchase pursuant to the Indenture.

"Mandatory Tender Date" means a date on which a Series 2005-A Warrant or Series 2005-B Warrant is to be purchased pursuant to a Mandatory Tender.

"Maturity", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant, means the date specified in such warrant as the fixed date on which principal of such warrant is due and payable.

"Maximum Annual Debt Service" means the maximum amount payable in a Bond Year as principal of and interest on the Parity Securities, subject to the following assumptions and adjustments:

(a) that the principal amount of any such securities required by the terms thereof to be redeemed or prepaid during any Bond Year shall, for purposes of this definition, be considered as maturing in the Bond Year during which such redemption or prepayment is required and not in the Bond Year in which their stated maturity or due date occurs;

(b) for purposes of determining the amounts of principal and interest due in any Bond Year on any Parity Securities that constitute Tender Indebtedness, the options or obligations of the owners of such Parity Securities to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Parity Securities may or are required to tender such Parity Securities for purchase or payment, except that any such option or obligation to tender Parity Securities shall be ignored and not treated as a principal maturity, and such Parity Securities shall be deemed to mature in accordance with their stated maturity schedule, if such Parity Securities are rated in one of the two highest long-term rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies or such Parity Securities are rated in the highest short-term, note or commercial paper rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies;

(c) the interest rate on any Variable Rate Securities subsequent to the date of calculation shall be assumed to be the lowest of (A) the maximum rate of interest that may be applicable to such Parity Securities, under the provisions thereof, (B) for so long as any Qualified Swap that establishes a cap rate for such Parity Securities is in effect, such cap rate, and (C) the highest of (i) the actual interest rate on the date of calculation, or if the Variable Rate Securities in question are not yet outstanding, the initial rate (if established and binding), (ii) if the Variable Rate Securities in question have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Variable Rate Securities in question is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer Revenue Bond Index (or comparable index if no longer published), or (y) if interest on such Variable Rate Securities is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities;

(d) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to a fixed rate of interest shall be calculated as if the Parity Securities bore interest at such fixed rate during the term of such Qualified Swap;

(e) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to variable interest rates shall be calculated as if the Parity Securities in question bore interest, during the term of such Qualified Swap, at a rate equal to the lowest of (A) for so long as any Qualified Swap that establishes a cap rate with respect to such Qualified Swap remains in effect, such cap rate, or (B) the highest of (i) the actual rate of such Qualified Swap on the date of calculation, or if such Qualified Swap is not yet in effect, the initial rate (if established and binding), (ii) if the Qualified Swap has been in effect for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Securities to which such Qualified Swap is referable is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer Revenue Bond Index (or comparable index if no longer published), or (y) if interest on such Parity Securities is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities;

(f) if, at the time that such calculation is made, the County has entered into any Qualified Basis Swaps (other than any such swaps that have been previously terminated), then the annual debt service for any Bond Year during which one or more of such Qualified Basis Swaps is scheduled to be in effect shall (in addition to the adjustments described in other provisions of this definition) be increased or decreased, as the case may be, by the amount derived from aggregating the respective Basis Swap Adjustments for all of the Qualified Basis Swaps that are scheduled to be in effect at any time during such Bond Year; and

(g) there shall be excluded any principal of or interest on any Parity Securities to the extent there are available and held in escrow or under a trust agreement (i) moneys sufficient to pay such principal or interest, (ii) Permitted Defeasance Obligations which, if the principal thereof and the interest thereon are paid according to their tenor, will produce moneys sufficient to pay such principal of interest, or (iii) both moneys and such Permitted Defeasance Obligations which together will produce funds sufficient to pay such principal or interest.

In any case where, for purposes of determining Maximum Annual Debt Service, a portion of the principal of any Parity Securities is to be excluded, there shall also be excluded interest on the principal so excluded.

"Moody's" means Moody's Investors Service and any successor thereto.

"Optional Tender" means a tender of a Series 2005-A Warrant or Series 2005-B Warrant for purchase at the option of the Holder thereof pursuant to the Indenture.

"Optional Tender Date" means a date on which a Series 2005-A Warrant or Series 2005-B Warrant is to be purchased pursuant to an Optional Tender.

"Parity Securities" means the Series 2004-A Warrants, the Series 2005-A Warrants, the Series 2005-B Warrants and any Additional Parity Securities at the time outstanding.

"Permitted Defeasance Obligations" means any combination of (i) Federal Obligations and (ii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that bear interest exempt from federal income taxation, that are fully payable, as to principal, premium (if any) and interest, from payments of principal of or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P or Aaa by Moody's.

"Pledged Revenues" means the Education Tax Proceeds and income derived from the investment of moneys held in funds established under the Indenture.

"Purchase Price", when used with respect to a Tendered Warrant, means 100% of the principal amount of such warrant plus accrued interest to the Tender Date. If the Tender Date for a Series 2005-A Warrant or Series 2005-B Warrant is also an Interest Payment Date for such warrant, the interest due on such date shall not be considered part of the Purchase Price; rather, such interest shall be paid in accordance with the provisions of the Indenture governing regular interest payments.

"Qualified Basis Swap" means a Basis Swap that has been designated as, and that otherwise qualifies as, a Qualified Swap.

"Qualified Swap" means (A) with respect to a series of Parity Securities or any portion thereof, any financial arrangement (i) that is entered into by the County with an entity that is a Qualified Swap Provider at the time of the execution and delivery of the documents governing such arrangement; (ii) that provides (a) that the County shall pay to such entity an amount based on the interest accruing at a fixed rate on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series, and that such entity shall pay to the County an amount based on the interest accruing on the same notional amount, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Parity Securities), or that one shall pay to the other any net amount due under such arrangement, or (b) that the County shall pay to such entity an amount based on the interest accruing on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the County an amount based on interest accruing on the same notional amount at an agreed fixed rate, or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the County as a Qualified Swap with respect to any of the Parity Securities or (B) any Basis Swap (x) that is entered into by the County with an entity that is a Qualified Swap Provider at the time of execution and delivery of the documents governing such transaction and (y) that has been designated in writing to the Trustee by the County as a Qualified Swap (provided, however, that any such designation may be made and deemed effective only if, immediately following the making of such designation, the aggregate notional amount for all Qualified Basis Swaps is not greater than 50% of the aggregate principal amount of all Parity Securities then outstanding).

"Qualified Swap Provider" means an entity whose senior long term debt obligations, other senior unsecured long-term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability, are rated (at the time the subject Qualified Swap is entered into) at least A by S&P and at least A2 by Moody's.

"Rating Agency" means Moody's, S&P, Fitch or any other nationally recognized securities rating agency.

"Regular Record Date" means (i) with respect to Series 2005-A Warrants or Series 2005-B Warrants in the Auction Rate Mode, Daily Rate Mode, Weekly Rate Mode or Commercial Paper Rate

Mode, the day immediately prior to the related Interest Payment Date (whether or not a Business Day), and (ii) with respect to Series 2005-A Warrants or Series 2005-B Warrants in the Term Rate Mode or Fixed Rate Mode, the 15th day (whether or not a Business Day) of the month next preceding the Term Rate Interest Payment Date.

"Remarketing Agent" means Raymond James & Associates, Inc., and any other entity that shall have become a remarketing agent for the Series 2005-A Warrants or Series 2005-B Warrants (or a portion thereof) pursuant to the applicable provisions of the Indenture.

"Remarketing Agreement" means an agreement entered into by the County and a Remarketing Agent.

