Ratings: See Inside

DAC Bond®

In the opinion of Bond Counsel, under existing law interest on the Series 2003-B Warrants (i) 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 2003-B Warrants in order that interest thereon be and remain excluded from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Bond Counsel is also of the opinion that under existing law interest on the Series 2003-B Warrants will be exempt from State of Alabama income taxation. See "TAX STATUS" herein for further information and certain other federal tax consequences arising with respect to the Series 2003-B Warrants.

$1,155,765,000

JEFFERSON COUNTY, ALABAMA

Sewer Revenue Refunding Warrants, Series 2003-B Consisting of:

$147,200,000	**Series 2003-B-1-A Warrants initially issued as MSTARS**	**Cusip: 472682 LH 4**
$147,200,000	**Series 2003-B-1-B Warrants initially issued as MSTARS**	**Cusip: 472682 LJ 0**
$147,200,000	**Series 2003-B-1-C Warrants initially issued as MSTARS**	**Cusip: 472682 LK 7**
$147,200,000	**Series 2003-B-1-D Warrants initially issued as MSTARS**	**Cusip: 472682 LL 5**
$147,000,000	**Series 2003-B-1-E Warrants initially issued as MSTARS**	**Cusip: 472682 LM 3**
$ 55,000,000	**Series 2003-B-2 Warrants**	**Cusip: 472682 LN 1**
$ 25,000,000	**Series 2003-B-3 Warrants**	**Cusip: 472682 LP 6**
$ 25,000,000	**Series 2003-B-4 Warrants**	**Cusip: 472682 LQ 4**
$ 75,000,000	**Series 2003-B-5 Warrants**	**Cusip: 472682 LR 2**
$ 15,000,000	**Series 2003-B-6 Warrants**	**Cusip: 472682 LS 0**
$105,000,000	**Series 2003-B-7 Warrants**	**Cusip: 472682 LT 8**
$119,965,000	**Series 2003-B-8 Warrants**	**Cusip: See Below**

Dated: Date of original issuance except the Series for 2003-B-8 Warrants which are dated April 1, 2003.

Due: February 1, 2042 (or as shown on inside front cover for Series 2003-B-8 Warrants)

The Series 2003-B Warrants are issuable as fully registered warrants and, when issued, each subseries of Series 2003-B Warrants will be registered in the name of Cede & Co., a nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Series 2003-B Warrants will be made in book-entry form only, and individual purchasers ("Beneficial Owners") of the Series 2003-B Warrants will not receive physical delivery of warrant certificates. Payments of principal of, redemption premium, if any, and interest on the Series 2003-B Warrants will be paid by The Bank of New York, Birmingham, Alabama, as trustee for the Series 2003-B Warrants (the "Trustee"), to DTC or its nominee. So long as DTC or its nominee is the registered owner of the Series 2003-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 2003-B Warrants are not general obligations of the County. The Series 2003-B Warrants will be limited obligations of the County payable solely out of, and secured by a pledge and assignment of, the revenues (other than tax revenues) from the County's sanitary sewer system remaining after payment of operating expenses. The pledge thereof in favor of the Series 2003-B Warrants will be on a parity of lien with the pledge thereof for the benefit of certain sewer revenue warrants heretofore issued by the County. The Indenture provides for the issuance of additional securities secured on a parity of lien with the Series 2003-B Warrants and such outstanding sewer revenue warrants.

The payment of the principal of and interest on the Series 2003-B-1 Warrants when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company ("Financial Guaranty") simultaneously with the delivery of the Series 2003-B-1 Warrants.

FGIC® Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The Series 2003-B-1 Warrants will consist of 5 subseries: Series 2003-B-1-A, Series 2003-B-1-B, Series 2003-B-1-C, Series 2003-B-1-D and Series 2003-B-1-E. The Series 2003-B-1 Warrants will initially bear interest at an Auction Rate. J.P. Morgan Securities, Inc. will serve as Remarketing Agent and Broker-Dealer for the Series 2003-B-1 Warrants. The Bank of New York will act as Auction Agent for the Series 2003-B-1 Warrants.

The payment of the principal of and interest on the Series 2003-B-2 Warrants, Series 2003-B-3 Warrants, Series 2003-B-4 Warrants, Series 2003-B-5 Warrants, Series 2003-B-6 Warrants and Series 2003-B-7 Warrants (together the "Variable Rate Demand Warrants") when due will be insured by a municipal bond insurance policy to be issued by XL Capital Assurance, Inc., simultaneously with the delivery of the Variable Rate Demand Warrants.

XL CAPITAL ASSURANCE

The Variable Rate Demand Warrants will initially bear interest at the Weekly Rate. The purchase price of each subseries of 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 (each, a "Standby Purchase Agreement") dated as of May 1, 2003, by and among the Bank (as defined herein), 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.

The Interest Rate Mode applicable to all or a portion of the Series 2003-B-1 Warrants and Variable Rate Demand 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 2003-B-1Warrants and Variable Rate Demand Warrants as described herein, such Warrants will be subject to a mandatory tender for purchase and remarketing in accordance with the Indenture.

The scheduled payment of the principal of and interest on the Series 2003-B-8 Warrants when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2003-B-8 Warrants by FINANCIAL SECURITY ASSURANCE, INC. ("Financial Security"). The Series 2003-B-8 Warrants will bear interest at fixed rates.

FSA®

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Maturity	Principal Amount	Interest Rate	Yield	Price	CUSIP
February 1, 2010	$8,250,000	5.250%	3.250%	112.029%	472682 ML 4
February 1, 2011	$15,870,000	5.250%	3.510%	110.371%	472682 MM 2
February 1, 2012	$16,500,000	5.250%	3.610%	109.741%	472682 MN 0
February 1, 2013	$17,225,000	5.250%	3.710%	109.115%	472682 MP 5
February 1, 2014	$18,285,000	5.250%	3.810%	108.493%	472682 MQ 3
February 1, 2015	$19,255,000	5.250%	3.890%	107.999%	472682 MR 1
February 1, 2016	$24,580,000	5.250%	3.990%	107.385%	472682 MS 9

The Series 2003-B Warrants are subject to mandatory and optional tender and redemption as described herein.