"Reserve Fund Requirement" means, as of the date of any determination thereof, the lesser of (a) 125% of the average annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, (b) the maximum annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, or (c) an amount equal to the aggregate of 10% of the original principal amount (or, in the case of any series of Parity Securities sold with original issue discount in an amount greater than 2% of its original principal amount, the issue price) of each series of Parity Securities at the time outstanding and secured by the Reserve Fund. Any calculation of average annual debt service or maximum annual debt service for the purpose of determining the applicable Reserve Fund Requirement shall be made in accordance with the requirements and limitations imposed by the provisions of the Code and the regulations promulgated thereunder that pertain to reasonably required reserve or replacement funds.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"School Board Indebtedness" means bonds, warrants or other debt obligations issued by a Local Board of Education.

"School Improvements" means any capital improvements, extensions or additions to the school buildings or ancillary facilities of a Local Board of Education.

"Stated Expiration Date", when used with respect to any Liquidity Facility, means the date on which the obligation of the related Liquidity Provider to purchase Series 2005-A Warrants or Series 2005-B Warrants thereunder will expire by its terms. The Stated Expiration Date of any Liquidity Facility may be extended as provided in the Indenture.

"Stated Maturity" means January 1, 2027.

"Support Facility" means any Credit Facility or Liquidity Facility.

"Tender Date" means an Optional Tender Date or a Mandatory Tender Date, as the case may be.

"Tender Indebtedness" means any Parity Securities that are payable, at the option of the holder thereof, prior to their stated maturity or due date, or that the County (or an agent thereof) is required, at the option of such holder, to purchase prior to their stated maturity or due date.

"Tendered Warrants" means Series 2005-A Warrants or Series 2005-B Warrants tendered for purchase pursuant to the Optional or Mandatory Tender provisions of the Indenture.

"Term Rate" means, with respect to each Calculation Period for a Term Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee by the Remarketing Agent no later than 9:30 a.m. (New York City time) on and as of the first day of such Calculation Period as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Series 2005-A Warrants or Series 2005-B Warrants, as the case may be, in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed 12% per annum.

"Term Rate Mode" means the Interest Rate Mode in which the Series 2005-A Warrants or Series 2005-B Warrants bear interest at the Term Rate.

"Term Rate Period", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant in the Term Rate Mode, means a period established pursuant to the Indenture during which such warrant bears interest at a Term Rate established for such period.

"Terminating Event" means any event or events under the terms of a Support Facility or any agreement providing for the issuance of such Support Facility (provided such Support Facility is not a financial guaranty insurance policy) which would cause the termination or expiration of such Support Facility but would specifically allow for the mandatory tender of Series 2005-A Warrants or Series 2005-B Warrants, as the case may be, pursuant to the Indenture with a draw on or borrowing or payment under such Support Facility prior to such termination or expiration.

"Treasury Receipts" means custodial receipts evidencing ownership in future principal or interest payments, or both, with respect to United States Treasury obligations that have been deposited with a custodian pursuant to a custody agreement which provides for the United States Treasury obligations underlying such custodial receipts to be held in a separate account and for all payments of principal and interest received by such custodian with respect to such underlying obligations to be immediately paid to the holders of such custodial receipts in accordance with their respective ownership interests in such underlying obligations, provided that (i) the custodian issuing such custodial receipts shall be a bank that is acceptable to the Trustee, that is organized under the laws of the United States of America or any state thereof, and that, at the time of the issuance of such custodial receipts, shall have capital, surplus and undivided profits in excess of $100,000,000 and (ii) the custody agreement pursuant to which such custodial receipts are issued shall be acceptable to Bond Counsel.

"Variable Rate Security" means any Parity Security that bears interest at a rate that is subject to change prior to the maturity of such security to one or more other interest rates that cannot be determined in advance.

"Weekly Rate" means, with respect to each Calculation Period during a Weekly Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee by the Remarketing Agent no later than 9:30 a.m. (New York City time) on and as of the first day of such Calculation Period as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Series 2005-A Warrants or Series 2005-B Warrants, as the case may be, in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon; provided that such rate of interest shall not exceed 10% per annum.

"Weekly Rate Interest Payment Date", when used with respect to any Series 2005-A Warrant or Series 2005-B Warrant in the Weekly Rate Mode, means a date on which interest calculated at the Weekly Rate is payable on such warrant.

"Weekly Rate Mode" means the Interest Rate Mode in which a Series 2005-A Warrant or Series 2005-B Warrant bears interest at the Weekly Rate.

Flow of Funds

General. The Indenture provides for the creation and maintenance of a number of special funds, which include the Grant Fund, the Revenue Account, the Debt Service Fund, the Reserve Fund and the Redemption Fund. The Commission has the right to designate from time to time the depository or depositories for the Revenue Account. The Trustee is the depository, custodian and disbursing agent for all of the other special funds created in the Indenture.

Grant Fund. On the date of delivery of the Series 2005-A Warrants and Series 2005-B Warrants, the County will deposit into the Grant Fund approximately $389,660,000 from the proceeds of such warrants. The County previously deposited into the Grant Fund approximately $624,804,033 from proceeds of the Series 2004-A Warrants. Moneys on deposit in the Grant Fund are required to be held and disbursed by the Trustee for the purpose of making grants to Local Boards of Education, which grants may be used for the acquisition, construction and installation of School Improvements or the payment and retirement of School Board Indebtedness. The Indenture provides that no moneys may be withdrawn for any such purpose from the Grant Fund unless there is furnished to the Trustee, among other things, an appropriate certificate indicating that no litigation is then pending in any court, state or federal, attacking or in any way questioning (1) the validity or legality of the Series 2004/2005 Warrants or the levy and collection of the Education Tax or any of the authorizing proceedings therefor or (2) the validity and binding effect of the pledge of the Pledged Revenues made in the Indenture.

Revenue Account. The County is required to deposit in the Revenue Account, as received by it, all of the Education Tax Proceeds and all amounts received by the County pursuant to Qualified Swaps. Moneys in the Revenue Account may be applied to pay the costs of collection and administration of the Education Tax and the fees and expenses of the Trustee. From the moneys that remain in the Revenue Account after payment of such costs, the County is required to make periodic transfers to the Debt Service Fund, the Reserve Fund and the Redemption Fund. No payments or withdrawals shall at any time be made from the Revenue Account other than to the special funds specifically provided for.

Debt Service Fund. On or before each Interest Payment Date, the County will be required to transfer from the Revenue Account to the Debt Service Fund an amount equal to the amount of debt service on the Series 2004/2005 Warrants becoming due and payable on each such date. The County will also be required to transfer into the Debt Service Fund certain payments in the event of the issuance of any Additional Parity Securities or the incurrence of any Secured Related Obligations.

Reserve Fund. Upon the issuance of the Series 2004-A Warrants, approximately $54,654,887 was deposited in the Reserve Fund. Simultaneously with the issuance of the Series 2005-A Warrants and Series 2005-B Warrants, the Surety Bond will be delivered to the Trustee for deposit into the Reserve Fund. Upon the issuance of any Additional Parity Securities that are to be secured by the Reserve Fund, moneys in an aggregate amount equal to the increase in the Reserve Fund Requirement resulting from the issuance of such Additional Parity Securities must be added to the Reserve Fund. Any such addition of moneys to the Reserve Fund shall be effected through a single deposit to the Reserve Fund made at the time of the issuance of such Additional Parity Securities. Moneys forming a part of the Reserve Fund are held as a reserve for the payment of the principal of and the interest on the Parity Securities secured hereby, but shall be used for such purpose only when moneys are not otherwise available.

In lieu of all or any portion of the required amount to be on deposit in the Reserve Fund, the County may deposit with the Trustee to the credit of such fund (i) a surety bond or insurance policy issued by a municipal bond insurer whose claims-paying ability is rated "AAA" by S&P or "Aaa" by Moody's, (ii) a surety bond or insurance policy issued by an entity other than a municipal bond insurer if such entity and the form and substance of such instrument is approved by the Bond Insurer, or (iii) an irrevocable letter of credit issued by a bank that is rated at least "AA" by S&P or "Aa" by Moody's.

Redemption Fund. After making all required transfers and distributions from the Revenue Account, if there is no deficit or delinquency in the Debt Service Fund or the Reserve Fund, the balance remaining in the Revenue Account on each December 31 (after making the transfer required to be made from such account to the Debt Service Fund on or before the following January 1) shall be paid into the Redemption Fund. The Trustee shall use and apply the moneys in the Redemption Fund solely for the purpose of redeeming the Series 2004/2005 Warrants prior to their maturity. On each March 1, the County shall exhaust, as nearly as may be practicable, all the moneys in the Redemption Fund by effecting the redemption of Series 2004/2005 Warrants.

Investment of Funds

The County may at its option from time to time cause any or all of the moneys on deposit in the Debt Service Fund to be invested in Federal Obligations having a specified maturity, or being redeemable at the option of the holder, prior to the date when such moneys will be needed to pay principal of or interest on the Parity Securities. Similarly, the County may at its option from time to time cause any or all of the moneys on deposit in any of the other special funds established under the Indenture to be invested in any Eligible Investments which have a specified maturity, or which are redeemable at the option of the holder thereof, prior to the date on which it is anticipated by the County that such moneys will be needed. Any investment acquired with moneys from one of the funds established under the Indenture, together with all income therefrom, shall become a part of the fund from which moneys were used to make such investment, and shall be held by the depository for such fund to the same extent as if it constituted moneys on deposit therein. So long as the amount on deposit in the Reserve Fund is not reduced to an amount less than the then applicable Reserve Fund Requirement, any income derived from the investment of moneys on deposit in the Reserve Fund shall be transferred to the Debt Service Fund.

Additional Parity Securities

If no Event of Default shall have occurred and be continuing, the County may at any time and from time to time issue Additional Parity Securities, within the limitations of and upon compliance with the provisions of the Indenture, solely for the purpose of refunding or otherwise retiring all or any portion of any one or more series of Parity Securities then outstanding under the Indenture.

Prior to the issuance of any Additional Parity Securities, the County must deliver to the Trustee a certificate signed by an Independent Accountant, the President of the governing body of the County or the County's Director of Finance certifying that, immediately following the issuance of such Additional Parity Securities, the Maximum Annual Debt Service on all then outstanding Parity Securities will not be greater than the Maximum Annual Debt Service on all Parity Securities outstanding immediately prior to the issuance of such Additional Parity Securities.

Related Obligations

The County may obtain or cause to be obtained letters of credit, lines of credit, bond insurance or similar instruments (collectively, "Credit Facilities") to secure or provide for the payment or purchase of all or a portion of the Parity Securities of any particular series. In connection therewith, the County may enter into agreements with the issuer of or obligor on any such Credit Facility providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Credit Facility, the terms and conditions of such Credit Facility and the series of Parity Securities affected thereby, and the security, if any, to be provided for the issuance of such Credit Facility and the payment of such fees and expenses or the obligations of the County with respect thereto. The County may also, to the extent permitted by law, enter into an interest rate swap agreement, an interest rate cap agreement, an interest rate floor agreement, an interest rate collar agreement or any similar agreement with respect to any series of Parity Securities or portion thereof.

The County may, if it elects to do so, secure all or any portion of its contractual obligations with respect to any Credit Facility or any Qualified Swap (any such contractual obligations being herein called "Related Obligations") by a pledge of the Pledged Revenues which may be on a parity with the pledge made in the Indenture (except to the extent that any such pledge secures the payment of any amount payable by the County as a consequence of an early termination of a Qualified Swap) so long as no default exists on the part of the entity providing such Credit Facility or on the part of the related Qualified Swap Provider, as the case may be. Any Related Obligation that is secured by a pledge of the Pledged Revenues that is on a parity with the pledge made in the Indenture is referred to herein as a "Secured Related Obligation". Notwithstanding any pledge that may be made as described in the preceding sentence, Secured Related Obligations shall not constitute or be treated as Parity Securities for any purpose in applying the provisions of the Indenture (including, without limitation, the conditions precedent to the issuance of Additional Parity Securities).

Maintenance of Books and Records; Annual Audits

The County will maintain complete and separate books and records pertaining to the Education Tax Proceeds and all receipts and disbursements with respect thereto. Within ninety (90) days following the close of each Fiscal Year, the County will provide the Trustee with unaudited financial statements respecting the Education Tax Proceeds prepared by the County's financial officers. The County will cause an audit of the receipts and disbursements of Education Tax Proceeds to be completed by an Independent Accountant as soon as practicable after the close of each Fiscal Year.

Priority of Pledge

The pledge of the Pledged Revenues made in the Indenture shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued by the County (other than Additional Parity Securities), and the County agrees that in the event it should hereafter issue any securities (other than Additional Parity Securities) or make any contract (other than Secured Related Obligations) payable out of the Pledged Revenues or for which any part of the said revenues may be pledged, the County will, in the proceedings under which any such securities or contract are authorized, recognize the priority of the pledge of the Pledged Revenues herein made. The County will not make any pledge or create any other encumbrance on the Pledged Revenues unless such pledge or other encumbrance is junior or subordinate in all respects to the pledge made in the Indenture and the lien created therein.

Levy of Education Tax

The County will levy and collect the Education Tax and will apply the Education Tax Proceeds as provided in the Indenture until the payment in full of the Parity Securities and all other Indenture Indebtedness. The County further agrees to levy and collect the Education Tax subsequent to the payment in full of the Series 2004/2005 Warrants if and to the extent needed to provide a source for payment of (i) any claims made against the County for damages caused by or resulting from a breach of any of the covenants or other agreements contained in the Indenture or (ii) any amounts that the County determines should be paid in order to resolve or settle any legal disputes or challenges pertaining to the Series 2004/2005 Warrants or any of the provisions of this Indenture.

Payment of Parity Securities

The County will pay or cause to be paid, out of the sources of payment provided in the Indenture, the principal of and the interest and premium (if any) on the Parity Securities and all other Indenture Indebtedness as specified therein, and it will otherwise perform all obligations that either expressly or by reasonable implication are imposed on it in the Indenture and it will not default thereunder.

Events of Default Defined

Any of the following shall be "Events of Default" under the Indenture, and the term "Event of Default" shall mean, whenever it is used in the Indenture, any one or more of the following conditions or events:

(a) failure by the County to pay the principal of or the interest or premium (if any) on any Parity Security as and when the same become due as therein and herein provided (whether such shall become due at maturity or by redemption, acceleration or otherwise);

(b) failure by the County to perform or observe any agreement, covenant or condition required by the Indenture to be performed or observed by it [other than its agreement to pay the principal of and the interest and premium (if any) on the Parity Securities] after thirty (30) days' written notice (which said notice must state that it is a "notice of default" thereunder) to it of such failure given by the Trustee or by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Parity Securities then outstanding under the Indenture, unless during such period or any extension thereof the County has commenced and is diligently pursuing appropriate corrective action;

(c) any material warranty, representation or other statement by or on behalf of the County contained in the Indenture, or in any document furnished by the County in connection with the issuance and sale of any of the Parity Securities, being false or misleading in any material respect at the time made; or

(d) an order, judgment or decree shall be entered by any court of competent jurisdiction (i) approving a petition filed by the County under the federal or any state bankruptcy laws, (ii) granting relief to the County under federal or state bankruptcy laws or relief substantially similar to that afforded under the said laws or (iii) the County shall file a petition in bankruptcy or make an assignment for the benefit of its creditors or consent to the appointment of a receiver of the whole or any substantial part of its properties or shall file a petition or answer seeking relief under the federal or any state bankruptcy laws.