Price of all Series 2003-B Warrants: 100%, except for Series 2003-B-8 Warrants, which have the prices or the yields shown above. The purchasers of the Series 2003-B-8 Warrants will also pay accrued interest on the same.

This cover page contains certain information for quick reference only. It is <u>not</u> a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2003-B Warrants are offered when, as and if issued by the County and received by the Underwriters, subject to approval of validity by Haskell Slaughter Young & Rediker, LLC, Birmingham, Alabama, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Emond Vines Gorham & Waldrep, P.C. and Miller, Hamilton, Snider & Odom, L.L.C., and for the Banks by their respective counsel.

It is expected that the Series 2003-B Warrants in definitive form will be available for delivery in New York, New York on or about May 1, 2003.

JPMORGAN
Underwriter
Series 2003-B Warrants

STERNE, AGEE & LEACH, INC.
Underwriter
Series 2003-B-8 Fixed Rate Warrants (only)

May 1, 2003

Other than with respect to information concerning Financial Security Assurance, Inc. ("Financial Security") contained under the caption "Bond Insurance" and Exhibit E "Specimen Municipal Bond Insurance Policies" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2003-B Warrants; or (iii) the tax exempt status of the interest on the Series 2003-B Warrants.

Auction Rate Provisions Applicable to 2003-B-1 Warrants

The initial interest rate applicable to the Series 2003-B-1 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 2003-B-1 Warrants to and including the initial Auction Date (as defined herein) for such subseries of Series 2003-B-1 Warrants. Thereafter, each subseries of the Series 2003-B-1 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 2003-B-1 Warrants will accrue from the date of the delivery of such subseries of Series 2003-B-1 Warrants and will be payable commencing on the initial Interest Payment Date (as defined herein) for such subseries of Series 2003-B-1 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 2003-B-1Warrants:

Series 2003-B-1-A Warrants

Initial Pricing Date: April 29, 2003

Settlement Date: May 1, 2003

First Auction Date: July 17, 2003

First Interest Payment Date: July 18, 2003

Standard Auction Period: 35 Days

Series 2003-B-1-B Warrants

Initial Pricing Date: April 29, 2003

Settlement Date: May 1, 2003

First Auction Date: July 24, 2003

First Interest Payment Date: July 25, 2003

Standard Auction Period: 35 Days

Series 2003-B-1-C Warrants

Initial Pricing Date: April 29, 2003

Settlement Date: May 1, 2003

First Auction Date: May 22, 2003

First Interest Payment Date: May 23, 2003

Standard Auction Period: 35 Days

Series 2003-B-1-D Warrants

Initial Pricing Date: April 29, 2003

Settlement Date: May 1, 2003

First Auction Date: May 29, 2003

First Interest Payment Date: May 30, 2003

Standard Auction Period: 35 Days

Series 2003-B-1-E Warrants

Initial Pricing Date: April 29, 2003

Settlement Date: May 1, 2003

First Auction Date: June 5, 2003

First Interest Payment Date: June 6, 2003

Standard Auction Period: 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 2003-B-1 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 2003-B-1 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 2003-B-1 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 2003-B-1 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 2003-B-1 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 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

BOND COUNSEL

Haskell Slaughter Young & Rediker, L.L.C.
Birmingham, Alabama

COUNSEL FOR UNDERWRITERS

Emond Vines Gorham & Waldrep, P.C.
Birmingham, Alabama

Miller, Hamilton, Snider & Odom, L.L.C.
Birmingham, Alabama

FINANCIAL ADVISOR

National Bank of Commerce of Birmingham
Birmingham, Alabama

This Official Statement does not constitute an offering of any securities other than the Series 2003-B Warrants specifically offered hereby. No dealer, broker, salesman or other person has been authorized by the County or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon or deemed to have been authorized by any of the foregoing named parties. Certain information contained herein has been obtained from the County and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed to be the representation of the County or of the Underwriters. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sales of the Series 2003-B Warrants by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain statements contained in this Official Statement including, without limitation, statements containing the words "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 or the System to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: (i) the availability of an adequate pool of qualified contractors to implement the program, (ii) the inflationary environment with respect to the costs of labor and supplies needed to implement the program, (iii) weather conditions that could adversely affect construction schedules, (iv) population trends and political and economic developments in the service area in which the System operates that could adversely impact the collection of System Revenues; (v) the willingness of the U.S. Justice Department and the Environmental Protection Agency to cooperate with respect to various issues that may arise as the County implements its remedial plan, (vi) the possibility of new environmental legislation or regulations affecting the System, (vii) unanticipated costs or potential modifications to the County's sanitary sewer capital improvement program resulting from requirements and limitations imposed by environmental laws and regulations and (viii) the inherent uncertainty involved in a capital improvement project of the magnitude undertaken by the County. 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.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2003-B Warrants offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT
Regarding

$1,155,765,000
JEFFERSON COUNTY, ALABAMA
Sewer Revenue Refunding Warrants,
Series 2003-B

Consisting of the following subseries:

$147,200,000	**Series 2003-B-1-A Warrants initially issued as MSTARS**
$147,200,000	**Series 2003-B-1-B Warrants initially issued as MSTARS**
$147,200,000	**Series 2003-B-1-C Warrants initially issued as MSTARS**
$147,200,000	**Series 2003-B-1-D Warrants initially issued as MSTARS**
$147,000,000	**Series 2003-B-1-E Warrants initially issued as MSTARS**
$ 55,000,000	**Series 2003-B-2 Warrants**
$ 25, 000,000	**Series 2003-B-3 Warrants**
$ 25, 000,000	**Series 2003-B-4 Warrants**
$ 75,000,000	**Series 2003-B-5 Warrants**
$ 15,000,000	**Series 2003-B-6 Warrants**
$105,000,000	**Series 2003-B-7 Warrants**
$119,965,000	**Series 2003-B-8 Warrants**

INTRODUCTION

This Official Statement is being furnished in connection with the issuance of the warrants referred to above (the "Series 2003-B Warrants") by Jefferson County, Alabama (the "County"). The County owns and operates a sanitary sewer system (the "System"), which is located in the County and certain contiguous territory in Shelby County and St. Clair County. The Series 2003-B Warrants will be issued pursuant to that certain Trust Indenture dated as of February 1, 1997 (the "Original Indenture") between the County and The Bank of New York, as trustee (as successor to AmSouth Bank of Alabama) (the "Trustee"), as supplemented by (i) the First Supplemental Indenture dated as of March 1, 1997 (the "First Supplemental Indenture"), (ii) the Second Supplemental Indenture dated as of March 1, 1999 (the "Second Supplemental Indenture"), (iii) the Third Supplemental Indenture dated as of March 1, 2001 (the "Third Supplemental Indenture"), (iv) the Fourth Supplemental Indenture dated as of February 1, 2002 (the "Fourth Supplemental Indenture"), (v) the Fifth Supplemental Indenture dated as of September 1, 2002 (the "Fifth Supplemental Indenture"), (vi) the Sixth Supplemental Indenture dated as of October 1, 2002 (the "Sixth Supplemental Indenture"), (vii) the Seventh Supplemental Indenture dated as of November 1, 2002 (the "Seventh Supplemental Indenture"), (viii) the Eighth Supplemental Indenture dated as of January 1, 2003 (the "Eighth Supplemental Indenture"), and (ix) the Ninth Supplemental Indenture dated as of April 1, 2003 (the "Ninth Supplemental Indenture") (the Original Indenture, as supplemented, being herein referred to as the "Indenture").

The Series 2003-B Warrants are being issued for the purpose of (i) refunding certain outstanding sewer revenue warrants of the County or a portion of the interest thereon and (ii) paying the costs of issuing the Series 2003-B Warrants. See "THE PLAN OF FINANCING".

The Series 2003-B Warrants will not constitute general obligations of or 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 2003-B Warrants will be limited obligations of the County payable solely out of and secured by a pledge and assignment of the revenues from the System (other than tax revenues that are received by the County) remaining after payment of operating expenses (the "Pledged Revenues"). Under the Indenture, after giving effect to the refunding to be accomplished by the Series 2003-B Warrants, the pledge of the Pledged Revenues in favor of the Series 2003-B Warrants will be on a parity with the pledge thereof in favor of (a) the Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1992, which will be outstanding in the aggregate principal amount of $82,270,000 (the “Series 1997-A Warrants”), (b) the Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997, which will be outstanding in the aggregate principal amount of $43,760,000 (the “Series 1997-D Warrants”), (c) the County's Sewer Revenue Capital Improvement Warrants, Series 1999-A, dated March 1, 1999, which will be outstanding in the aggregate principal amount of $133,590,000 (the "Series 1999-A Warrants"); (d) the County's Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001, which will be outstanding in the aggregate principal amount of $62,975,000 (the "Series 2001-A Warrants"); (e) the County's Sewer Revenue Capital Improvement Warrants, Series 2002-A, dated March 6, 2002, which will be outstanding in the aggregate principal amount of $110,000,000 (the "Series 2002-A Warrants); (f) the County’s Sewer Revenue Capital Improvement Warrants, Series 2002-B, dated September 1, 2002, which will be outstanding in the aggregate principal amount of $333,080,000 (the “Series 2002-B Warrants”), (g) the County's Sewer Revenue Refunding Warrants, Series 2002-C (the “Series 2002-C Warrants), dated October 25, 2002, which will be outstanding in the aggregate principal amount of $839,500,000; (h) the County's Sewer Revenue Capital Improvement Warrants, Series 2002-D, dated November 1, 2002, which will be outstanding in the aggregate principal amount of $447,220,000 (the “Series 2002-D Warrants”) and (i) the County's Sewer Revenue Refunding Warrant, Series 2003-A, dated January 9, 2003, which will be outstanding in the aggregate principal amount of $39,325,000 (the “Series 2003-A Warrants”). See "SECURITY AND SOURCE OF PAYMENT".

The Series 2003-B Warrants are being offered as twelve subseries bearing the designations:

Series 2003-B-1-A (“the Series 2003-B-1-A Warrants”), Series 2003-B-1-B (“the Series 2003-B-1-B Warrants”), Series 2003-B-1-C (“the Series 2003-B-1-C Warrants”), Series 2003-B-1-D (“the Series 2003-B-1-D Warrants”), Series 2003-B-1-E (“the Series 2003-B-1-E Warrants”), Series 2003-B-2 (“the Series 2003-B-2 Warrants”), Series 2003-B-3 (“the Series 2003-B-3 Warrants”), Series 2003-B-4 (“the Series 2003-B-4 Warrants”), Series 2003-B-5 (“the Series 2003-B-5 Warrants”), Series 2003-B-6 (“the Series 2003-B-6 Warrants”), Series 2003-B-7 (“the Series 2003-B-7 Warrants”) and Series 2003-B-8 (“the Series 2003-B-8 Warrants”), in the respective amounts first set forth above.

SUMMARY OF SUBSERIES OF SERIES 2003-B WARRANTS

Subseries	Initial Interest Rate	Insurer	Liquidity Facility	Remarketing Agent
Series 2003-B-1-A	Auction	Financial Guaranty	None	JP Morgan
Series 2003-B-1-B	Auction	Financial Guaranty	None	JP Morgan
Series 2003-B-1-C	Auction	Financial Guaranty	None	JP Morgan
Series 2003-B-1-D	Auction	Financial Guaranty	None	JP Morgan
Series 2003-B-1-E	Auction	Financial Guaranty	None	JP Morgan
Series 2003-B-2	Weekly	XL Capital	Societe General	Blount Parrish
Series 2003-B-3	Weekly	XL Capital	Bank of New York	Raymond James

Series 2003-B-4	Weekly	XL Capital	Bank of New York	JP Morgan
Series 2003-B-5	Weekly	XL Capital	State Street Bank	SouthTrust
Series 2003-B-6	Weekly	XL Capital	State Street Bank	JP Morgan
Series 2003-B-7	Weekly	XL Capital	Lloyds TSB Bank PLC	JP Morgan
Series 2003-B-8	Fixed	Financial Security	N/A	None

The payment of the principal of and interest on the Series 2003-B-1 Warrants when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty simultaneously with the delivery of the Series 2003-B Warrants. See "DESCRIPTION OF FINANCIAL GUARANTY."

The Series 2003-B-1 Warrants will consist of eleven subseries: Series 2003-B-1-A, Series 2003-B-1-B, Series 2003-B-1-C, Series 2003-B-1-D, Series 2003-B-1-E, Series 2003-B-1-F and Series 2003-B-1-G. The Series 2003-B-1 Warrants will initially bear interest at an Auction Rate. J.P. Morgan Securities, Inc. will serve as Remarketing Agent and Broker-Dealer for the Series 2003-B-1 Warrants, also known as MSTARS.