Remedies on Default

Upon the occurrence and continuation of any Event of Default, the Trustee shall have the following rights and remedies:

(a) Acceleration. In the event of a failure by the County to pay the principal of or the interest or premium (if any) on the Parity Securities, as and when the same shall become due and payable, the Trustee shall, and, upon the occurrence and continuation of any other Event of Default under the Indenture, the Trustee may, declare the Parity Securities to be immediately due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Parity Securities to the contrary notwithstanding.

(b) Suits at Law or in Equity. The Trustee may, by civil action, mandamus or other proceedings, protect, enforce and compel performance of all duties of the officials of the County, including the collection of the Education Tax Proceeds, the proper segregation and application thereof, and may, without limitation to the foregoing, proceed to protect and enforce its rights and the rights of the Parity Securityholders by a suit or suits, whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power granted herein or for the enforcement of any other proper, legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce its rights and the rights of the Parity Securityholders hereunder.

Application of Moneys Collected

All moneys collected by the Trustee pursuant to any of the aforesaid remedies, together with all other Education Tax Proceeds then held by the County or the Trustee hereunder, shall, after payment of all charges and expenses of the Trustee under the Indenture, be applied to the payment of the following items in the following order:

(a) Unless the principal of all Parity Securities shall have become or shall have been declared due and payable, all such moneys shall be applied:

First. To the payment to the persons entitled thereto of interest then due on the Parity Securities, with interest on overdue installments of such interest, and if the amount available shall not be sufficient to pay in full all such installments plus the said interest thereon, then to the proportionate payment of all such installments and the interest thereon, according to the amounts thereof, without preference or priority of any installment of interest over any other installment or any discrimination or privilege among the persons entitled thereto.

Second. To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on the Parity Securities which shall have matured, with interest on overdue installments of principal and premium, if any, from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full all such principal and premium, if any, together with the aforesaid interest thereon, then to the proportionate payment of such principal, premium, if any, and interest, according to the amounts thereof, without preference or priority of any installment of principal over any other installment or any discrimination or privilege among the persons entitled thereto; and

Third. The surplus, if any, to the Revenue Account.

(b) If the principal of all the Parity Securities shall have become or been declared due and payable, all such moneys shall be applied as follows:

First. To the payment of the principal and interest then due and unpaid upon the Parity Securities, with interest on overdue principal and on overdue interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Parity Security over any other Parity Security, in proportion to the amounts for both principal and interest due respectively to the persons entitled thereto, without any discrimination or privilege among such persons; and

Second. The surplus, if any, to pay any other Indenture Indebtedness and then to the County or to whomsoever may be entitled thereto.

Remedies Vested in Trustee for Benefit of Parity Securityholders

All remedies under the Indenture are vested exclusively in the Trustee for the equal and pro rata benefit of all holders of the Parity Securities unless the Trustee refuses or neglects to act within 30 days after written request to so act addressed to the Trustee by the holders of not less than 25% of principal amount of the Parity Securities, accompanied by indemnity satisfactory to the Trustee, in which event the holder of any Parity Securities may so act in the name and behalf of the Trustee or may so act in his own name and behalf in lieu of action by or in the name of the Trustee. Except as provided in the preceding sentence, no holder of any of the Parity Securities shall have the right to enforce any remedy under the Indenture. Any action taken by any Parity Securityholder to enforce any provision of the Indenture shall be for the equal and pro rata benefit of the holders of all the Parity Securities.

Concerning the Trustee

Limitation of Liability. The Trustee shall not be liable under the Indenture except for its noncompliance with the provisions thereof, its willful misconduct or its gross negligence. The Trustee may consult with independent counsel, and the written advice or opinion of independent counsel shall be a full and complete authorization and protection in respect of any action taken, suffered, or omitted by it under the Indenture in good faith and reliance thereon.

Institution of Suit. The Trustee may, in its own name and at any time, institute or intervene in any suit for the enforcement of all rights under the Indenture without the necessity of joining as parties to such suit or proceedings any holders of the Parity Securities. The holders of the Parity Securities, by their acceptance of the provisions of the Indenture, will appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of enforcing all such rights of action, but such appointment will not include the power to agree to accept new securities of any nature in lieu of the Parity Securities or to alter or amend the terms of the Indenture except as therein provided.

Resignation and Discharge. The Trustee may resign at any time by giving written notice to the County. The Trustee may at any time be removed by a written instrument signed by the holders of a majority in principal amount of the Parity Securities or, if no Event of Default exists, by the County. No resignation or removal of the Trustee shall become effective until the acceptance of appointment by a successor Trustee.

Appointment of Successor Trustee. If the Trustee resigns, is removed or is otherwise incapable of acting, a successor may be appointed by the holders of a majority in principal amount of the Parity Securities and, in the interim, by the County.

Modification of the Indenture

Without the consent of or any notice to any Parity Securityholders, the County and the Trustee may amend the Indenture for any of the following purposes:

(a) to add to the covenants of the County for the benefit of the Parity Securityholders, or to surrender any right or power conferred upon the County in the Indenture; or

(b) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein, or to make any other provisions which shall not be inconsistent with the provisions of the Indenture, provided such action shall not adversely affect the interests of the Parity Securityholders; or

(c) to subject to the Indenture additional revenues, properties or collateral; or

(d) to authorize the issuance of Additional Parity Securities; or

(e) to grant to or confer or impose upon the Trustee for the benefit of the Parity Securityholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent; or

(f) to authorize a different denomination or denominations of the Series 2004/2005 Warrants and to make correlative amendments and modifications to the Indenture regarding exchangeability of Series 2004/2005 Warrants of different denominations, redemptions of portions of Series 2004/2005 Warrants of particular denominations and similar amendments and modifications of a technical nature; or

(g) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Parity Securityholders and which does not involve a change described in the succeeding paragraph.

With the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Parity Securities, the County and the Trustee may amend the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Parity Securityholders under the Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Holder of each outstanding Parity Security adversely affected thereby,

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

(2) reduce the percentage in principal amount of the outstanding Parity Securities, the consent of whose Holders is required for any such Supplemental Indenture, or

(3) eliminate or modify any provision of the Indenture, the elimination or modification of which by its terms requires the consent of the Holder of each Parity Security affected thereby, or

(4) create a lien or charge on the Education Tax Proceeds ranking prior to or on a parity of lien with the lien and pledge thereon contained in the Indenture (other than for Additional Parity Securities), or

(5) establish preference or priority as between the Parity Securities.

Satisfaction of the Indenture

Whenever the entire indebtedness secured by the Indenture, including the fees, charges and disbursements of the Trustee, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the lien of the Indenture. For purposes of the Indenture, any of the Parity Securities shall be deemed to have been fully paid when there shall have been irrevocably deposited with the Trustee the redemption price of such Parity Securities together with evidence that such Parity Security has been called for redemption in accordance with the Indenture.