The payment of the principal of and interest on the Series 2003-B-2 Warrants, the Series 2003-B-3 Warrants, the Series 2003-B-4 Warrants and the Series 2003-B-5 Warrants (together the "Variable Rate Demand Warrants") when due will be insured by a municipal bond insurance policy to be issued by XL Capital Insurance simultaneously with the delivery of the Variable Rate Demand Warrants. See "DESCRIPTION OF XL CAPITAL ASSURANCE."

The Variable Rate Demand Warrants will initially bear interest at the Weekly Rate. The purchase price of each subseries of Variable Rate Demand Warrants tendered or deemed tendered for purchase will be further secured by a liquidity facility in the form of four Standby Warrant Purchase Agreements (each, a "Standby Purchase Agreement") dated as of April 1, 2003 by and among, a Bank (as defined herein), the County, the Trustee and JP Morgan Chase Bank as liquidity agent, 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.

The payment of the principal of and interest on the Series 2003-B-8 Warrants when due will be insured by a municipal bond insurance policy to be issued by Financial Security simultaneously with the delivery of the Series 2003-B-8 Warrants. See "DESCRIPTION OF FINANCIAL SECURITY ASSURANCE."

The Series 2003-B-8 Warrants will mature on February 1 in the years indicated below in the respective principal amounts shown below:

Year	Principal Amount
2010	$8,250,000
2011	$15,870,000
2012	$16,500,000
2013	$17,225,000
2014	$18,285,000
2015	$19,255,000
2016	$24,580,000

The Series 2003-B Warrants are subject to optional and mandatory tender and redemption as described in the Indenture. See "DESCRIPTION OF THE SERIES 2003-B WARRANTS – Redemption and Purchase of Series 2003-B Warrants".

Following the issuance of the Series 2003-B Warrants, the County will have no outstanding sewer revenue indebtedness other than the Outstanding Sewer Revenue Indebtedness , see "GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT,(the "Outstanding Sewer Revenue Indebtedness"). See "SECURITY AND SOURCE OF PAYMENT", "THE PLAN OF FINANCING" and "OUTSTANDING DEBT". The County has reserved the right in the Indenture to issue additional parity securities payable from and secured by a pledge of the Pledged Revenues on a parity of lien with the Outstanding Sewer Revenue Indebtedness, subject to the terms and conditions of the Indenture. See "Appendix A - SUMMARY OF THE INDENTURE".

Neither the delivery of this Official Statement nor any sale made pursuant hereto implies that there will be no change with respect to the System or the County at any time subsequent to the date hereof.

For further information contact Steve Sayler, Director of Finance, Jefferson County, Suite 810, County Courthouse, 716 North 21st Street, Birmingham, Alabama 35263 (telephone (205) 325-5055).

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 A - "SUMMARY OF THE INDENTURE".

"**Additional Parity Securities**" means additional bonds, warrants or other obligations secured on a parity of lien with the Outstanding Sewer Revenue Indebtedness.

"**Banks**" means Société Générale, The Bank of New York, State Street Bank and Trust Company and Lloyds TSB Bank plc, and their successors and assigns.

"**Bond Insurer**" means, (i) with respect to the Series 2003-B-1 Warrants, Financial Guaranty Insurance Company, (ii) with respect to the Variable Demand Rate Warrants, XL Capital Insurance, Inc., and (iii) with respect to the Series 2003-B-8 Warrants, Financial Security Assurance, Inc.

"**Bond Insurer Insurance Policy**" means the municipal bond insurance policy issued by the Bond Insurer with respect to any subseries of the Series 2003-B Warrants.

"**County**" means Jefferson County, Alabama.

"**Depreciation Fund**" means the fund by such name established pursuant to the Indenture.

"**Eighth Supplemental Indenture**" means the Eighth Supplemental Indenture dated as of January 1, 2003, pursuant to which the Series 2003-A Bonds were issued.

"**Enabling Law**" means Chapter 28, Title 11 (Section 11-28-1 et seq.) of the Code of Alabama (1975).

"**Fifth Supplemental Indenture**" means the Fifth Supplemental Indenture dated as of September 1, 2002, pursuant to which the Series 2002-B Warrants were issued.

"**Financial Guaranty**" means Financial Guaranty Insurance Company.

"**Financial Guaranty Insurance Policy**" means the municipal bond insurance policy issued by Financial Guaranty with respect to the Series 2003-B-1 Warrants.

"**Financial Security**" means Financial Security Assurance.

"**Financial Security Insurance Policy**" means the municipal bond insurance policy issued by Financial Security with respect to the Series 2003-B-8 Warrants.

"**First Supplemental Indenture**" means the First Supplemental Indenture dated as of March 1, 1997, pursuant to which the 1997-D Warrants were issued.

"**Floating Rate Warrants"** means the Series 2003-B-1 Warrants and the Variable Rate Demand Warrants.

"**Fourth Supplemental Indenture**" means the Fourth Supplemental Indenture dated as of February 1, 2002, pursuant to which the Series 2002-A Warrants were issued.

"**General Fund**" means the General Fund of the County.

"**Indenture**" means the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture and the Ninth Supplemental Indenture.

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

"**Liquidity Agent**" means, with respect to the Variable Rate Demand Warrants, JPMorgan Chase Bank, together with its permitted successors and assigns under each of the Standby Purchase Agreements.

"**Ninth Supplemental Indenture**" means the Ninth Supplemental Indenture dated as of April 1, 2003 pursuant to which the Series 2003-B Warrants will be issued.

"**Operating Expenses**" means, for the applicable period or periods, (a) the reasonable and necessary expenses of efficiently and economically administering and operating the System, including, without limitation, the costs of all items of labor, materials, supplies, equipment (other than equipment chargeable to fixed capital account), premiums on insurance policies and fidelity bonds maintained with respect to the System (including casualty, liability and any other types of insurance), fees for engineers, attorneys and accountants (except where such fees are chargeable to fixed capital account) and all other items, except depreciation, amortization, interest and payments made pursuant to Qualified Swaps, that by generally accepted accounting principles are properly chargeable to expenses of administration and operation and are not characterized as extraordinary items, (b) the expenses of maintaining the System in good repair and in good operating condition, but not including items that by generally accepted accounting principles are properly chargeable to fixed capital account, and (c) the fees and charges of the Trustee.

"**Original Indenture**" means the Trust Indenture dated as of February 1, 1997, pursuant to which the 1997-A Warrants were issued

"**Outstanding Sewer Revenue Indebtedness**" means the Series 2003-B Warrants, the Series 2002-B Warrants, the Series 2002-A Warrants, the Series 2003-A Warrants, the Series 2002-D Warrants, the Series 2002-C Warrants, the Series 2001-A Warrants, the Series 1999-A Warrants, the Series 1997-D Warrants, and the Series 1997-A Warrants.

"**Parity Securities**" means the Outstanding Sewer Revenue Indebtedness and any Additional Parity Securities issued pursuant to the Indenture.

"**Pledged Revenues**" means the System Revenues (other than revenues derived from the Sewer Tax and any other tax revenues that constitute System Revenues) that remain after the payment of Operating Expenses.

"**Prior Years' Surplus**" means, with respect to any particular fiscal year, the aggregate amount on deposit in the Rate Stabilization Fund and the Depreciation Fund at the beginning of such fiscal year.

"**Rate Stabilization Fund**" means the fund by such name established pursuant to the Indenture.

"**Second Supplemental Indenture**" means the Second Supplemental Indenture dated as of March 1, 1999, pursuant to which the Series 1999-A Warrants were issued.

"**Series 1997 Warrants**" means collectively the 1997-A Warrants and the 1997-D Warrants.

"**Series 1997-A Warrants**" means the County's $211,040,000 A Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997.

"**Series 1997-D Warrants**" means the County's $296,395,000 Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997.

"**Series 1999-A Warrants**" means the County's $952,695,000 Sewer Revenue Capital Improvement Warrants, Series 1999-A, dated March 1, 1999.

"**Series 2001-A Warrants**" means the County's $275,000,000 Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001.

"**Series 2002-A Warrants**" means the County's $110,000,000 Sewer Revenue Capital Improvement Warrants, Series 2002-A, dated March 6, 2002.

"**Series 2002-B Warrants**" means the County's $540,000,000 Sewer Revenue Capital Improvement Warrants, Series 2002-B, dated September 1, 2002.

"**Series 2002-C Warrants**" means the County's $839,500,000 Sewer Revenue Refunding Warrants, Series 2002-C, dated October 25, 2002.

"**Series 2002-D Warrants**" means the County's $475,000,000 Sewer Revenue Capital Improvement Warrants, Series 2002-D, dated November 1, 2002.

"Series 2003-A Warrants" means the County's $39,325,000 Sewer Revenue Refunding Warrants, Series 2003-A.

"Series 2003-B Warrants" means the County's $1,155,765,000 Sewer Revenue Refunding Warrants, Series 2003-B.

"Seventh Supplemental Indenture" means the Seventh Supplemental Indenture dated as of November 1, 2002, pursuant to which the Series 2002-D Warrants were issued.

"**Sewer Tax**" means that certain ad valorem tax levied by the County on an annual basis for the benefit of the System pursuant to Act No. 716 of the 1900-01 Session of the General Assembly of Alabama.

"**Sixth Supplemental Indenture**" means the Sixth Supplemental Indenture dated as of October 1, 2002, pursuant to which the Series 2003-B Warrants were issued.

"**Standby Purchase Agreement**" means each Standby Warrant Purchase Agreement dated as of April 1, 2003 among the County, the Trustee, the Liquidity Agent and a Bank, as extended, modified or supplemented from time to time, pursuant to which such Bank has agreed to purchase any Eligible Warrant that is not remarketed after a tender of such Warrant for purchase pursuant to the optional or mandatory tender provisions of the Indenture.

"**System**" means the County's sanitary sewer system.

"**System Revenues**" means the revenues derived from the Sewer Tax and all revenues, receipts, income and other monies hereafter received by or on behalf of the County from whatever source derived from the operation of the System, including, without limitation, the fees, deposits and charges paid by users of the System and interest earnings on the special funds established pursuant to the Indenture (other than the Rate Stabilization Fund) and any other funds held by the County or its agents that are attributable to or traceable from monies derived from the operation of the System, but excluding, however, any federal or state grants to the County in respect of the System and any income derived from such grants.

"**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.

"**Third Supplemental Indenture**" means the Third Supplemental Indenture dated as of March 1, 2001, pursuant to which the Series 2001-A Warrants were issued.

"**Trustee**" means The Bank of New York, in Birmingham, Alabama, in its capacity as trustee under the Indenture.

"**Variable Rate Demand Warrants**" means the Series 2003-B-2 Warrants, the Series 2003-B-3 Warrants, the Series 2003-B-4 Warrants, the Series 2003-B-5 Warrants, the Series 2003-B-6 Warrants and the Series 2003-B-7 Warrants, while any such subseries bears interest at the Weekly Rate or the Daily Rate.

"**XL Capital**" means XL Capital Assurance, Inc.

"**XL Capital Insurance Policy**" means the municipal bond insurance policy issued by XL Capital with respect to the Variable Rate Demand Warrants.

REMARKETING AGENTS

Under a Broker-Dealer Agreement dated as of April 1, 2003, between the County and J.P. Morgan Securities Inc. ("JPMorgan"), JPMorgan is appointed as the Remarketing Agent for the Series 2003-B-1 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 the Remarketing Agent, on 30 days' notice. The Remarketing Agent may resign and be discharged of its duties and obligations (i) at any time by giving at least 30 days' notice to the other Financing Participants, (ii) immediately upon notice to the other Financing Participants in the event that the Tender Agent resigns or is removed and a successor Tender Agent is appointed or (iii) on any Conversion Date upon notice to the other Financing Participants. A successor Remarketing Agent may be appointed by the County with the consent of the Trustee and, if the related Liquidity Facility is in effect, the respective insurer and Bank for such subseries of Series 2003-B-1 Warrants.