In addition, any of the Parity Securities shall, for all purposes of the Indenture, be considered as fully paid if the County and the Trustee enter into a trust agreement making provision for the retirement of such Parity Securities by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Parity Securities (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (i) Permitted Defeasance Obligations which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of all such Parity Securities, or (ii) both cash and such Permitted Defeasance Obligations which together will produce funds sufficient for such purpose, or (iii) cash sufficient for such purpose.

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APPENDIX D

Auction Procedures

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Auction Procedures

Definitions

The following is a summary of definitions of certain terms relating to the Auction Procedures. Capitalized terms used in this Appendix D that are not defined herein or elsewhere in the Official Statement have the meanings given to them in the Indenture.

"After Tax Equivalent Rate" means, on any date of determination with respect to Auction Rate Warrants during an Auction Rate Period, the interest rate per annum equal to the product of (x) the Commercial Paper/Treasury Rate on such date and (y) 1.00 minus the Statutory Corporate Tax Rate on such date.

"Agent Member" means a member of, or participant in, the Securities Depository.

"All Hold Rate" means, on any date of determination with respect to Auction Rate Warrants, the rate per annum equal to 65% (as such percentage may be adjusted pursuant to the Indenture) of the lesser of (i) the Index on such date and (ii) the After-Tax Equivalent Rate on such date; provided, however, that in no event shall such All Hold Rate exceed the maximum rate, if any, permitted by law.

"Applicable Percentage" means, on any date of determination, the percentage determined asset forth below (as such percentage may be adjusted for Auction Rate Warrants pursuant to the Indenture) based on the prevailing long-term rating of the Auction Rate Warrants in effect at the close of business on the Business Day immediately preceding such date of determination:

Prevailing Rating	Applicable Percentage
AAA/Aaa	125%
AA/Aa	150%
A/A	200%
BBB/Baa	250%
Below BBB/Baa	275%

For purposes of this definition, the "prevailing rating" of the Auction Rate Warrants will be (a) AAA/Aaa, if the Auction Rate Warrants have a rating of AAA or better by S&P and a rating of Aaa or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (b) if not AAA/Aaa, then AA/Aa if the Auction Rate Warrants have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (c) if not AAA/Aaa or AA/Aa, then A/A if the Auction Rate Warrants have a rating of A- or better by S&P and a rating of A3 or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (d) if not AAA/Aaa, AA/Aa or A/A, then BBB/Baa, if the Auction Rate Warrants have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, and (e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Auction Rate Warrants are rated by any securities rating agency.

If (x) the Auction Rate Warrants are rated by a rating agency or agencies other than Moody's or S&P and (y) the County has delivered to the Trustee and the Auction Agent an instrument designating one or two of such rating agencies to replace Moody's or S&P, or both, then for purposes of the definition of "prevailing rating" Moody's or S&P, or both, will be deemed to have been replaced in accordance with such instrument; provided, however, that such instrument must be accompanied by the consent of the Remarketing Agent. For purposes of this definition, S&P's rating categories of AAA, AA-, A- and BBB-, and Moody's rating categories of Aaa, Aa3, A3 and Baa3, refer to and include the respective rating categories correlative thereto in the event that either or both of such rating agencies have changed or modified their generic rating categories. If the prevailing ratings for the Auction Rate Warrants are split between the categories set forth above, the lower rating will determine the prevailing rating.

"Auction" means each periodic implementation of the Auction Procedures for the Auction Rate Warrants.

"Auction Agency Agreement" means the Auction Agency Agreement dated the Closing Date, to be entered into between the County and the Auction Agent with respect to the Auction Rate Warrants, as from time to time amended and supplemented.

"Auction Agent" means The Bank of New York and its successors and assigns or any other entity appointed as such pursuant to the Indenture and its successors and assigns.

"Auction Date" means, with respect to each Auction Period, the last Wednesday of the immediately preceding Auction Period (or such other day that the Remarketing Agent shall establish as the Auction Date therefor pursuant to the Indenture); provided, that if such day is not a Business Day, the Auction Date shall be the next succeeding Business Day.

"Auction Period" means a Standard Auction Period applicable to the Series 2005-A Warrants, provided that each Auction Period shall begin on an Interest Payment Date and end on, but exclude, the next succeeding Interest Payment Date.

"Auction Procedures" means, with respect to the Auction Rate Warrants, the procedures set forth in the Indenture and described in this Appendix D.

"Auction Rate" means, with respect to Auction Rate Warrants and each Auction Period, the rate of interest per annum determined for the Series 2005-A Warrants pursuant to the Indenture, which shall not exceed the Maximum Auction Rate.

"Auction Rate Period" means any period during which any Series 2005-A Warrants bear interest at an Auction Rate determined pursuant to the implementation of Auction Procedures established under the Indenture, which period shall commence on the effective date of a Change in the Interest Rate Mode to an Auction Rate and shall extend through the day immediately preceding the earlier of (a) the effective date of a Change in the Interest Rate Mode, (b) the Fixed Rate Conversion Date, or (c) the Stated Maturity.

"Auction Rate Warrants" means, with respect to an Auction Rate Period, any Series 2005-A Warrants or subseries of Series 2005-A Warrants that bear interest at the Auction Rate determined pursuant to the Indenture.

"Available Auction Rate Warrants" shall have the meaning set forth herein under the caption "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate".

"Beneficial Owner" means, with respect to Auction Rate Warrants, a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as a holder of the Auction Rate Warrants.

"Bid" shall have the meaning set forth herein under the caption "Orders by Beneficial Owners and Beneficial Owners".

"Bidder" shall have the meaning set forth herein under the caption "Orders by Beneficial Owners and Potential Beneficial Owners".

"Bond Insurer" means Ambac Assurance Corporation and any successor thereto.

"Broker-Dealer" means any broker-dealer (as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures (i) that is an Agent Member (or an affiliate of an Agent Member), (ii) that has been selected by the Auction Agent with the consent of the Remarketing Agent, and (iii) that has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective.

"Broker-Dealer Agreement" means each agreement applicable to the Series 2005-A Warrants between a Broker-Dealer and the Auction Agent pursuant to which the Broker-Dealer, among other things, agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended and supplemented.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in Birmingham, Alabama or New York, New York are authorized or required to be closed.

"Change in the Interest Rate Mode" means any change in the method of determining the interest rate borne by the Series 2005-A Warrants pursuant to the Indenture.

"Closing Date" means the date on which the Series 2005-A Warrants are paid for by and delivered to the Underwriter.

"Commercial Paper Dealers" means the entities designated as such in the event that any Series 2005-A Warrants are issued to bear interest at the Commercial Paper Rate, or their respective affiliates or successors, provided that any such entity is a commercial paper dealer and, if not, as replaced by a Substitute Commercial Paper Dealer.

"Commercial Paper/Treasury Rate" means, on any date of determination with respect to Auction Rate Warrants, (i) in the case of any Auction Period of less than 49 days, the interest equivalent of the 30-day rate, (ii) in the case of any Auction Period of 49 days or more but less than 70 days, the interest equivalent of the 60-day rate, (iii) in the case of any Auction Period of 70 days or more but less than 85 days, the arithmetic average of the interest equivalent of the 60-day and 90-day rates, (iv) in the case of any Auction Period of 85 days or more but less than 99 days, the interest equivalent of the 90-day rate; (v) in the case of any Auction Period of 99 days or more but less than 120 days, the arithmetic average of the interest equivalent of the 90-day and 120-day rates, (vi) in the case of any Auction Period of 120 days or more but less than 141 days, the interest equivalent of the 120-day rate, (vii) in the case of any Auction Period of 141 days or more but less than 162 days, the arithmetic average of the interest equivalent of the 120-day and 180-day rates, (viii) in the case of any Auction Period of 162 days or more but less than 183 days, the interest equivalent of the l80-day rate, and (ix) in the case of any Auction Period of 183 days or more, the Treasury Rate for such Auction Period. The foregoing rates shall in all cases, except with respect to the Treasury Rate, be rates on commercial paper placed on behalf of issuers whose corporate bonds are rated" AA" by S&P, or the equivalent of such rating by Moody's, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or in the event that the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers, to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination.