JP Morgan also serves as the Remarketing Agent for the Series 2003-B-4 Warrants, the Series 2003-B-6 Warrants and Series 2003-B-7 Warrants. Blount Parrish, Inc. will serve as Remarketing Agent for Series 2003-B-2 Warrants. Raymond James & Associates, Inc. will serve as Remarketing Agent for the Series 2003-B-3 Warrants. SouthTrust Securities, Inc. will serve as the Remarketing Agent for the Series 2003-B-5 Warrants.

The Remarketing Agents for the Series 2003-B-2 through Series 2003-B-7 Warrants may resign and be discharged of their duties and obligations under their respective agreements and under the Indenture and may be removed of all or a portion of their duties and obligations under such agreements and under the Indenture in the manner and at the times specified in the Indenture.

DESCRIPTION OF THE FLOATING RATE 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 A 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 Floating Rate Warrants will be issued initially in the form of eleven separate, fully registered warrants, one for each subseries, each in a denomination equal to the aggregate principal amount of such subseries of Floating Rate Warrants and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Floating Rate Warrants. See “Book-Entry Only System” below.

Payment of the principal of, and interest on, the Floating Rate Warrants at maturity shall be made upon the presentation and surrender of the Floating Rate Warrants as hereinafter described. All payments of interest (other than at maturity) and premium, if any, on, and of principal upon redemption of, the Floating Rate 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 2003-B-1Warrants will initially bear interest at the Auction Rate. The Variable Rate Demand Warrants will initially bear interest at the Weekly Rate.

Floating Rate 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. Floating Rate Warrants bearing an Auction Rate shall be fully registered warrants in the denomination of $25,000 or any integral multiple thereof. Floating Rate 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 2003-B Warrants shall mature on February 1 in the years indicated and amounts indicated in the Ninth Supplemental Indenture. The Floating Rate Warrants shall be initially 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 Floating Rate Warrants – General

Interest shall accrue on the Series 2003-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 Floating Rate 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 June 2003 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 February 1 or August 1 next succeeding the Fixed Rate Conversion Date and each February 1 and August 1 thereafter; but if the February 1 or August 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 Floating Rate Warrants are subject to mandatory tender for purchase or redemption pursuant to the Indenture;

(i) the Stated Maturity of the Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate Warrants shall bear interest from the date of initial issuance thereof payable on each Interest Payment Date. The Floating Rate Warrants issued upon transfers or exchanges of Floating Rate 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 Regular 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 Floating Rate 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. Floating Rate 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 Floating Rate 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 Regular Record Date; provided that (i) while the Securities Depository or its nominee is the registered owner of any Floating Rate 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 Floating Rate 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 Regular 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 Floating Rate 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 Floating Rate Warrant was registered on such applicable Regular Record Date and shall be payable, when and if paid, to the person in whose name each Floating Rate 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 Floating Rate 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 each issuer of a Support Facility relating to such series 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 hereunder 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 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 the Floating Rate 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, each issuer of a Support Facility, and the registered and beneficial owners of the Floating Rate 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 Floating Rate Warrants or the applicable Calculation Period or Auction Period or in any way change the rights of the registered owners of the Floating Rate Warrants to tender their Warrants for purchase or to have them redeemed in accordance with the Indenture.

Except as otherwise set forth above, interest on the Floating Rate 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 Regular Record Date. No transfer or exchange of Floating Rate Warrants shall be required to be made by the Trustee after a Regular Record Date until the next succeeding Interest Payment Date.

Provisions with Respect to the 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 Floating Rate 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 Floating Rate 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 2003-B-1 Warrants will bear interest at an Auction Rate as set forth in the Indenture.

The interest rate on each subseries of the Series 2003-B-1 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 2003-B-1 Warrants. Each periodic implementation of the Auction Procedures for each subseries of the Series 2003-B-1 Warrants is hereinafter referred to as an “Auction”. Separate Auctions will be conducted for each subseries of the Series 2003-B-1 Warrants that bears interest at the Auction Rate.

During any Auction Rate Period, the Series 2003-B-1 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 2003-B-1 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 .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 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 Periods shall commence from and include the Closing Date and shall expire on and include the respective initial Auction Dates specified for the Series 2003-B-1 Warrants as shown on the inside cover hereof. Thereafter, each Auction Period immediately succeeding any 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 2003-B-1 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 2003-B-1 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 2003-B-1 Warrants bearing interest at an Auction Rate for each Auction Period shall be the last Thursday 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 2003-B-1 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 2003-B-1 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 2003-B-1 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 J.P. Morgan Securities, Inc. relating to the Series 2003-B-1 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 (an "Opinion of Bond Counsel") of a firm or firms of attorneys ("Bond Counsel"), satisfactory to the County, the insurer of the Series 2003-B-1 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 2003-B-1 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 hereunder 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 2003-B-1 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 hereunder 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 Floating Rate Warrants, in whole or in part, shall cease to bear interest at the Adjustable Rate then borne by the Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate Warrants from gross income for federal income tax purposes and (z) confirming that any amendment to the Ninth Supplemental 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 Floating Rate 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 Floating Rate Warrants in accordance with the Remarketing Agreement, and that accrued and unpaid interest, if any, and premium, if any, on the Floating Rate

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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate Warrants subject to such change and that meets the requirements of the Ninth Supplemental 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 Floating Rate Warrants are then rated by S&P, and from Moody's, if the Floating Rate Warrants are then rated by Moody's, 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 Floating Rate Warrants below the rating of S&P or Moody's, as the case may be, then in effect with respect to the Floating Rate 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 2003-B-1 Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to 2003-B-1 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 2003-B-1 Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period for such Series 2003-B-1 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 2003-B-1 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 2003-B-1 Warrants from an Auction Rate, the Auction Rate for the next succeeding Auction Period for such Series 2003-B-1 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 2003-B-1 Warrants, if later. If any of the conditions referred to in (ii), (iii), (iv) or (v) above is not met with respect to any other Change in the Interest Rate Mode for any Series 2003-B-1 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 2003-B-1 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 Floating Rate 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 Floating Rate Warrants shall cease to bear interest at the Adjustable Rate then borne by the Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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.

If any of the conditions referred to in (i) above are not met with respect to any change to a Fixed Rate for any Floating Rate 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 Floating Rate Warrants. If the conditions referred to in (ii) above are not met with respect to any change to a Fixed Rate for any Series 2003-B-1 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 2003-B-1 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 Floating Rate Warrants, the Floating Rate Warrants shall continue to bear interest at the Current Adjustable Rate and be subject to the provisions of the Indenture applicable thereto while the Floating Rate 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 2003-B-1 Warrants commence to bear interest at the Fixed Rate as described above, the interest rate on such Series 2003-B-1 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 2003-B-1 Warrants to or from an Auction Rate, the minimum aggregate principal amount of Series 2003-B-1 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 2003-B-1 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 Floating Rate Warrants of a particular subseries is to be converted to a new Adjustable Rate or to a Fixed Rate, the particular Floating Rate 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 Floating Rate Warrant to be converted shall be in an Authorized Denomination for the Interest Rate Mode to which such Floating Rate Warrant is being converted (and the portion of such Floating Rate Warrant 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 Floating Rate Warrant is to be converted, then upon notice of such conversion pursuant to the Indenture, the Holders of such Floating Rate Warrants shall forthwith surrender such Floating Rate 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 Floating Rate Warrant or Warrants in the aggregate principal amount of the balance of the principal of such Floating Rate Warrants not subject to conversion. If the Holders of any such Floating Rate Warrant shall fail to present such Floating Rate Warrant to the Tender Agent, for payment and exchange as aforesaid, such Floating Rate 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 Floating Rate Warrants

Optional Redemption. The Floating Rate 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 Floating Rate 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 Floating Rate Warrants as provided in this section:

(a) For any Commercial Paper Rate Period, such Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate Warrants shall be subject to redemption in whole or in part on any Business Day after the tenth anniversary of the commencement of such Term Rate Period or such Fixed Rate Conversion Date. 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 Floating Rate 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 February 1 (or, in the case of Auction Rate Warrants, if any such February 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 follow:

Series 2003-B-1	
2/1/09	$ 3,875,000
2/1/10	$ 4,025,000
2/1/11	$ 4,175,000
2/1/12	$ 4,350,000
2/1/13	$ 4,525,000
2/1/14	$ 4,675,000
2/1/15	$ 4,850,000
2/1/16	$ 5, 025,000
2/1/17	$ 5,250,000
2/1/18	$ 5,450,000
2/1/19	$ 21,125,000
2/1/20	$ 27,200,000
2/1/21	$ 26,675,000
2/1/22	$ 12,725,000
2/1/23	$ 14,250,000
2/1/24	$ 15,900,000
2/1/25	$ 7,750,000
2/1/26	$ 21,100,000
2/1/27	$ 23,400,000
2/1/28	$ 44,700,000
2/1/29	$ 44,825,000
2/1/30	$ 3,950,000
2/1/31	$ 4,100,000
2/1/32	$ 51,300,000
2/1/33	$ 53,225,000
2/1/34	$ 3,225,000
2/1/35	$ 3,350,000
2/1/36	$ 3,475,000
2/1/37	$ 21,750,000
2/1/38	$ 19,025,000
2/1/39	$ 88,700,000
2/1/40	$ 37,475,000

VRDB	
2/1/09	$ 1,525,000
2/1/10	$ 1,575,000
2/1/11	$ 1,650,000
2/1/21	$ 1,700,000
2/1/13	$ 1,750,000
2/1/14	$ 1,825,000
2/1/15	$ 1,900,000
2/1/16	$ 1,975,000
2/1/17	$ 2,025,000
2/1/18	$ 2,100,000
2/1/19	$ 8,225,000
2/1/20	$10,575,000
2/1/21	$10,375,000
2/1/22	$ 4,975,000
2/1/23	$ 5,550,000
2/1/24	$ 6,200,000
2/1/25	$16,900,000
2/1/26	$ 8,225,000
2/1/27	$ 9,100,000
2/1/28	$17,400,000
2/1/29	$17,425,000
2/1/30	$ 1,525,000
2/1/31	$ 1,575,000
2/1/32	$19,925,000
2/1/33	$20,675,000
2/1/34	$ 1,250,000
2/1/35	$ 1,300,000
2/1/36	$ 1,350,000
2/1/37	$ 8,450,000
2/1/38	$ 7,375,000
2/1/39	$34,475,000
2/1/40	$14,550,000

Series 2003-B-1	
2/1/41	$100,900,000
2/1/42	$ 39,475,000
Total	**$735,800,000**

VRDB	
2/1/41	$39,225,000
2/1/42	$15,350,000
Total	**$300,000,000**

Not less than 60 days prior to each such scheduled mandatory redemption date, the County may specify the particular subseries from which Floating Rate 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 Floating Rate 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, Floating Rate Warrants or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Floating Rate Warrants or portions thereof for redemption on such scheduled mandatory redemption date. In any event, the County may, 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 Floating Rate Warrants scheduled for redemption on such date: (i) the principal amount of Floating Rate Warrants delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Floating Rate Warrants previously redeemed (other than Floating Rate Warrants redeemed pursuant to this paragraph) and not previously claimed as a credit.

Tender for and Purchase upon Election of Holder. (a) During any Daily Rate Period or Weekly Rate Period, any Floating Rate Warrant bearing interest at a Daily Rate or Weekly Rate (other than a Bank Warrant), or portion thereof 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 Floating Rate Warrant shall be purchased shall, at the request of the Holder thereof, (i) if the Floating Rate 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 Floating Rate 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 Floating Rate Warrant to the Tender Agent described in this subsection shall terminate after conversion of the Interest Rate Mode applicable to such warrant to a Commercial Paper Rate, an Auction Rate, a Term Rate or a Fixed Rate. Furthermore, any Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 affected Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate Warrants. If interest has been paid on the Floating Rate 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 Floating Rate Warrants shall be available in the Warrant Purchase Fund for payment of Floating Rate 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 Floating Rate 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 Floating Rate Warrants shall nevertheless be deemed tendered and purchased on the date established for the purchase thereof, interest on such Floating Rate 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 hereunder as the registered owners of such Floating Rate Warrants, except the right to receive the purchase price of and interest to the purchase date, if any, on such Floating Rate Warrants upon delivery thereof to the Tender Agent in accordance with the provisions hereof.

The purchaser of any Floating Rate Warrants remarketed by the Remarketing Agent shall be the registered owner of such Floating Rate Warrants; or, if the Floating Rate Warrants are registered in the name of the Securities Depository or its nominee, any such purchaser shall be the beneficial owner of such Floating Rate Warrants. To the extent Floating Rate 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 Floating Rate Warrants. While Floating Rate 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 Floating Rate Warrants.