If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Commercial Paper/Treasury Rate, the Commercial Paper/Treasury Rate shall be determined on the basis of a commercial paper quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers selected by the County to provide such quotation or quotations not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the County does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "discount rate") for commercial paper of a given day's maturity shall be equal to the product of (A) 100 times (B) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decima1s) divided by (y) the difference between (1) 1.00 and (2) a fraction the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which shall be 360.

"Existing Holder" means, with respect to Auction Rate Warrants, a Broker-Dealer that is listed as the holder of Auction Rate Warrants in the records of the Auction Agent.

"Hold Order" shall have the meaning set forth herein under the caption "Orders by Beneficial Owners and Potential Beneficial Owners".

"Index" means (i) with respect to Auction Rate Warrants in any Auction Period of thirty-five (35) days or less, the One Month LIBOR Rate, and (ii) with respect to any Auction Rate Warrants in an Auction Period greater than thirty-five (35) days, the Treasury Rate for securities having a maturity which most closely approximates the length of the Auction Period. If either rate is unavailable, the Index for the Auction Rate Warrants shall be an index or rate agreed to by all Broker-Dealers and consented to by the County.

"Interest Payment Date" means (i) for an Auction Period of 91 days or less, the Business Day immediately succeeding such Auction Period and (ii) for an Auction Period of more than 91 days, (a) each 13th Friday after the first day of such Auction Period and (b) the Business Day immediately succeeding such Auction Period.

"Maximum Auction Rate" means on any Auction Date the lesser of 18% or the following: (i) in all cases other than as provided in (ii) or (iii) below, the interest rate per annum equal to the Applicable Percentage of the higher of the After-Tax Equivalent Rate and the Index, as each is determined on such date with respect to a Standard Auction Period, (ii) with respect to any change in an Auction Period and/or the Standard Auction Period pursuant to the Indenture, including any automatic reversion to a Standard Auction Period pursuant to the Indenture, the interest rate per annum equal to the highest of (a) the Applicable Percentage of the higher of the After-Tax Equivalent Rate and the Index, as each is determined on such date with respect to a Standard Auction Period, (b) the Applicable Percentage of the higher of the After-Tax Equivalent Rate and the Index, as each is determined on such date with respect to the Auction Period which is proposed to be established, and (c) the Applicable Percentage of the higher of the After-Tax Equivalent Rate and the Index, as each is determined on such date with respect to the Auction Period in effect immediately prior to such proposed change in the Auction Period, or (iii) with respect to any Change in the Interest Rate Mode from an Auction Rate pursuant to the Indenture or any change from an Auction Rate to a Fixed Rate pursuant to the Indenture, the interest rate per annum equal to the higher of (a) the Applicable Percentage of the higher of the After-Tax Equivalent Rate and the Index, as each is determined on such date with respect to a Standard Auction Period, and (b) the Applicable Percentage of the higher of the After-Tax Equivalent Rate and the Index, as each is determined on such date with respect to the Auction Period in effect immediately prior to such proposed change.

"Moody's" means Moody's Investors Service and any successor thereto.

"Order" shall have the meaning set forth herein under the caption "Orders by Beneficial Owners and Potential Beneficial Owners".

"Overdue Rate" means on any date of determination 300% of the Index on such date of determination; provided that in no event shall the Overdue Rate exceed the maximum rate, if any, permitted by applicable law.

"Potential Beneficial Owner" means, with respect to any Auction Rate Warrants, a customer of a Broker-Dealer that is not a Beneficial Owner of Auction Rate Warrants but that wishes to purchase Auction Rate Warrants, or that is a Beneficial Owner of Auction Rate Warrants that wishes to purchase an additional principal amount of Auction Rate Warrants.

"Potential Holder" means a Broker-Dealer that is not an Existing Holder or that is an Existing Holder that wishes to become an Additional Holder of an additional principal amount of Auction Rate Warrants.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Securities Depository" means The Depository Trust County and its nominees, successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Series 2005-A Warrants or (ii) the County discontinues use of the then Securities Depository pursuant to the Indenture, any other securities depository (and its nominees), which agrees to follow the procedures required to be followed by a Securities Depository in connection with the Series 2005-A Warrants and which is selected by the County, with the consent of the Trustee, the Auction Agent and the Remarketing Agent.

"Sell Order" shall have the meaning set forth herein under the caption "Orders by Beneficial Owners and Potential Beneficial Owners".

"Standard Auction Period" initially means an Auction Period of thirty-five (35) days, and after the establishment of a different Standard Auction Period pursuant to the Indenture, shall mean such different Standard Auction Period; provided that, so long as the Standard Auction is 35 days and ends initially on a Wednesday, in the event the last Wednesday of the Auction Period is not a Business Day, with the result that the Auction Date is the next succeeding Business Day, the Standard Auction Period following such Auction Date shall be reduced to a shorter number of days so that the last day of the Auction Period following such Auction Date is the fifth Wednesday following such Auction Date.

"Stated Maturity" means January 1, 2027.

"Statutory Corporate Tax Rate" means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Internal Revenue Code of 1986 or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year, which on the date hereof is 35%. Any change in the Statutory Corporate Tax Rate shall be evidenced by a certificate of an Authorized County Representative and delivered to the Trustee.

"Submission Deadline" means 1:00 p.m., New York City time, on the applicable Auction Date or such other time on any such Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"Submitted Bid" shall have the meaning set forth herein under the caption "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate".

"Submitted Hold Order" shall have the meaning set forth herein under the caption "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate".

"Submitted Order" shall have the meaning set forth herein under the caption "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate".

"Submitted Sell Order" shall have the meaning set forth herein under the caption "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate".

"Substitute Commercial Paper Dealer" means any entity designated as such in the event that any Series 2005-A Warrants are issued to bear interest at the Commercial Paper Rate, or its affiliates or successors, if such person is a commercial paper dealer, provided that no such person nor any of its affiliates or successors shall be the same entity as the initial Commercial Paper Dealer.

"Substitute U.S. Government Securities Dealer" means the dealer or dealers in U.S. government securities specified by the County at any time when the initial U.S. Government Securities Dealer is unable or unwilling to perform in such capacity; provided that any such substitute shall be a dealer in U.S. Government securities and shall not be the same entity as the initial U.S. Government Securities Dealer.

"Sufficient Clearing Bids" shall have the meaning set forth herein under the caption "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate".

"Treasury Rate" means on any date, (i) the yield, calculated in accordance with prevailing industry convention, of the rate on the most recently auctioned direct obligations of the U.S. Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Period, as quoted in The Wall Street Journal on such date for the Business Day next preceding such date; or (ii) in the event that any such rate is not published in The Wall Street Journal, then the bond equivalent yield, calculated in accordance with prevailing industry convention, as calculated by reference to the arithmetic average of the bid price quotations of the most recently auctioned direct obligation of the U.S. Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Period, based on bid price quotations on such date obtained by the Auction Agent from a U.S. Government Securities Dealer. If any U.S. Government Securities Dealer does not quote a rate required to determine the Treasury Rate, the Treasury Rate shall be determined on the basis of the quotation or quotations furnished by the remaining U.S. Government Securities Dealer or Dealers and any Substitute U.S. Government Securities Dealer or Dealers selected by the County to provide such rate or rates not being supplied by any U.S. Government Securities Dealer or U.S. Government Securities Dealers, as the case may be, or, if the County does not select any such Substitute U.S. Government Securities Dealer or Substitute U.S. Government Securities Dealers, by the remaining U.S. Government Securities Dealer or U.S. Government Securities Dealers.

"U.S. Government Securities Dealers" means any entity designated as such in the event that any Series 2005-A Warrants are issued to bear interest at the Commercial Paper Rate, or, in lieu thereof, its affiliates or successors, provided that any such entity is a U.S. Government securities dealer.

"Winning Bid Rate" shall have the meaning set forth herein under the caption "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rates".

Auction Rate Procedures—General

The following is a summary of the procedures to be used in conducting Auctions. As a summary, it does not purport to be complete and is qualified in its entirety by reference to the Auction Procedures set forth in the Indenture.

Orders by Beneficial Owners and Potential Beneficial Owners

Prior to the Submission Deadline on each Auction Date, the following orders may be submitted:

(i) each Beneficial Owner of Auction Rate Warrants may submit to the Broker-Dealer by telephone or otherwise information as to:

(A) the principal amount of outstanding Auction Rate Warrants, if any, held by such Beneficial Owner which such Beneficial Owner desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period;

(B) the principal amount of outstanding Auction Rate Warrants, if any, held by such Beneficial Owner which such Beneficial Owner offers to sell if the Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Beneficial Owner; and/or

(C) the principal amount of outstanding Auction Rate Warrants, if any, held by such Beneficial Owner which such Beneficial Owner offers to sell without regard to the Auction Rate for the next succeeding Auction Period;

(ii) one or more Broker-Dealers may contact Potential Beneficial Owners by telephone or otherwise to determine the principal amount of Auction Rate Warrants which each such Potential Beneficial Owners offers to purchase if the Auction Rate for the next succeeding Auction Period shall not be less than the interest rate per annum specified by such Potential Beneficial Owners.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (i)(A), (i)(B) or (i)(C) or clause (ii) above is hereinafter referred to as an "Order" and collectively as "Orders" and each Beneficial Owner and each Potential Beneficial Owner placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders"; an Order containing the information referred to in clause (i)(A) above is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders"; an Order containing the information referred to in clause (i)(B) or clause (ii) above is hereinafter referred to as a "Bid" and collectively as "Bids"; and an Order containing the information referred to in clause. (i) (C) above is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders." The submission by a Broker-Dealer of an Order to the Auction Agent shall likewise be referred to herein as an "Order" and collectively as "Orders" and an Existing Holder or Potential Holder who places an order with the Auction Agent or on whose behalf an Order is placed with the Auction Agent shall likewise be referred to herein as a "Bidder" and collectively as "Bidders."

Subject to the provisions set forth herein under the caption "Submission of Orders by Broker-Dealers to Auction Agent", a Bid by a Beneficial Owner or an Existing Holder shall constitute an irrevocable offer to sell:

(A) the principal amount of outstanding Auction Rate Warrants specified in such Bid if the Auction Rate determined on such Auction Date shall be less than the interest rate per annum specified therein; or

(B) such principal amount or a lesser principal amount of outstanding Auction Rate Warrants to be determined as set forth herein subsection (a)(iv) under the caption "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Rate Warrants" if the Auction Rate determined on such Auction Date shall be equal to the interest rate per annum specified therein; or

(C) such principal amount of outstanding Auction Rate Warrants if the interest rate per annum specified therein shall be higher than the Maximum Auction Rate, or such principal amount or a lesser principal amount of outstanding Auction Rate Warrants to be determined as set forth herein subsection (b)(iii) under the caption "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Rate Warrants" if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

Subject to the provisions set forth herein under the caption "Submission of Orders by Broker-Dealers to Auction Agent", a Sell Order by a Beneficial Owner or an Existing Holder shall constitute an irrevocable offer to sell:

(A) the principal amount of outstanding Auction Rate Warrants specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of outstanding Auction Rate Warrants as set forth in subsection (b)(iii) under the below caption "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Rate Warrants" if Sufficient Clearing Bids do not exist.

Subject to the provisions set forth herein under the caption "Submission of Orders by Broker-Dealers to Auction Agent", a Bid by a Potential Beneficial Owner or a Potential Holder shall constitute an irrevocable offer to purchase:

(A) the principal amount of outstanding Auction Rate Warrants specified in such Bid if the Auction Rate determined on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of outstanding Auction Rate Warrants as set forth in clause (a)(v) under the caption "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Rate Warrants" if the Auction Rate determined on such Auction Date shall be equal to such specified rate.

Submission of Orders by Broker-Dealers to Auction Agent

(a) During an Auction Rate Period, each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer, designating itself (unless otherwise permitted by the County) as an Existing Holder in respect of the principal amount of the Auction Rate Warrants subject to Orders submitted or deemed submitted to it by Potential Beneficial Owners and shall specify with respect to each such Order:

(i) the name of the Bidder placing such Order (which shall be the Broker-Dealer [unless otherwise permitted by the County]);

(ii) the aggregate principal amount of Auction Rate Warrants that are subject to such Order;

(iii) to the extent that such Bidder is an Existing Holder:

(A) the principal amount of Auction Rate Warrants, if any, subject to any Hold Order placed by such Existing Holder;

(B) the principal amount of Auction Rate Warrants, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the principal amount of Auction Rate Warrants, if any, subject to any Sell Order placed by such Existing Holder; and

(iv) to the extent such Bidder is a Potential Holder, the principal amount of Auction Rate Warrants subject to any Bid placed by such Potential Holder and the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(c) If an Order or Orders covering all or a portion of outstanding Auction Rate Warrants held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Auction Rate Warrants held by such Existing Holder and not subject to Orders submitted to the Auction Agent.

(d) Neither the County, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder, Beneficial Owner, Potential Holder or Potential Beneficial Owner.

(e) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of outstanding Auction Rate Warrants held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including the principal amount of Auction Rate Warrants held by such Existing Holder, and, if the aggregate principal amount of Auction Rate Warrants subject to such Hold Orders exceeds the aggregate principal amount of outstanding Auction Rate Warrants held by such Existing Holder, the aggregate principal amount of Auction Rate Warrants subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of outstanding Auction Rate Warrants held by such Existing Holder;

(ii) (A) any Bid shall be considered valid up to and including the excess of the principal amount of outstanding Auction Rate Warrants held by such Existing Holder over the aggregate principal amount of Auction Rate Warrants subject to any Hold Orders referred to in clause (i) above;

(B) subject to subclause (A) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of outstanding Auction Rate Warrants subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of Auction Rate Warrants subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of Auction Rate Warrants equal to such excess;

(C) subject to subclauses (A) and (B) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amount of outstanding Auction Rate Warrants, if any, subject to any portion of Bids not valid under this clause (ii) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(iii) all Sell Orders shall be considered valid up to and including the excess of the principal amount of outstanding Auction Rate Warrants held by such Existing Holder over the aggregate principal amount of Auction Rate Warrants subject to valid Hold Orders referred to in paragraph (i) of this subsection (e) and valid Bids referred to in paragraph (ii) of this subsection (e).

(f) If more than one Bid for Auction Rate Warrants is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid for Auction Rate Warrants with the rate and principal amount therein specified.

(g) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Auction Rate Warrants not equal to $25,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Auction Rate Warrants not equal to $25,000 or an integral multiple thereof shall be rejected.

(h) Any Bid submitted by an Existing Holder or a Beneficial Owner specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate and will not be accepted if submitted by a Potential Beneficial Owner or Potential Owner.

Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate

During an Auction Rate Period, not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order ," a "Submitted Bid" or a "Submitted Sell Order ,''as the case may be, or as a "Submitted Order") and shall determine:

(i) the excess of the total principal amount of outstanding Auction Rate Warrants over the aggregate principal amount of outstanding Auction Rate Warrants subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Rate Warrants"); and

(ii) from the Submitted Orders whether the aggregate principal amount of outstanding Auction Rate Warrants subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Auction Rate exceeds or is equal to the sum of:

(A) the aggregate principal amount of outstanding Auction Rate Warrants subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Auction Rate; and

(B) the aggregate principal amount of outstanding Auction Rate Warrants subject to Submitted Sell Orders

(in the event of such excess or such equality (other than because the sum of the principal amounts of Auction Rate Warrants in clauses (A) and (B) above is zero because all of the outstanding Auction Rate Warrants are subject to Submitted Hold Orders), such Submitted Bids by Potential Holders are hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(iii) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the "Winning Bid Rate") which if:

(A) (y) each Submitted Bid from Existing Holders specifying such lowest rate and (z) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of Auction Rate Warrants that are the subject of such Submitted Bids; and

(B) (y) each Submitted Bid from Potential Holders specifying such lowest rate and (z) all other Submitted Bids from Potential Holders specifying lower rates were accepted,

would result in such Existing Holders described in clause (A) above continuing to hold an aggregate principal amount of outstanding Auction Rate Warrants which, when added to the aggregate principal amount of outstanding Auction Rate Warrants to be purchased by such Potential Holders described in clause (B) above, would equal not less than the Available Auction Rate Warrants.

Promptly after the Auction Agent has made the determinations pursuant to the preceding paragraph, the Auction Agent, by telecopy, shall advise the County, the Trustee and the Broker-Dealers of the Maximum Auction Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Period as follows:

(i) if Sufficient Clearing Bids exist, the Auction Rate for the next succeeding Auction Period therefor shall be equal to the Winning Bid Rate so determined;

(ii) if Sufficient Clearing Bids do not exist (other than because all of the outstanding Auction Rate Warrants are the subject of Submitted Hold Orders), the Auction Rate for the next succeeding Auction Period therefor shall be equal to the Maximum Auction Rate; and

(iii) if all of the Auction Rate Warrants are subject to Submitted Hold Orders, the Auction Rate for the next succeeding Auction Period therefor shall be equal to the All Hold Rate.

Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Rate Warrants

During an Auction Rate Period, existing Holders shall continue to hold the principal amounts of Auction Rate Warrants that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to subsection (a) below, the Submitted Bids and Submitted Sell Orders shall be accepted or rejected, and the Auction Agent shall take such other actions as are set forth below:

(a) If Sufficient Clearing Bids exist, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraphs (e) and (f) of this section, Submitted Bids shall be accepted or rejected as follows in the following order of priority:

(i) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of Auction Rate Warrants subject to such Submitted Bids;

(ii) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Warrants subject to such Submitted Bids;

(iii) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Auction Rate Warrants subject to such Submitted Bids;

(iv) each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of outstanding Auction Rate Warrants subject to such Submitted Bid, unless the aggregate principal amount of Auction Rate Warrants subject to all such Submitted Bids shall be greater than the principal amount of Auction Rate Warrants (the "remaining principal amount") equal to the excess of Available Auction Rate Warrants over the aggregate principal amount of the Auction Rate Warrants subject to Submitted Bids described in clauses (ii) and (iii) of this subsection (a), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of Auction Rate Warrants subject to such Submitted Bid, but only in an amount equal to the principal amount of Auction Rate Warrants obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of outstanding Auction Rate Warrants held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Auction Rate Warrants subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(v) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of Auction Rate Warrants obtained by multiplying the excess of the Available Auction Rate Warrants over the aggregate principal amount of Auction Rate Warrants subject to Submitted Bids described in paragraphs (ii), (iii) and (iv) of this subsection (a) by a fraction the numerator of which shall be the aggregate principal amount of Auction Rate Warrants subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the principal amount of outstanding Auction Rate Warrants subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(b) If Sufficient Clearing Bids do not exist (other than because all of the Auction Rate Warrants are subject to Submitted Hold Orders), subject to the provisions of subsection (e) of this section, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(i) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Warrants subject to such Submitted Bids;

(ii) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Auction Rate Warrants subject to such Submitted Bids; and

(iii) Each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Auction Rate Warrants subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Auction Rate Warrants obtained by multiplying the aggregate principal amount of Auction Rate Warrants subject to Submitted Bids described above in paragraph (ii) of this subsection (b) by a fraction, the numerator of which shall be the aggregate principal amount of outstanding Auction Rate Warrants held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of outstanding Auction Rate Warrants subject to all such Submitted Bids and Submitted Sell Orders.

(c) If all Auction Rate Warrants are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(d) If (i) the Auction Agent shall fail to take any action necessary to determine, or shall take any action which effectively prevents the determination of an interest rate pursuant to the Auction Procedures or (ii) the conditions set forth in the Indenture to effect a change in the Auction Period are not met, all Submitted Bids and Submitted Sell Orders shall be rejected and the existence of Sufficient Clearing Bids shall be of no effect.

(e) If, as a result of the procedures described in subsection (a) or (b) of this section, any Existing Holder would be entitled or required to sell, or any Potential Holder would be required to purchase, a principal amount of Auction Rate Warrants that is not equal to $25,000 or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of such Auction Rate Warrants to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount purchased or sold by each Existing Holder or Potential Holder shall be equal to $25,000 or an integral multiple thereof.

(f) If, as a result of the procedures described in subsection (a) of this section, any Potential Holder would be entitled or required to purchase less than $25,000 in aggregate principal amount of Auction Rate Warrants, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate Auction Rate Warrants for purchase among Potential Holders so that only Auction Rate Warrants in principal amounts of $25,000 or an integral multiple thereof are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Auction Rate Warrants.

(g) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of Auction Rate Warrants to be purchased and the aggregate principal amount of Auction Rate Warrants to be sold by Potential Holders and Existing Holders and, with respect to each Potential Holder and Existing Holder, to the extent that such aggregate principal amount of Auction Rate Warrants to be sold differs from such aggregate principal amount of Auction Rate Warrants to be purchased, determine to which other Potential Holder(s) or Existing Holder(s) they shall deliver, or from which other Potential Holder(s) or Existing Holder(s) they shall receive, as the case may be, Auction Rate Warrants.

(h) The County may not submit an Order in any Auction.

APPENDIX E

Specimen Financial Guaranty Insurance Policy

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Ambac

Financial Guaranty Insurance Policy

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

Obligor: Policy Number:

Obligations: Premium:

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

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

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

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

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

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

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

President

Secretary

Effective Date:

Authorized Representative

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

Authorized Officer of Insurance Trustee

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JEFFERSON COUNTY, ALABAMA • Limited Obligation School Warrants, Series 2005-A and Series 2005-B

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