The payment of Floating Rate Warrants pursuant to the tender provisions described above shall be subject to delivery of such Floating Rate 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 Floating Rate Warrants bearing interest at a Weekly Rate and 12:00 noon for Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate Warrants for which such Liquidity Facility is in effect and for which remarketing proceeds are not available.

Support Facilities

The County agrees in the Ninth Supplemental Indenture to maintain a Liquidity Facility or Facilities meeting the requirements of the Ninth Supplemental Indenture with respect to the Floating Rate 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 Ninth Supplemental 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 Floating Rate Warrants, the County shall submit such Liquidity Facility to Moody's, if the Floating Rate Warrants are then rated by Moody's, and to S&P, if the Floating Rate Warrants are then rated by S&P, and to another rating agency, if the Floating Rate Warrants are then rated by such rating agency for the purposes of obtaining a rating on such Floating Rate Warrants. The Trustee shall be furnished with any Liquidity Facility obtained together with evidence of any rating or ratings obtained on the Floating Rate Warrants in connection therewith.

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

Liquidity Facility. At any time that Floating Rate Warrants bear interest at an Adjustable Rate (other than an Auction Rate or a Term Rate), the County shall, and at any time that Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Ninth Supplemental Indenture and complies with the terms hereof and (b) written confirmation from S&P, if the Floating Rate Warrants are then rated by S&P, and from Moody's, if the Floating Rate Warrants are then rated by Moody's, and from another rating agency, if the Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate Warrants (unless the Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 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 Ninth Supplemental Indenture and complies with the terms thereof and (b) in the case of a substitution, written confirmation from S&P, if the Floating Rate Warrants are then rated by S&P, and from Moody's, if the Floating Rate Warrants are then rated by Moody's, and from another rating agency, if the Floating Rate 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 Floating Rate 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 Floating Rate Warrants. If such substitution occurs when there is a Liquidity Facility in effect with respect to the Floating Rate Warrants or any Bank Warrants are outstanding, or prior to the conversion of the interest rate for all of the Floating Rate 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.

Registration and Exchange

See "BOOK-ENTRY ONLY SYSTEM" for a description of provisions relating to the registration, transfer and exchange of the Floating Rate Warrants.

DESCRIPTION OF THE SERIES 2003-B-8 WARRANTS

General Description

The Series 2003-B-8 Warrants will be issued initially in the form of seven separate, fully registered warrants, one for each maturity, each in a denomination equal to the aggregate principal amount for such maturity and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2003-B-8 Warrants. See “Book-Entry Only System” below.

Payment of the principal of, and interest on, the Series 2003-B-8 Warrants at maturity shall be made upon the presentation and surrender of the Series 2003-B-8 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 2003-B-8 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 2003-B-8 Warrants will be dated April 1, 2003 and will bear interest at the respective per annum rates set forth on the cover hereof. Interest on the Series 2003-B-8 Warrants will be payable on August 1, 2003, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption as provided in the Indenture. The Series 2003-B-8 Warrants will mature in the principal amounts and on the dates set forth on the cover hereof and will be issued in fully registered form in the denomination of $5,000 or any integral multiple thereof. The Series 2003-B-8 Warrants will be offered initially at the price or prices to obtain the yields set forth on the cover hereof. The principal of and the interest on the Series 2003-B-8 Warrants will bear interest after their respective due dates until paid at the respective rates of interest borne by the Series 2003-B-8 Warrants prior to maturity.

Method and Place of Payment

The Series 2003-B-8 Warrants are available in book-entry form only. See “BOOK-ENTRY ONLY SYSTEM”. So long as Cede & Co. is the registered owner of the Series 2003-B-8 Warrants, as nominee of The Depository Trust Company, New York, New York (“DTC”), references herein to the owners of the Series 2003-B-8 Warrants mean Cede & Co. and not the Beneficial Owners (as defined hereafter) of the Series 2003-B-8 Warrants.

The principal of the Series 2003-B-8 Warrants will be payable by the Trustee to Cede & Co. Interest on the Series 2003-B-8 Warrants will be computed on the basis of a 360 day year of twelve consecutive 30-day months and will be paid on each semiannual interest payment date by the Trustee to Cede & Co.

Redemption Prior to Maturity

Optional Redemption. The Series 2003-B-8 Warrants are subject to redemption and repayment prior to maturity, at the option of the County, as a whole or in part, from such maturity or maturities as shall be specified by the County, on February 1, 2010, and on any date thereafter, such redemption to be at and for a redemption price equal to 100% of principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

If less than all of the outstanding Series 2003-B-8 Warrants of a particular maturity are to be called for redemption, the Series 2003-B-8 Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 2003-B-8 Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Series 2003-B-8 Warrants, which notice shall state that on the redemption date such Series 2003-B-8 Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the holders of the Series 2003-B-8 Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however that failure to give notice, or any defect therein, shall not affect the validity of the redemption of any Series 2003-B-8 Warrants for which notice was properly given. Any Series 2003-B-8 Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

If a trust is established for payment of less than all Series 2003-B-8 Warrants of a particular maturity, the Series 2003-B-8 Warrants to be paid from the trust shall be selected by the Trustee within seven days after such trust is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify holders whose Series 2003-B-8 Warrants (or portions thereof) have been selected for payment from such trust and shall direct such holders to surrender their Series 2003-B-8 Warrants to the Trustee in exchange for Series 2003-B-8 Warrants with the appropriate maturity and designation.

Registration and Exchange

See "BOOK-ENTRY ONLY SYSTEM" for a description of provisions relating to the registration, transfer and exchange of the Series 2003-B-8 Warrants.

AUTHORITY FOR ISSUANCE

The Series 2003-B Warrants are being issued under the authority of the Constitution and laws of the State of Alabama, including particularly Chapter 28 of Title 11 of the Code of Alabama 1975, Section 11-28-1, *et seq.* (the "Enabling Law").

Section 11-28-4 of the Code of Alabama (1975) authorizes any county in the State of Alabama to issue, without an election, refunding warrants for the purpose of refunding refundable debt then outstanding. Such refundable debt includes any valid debt of such county that was initially incurred to pay the costs of public facilities or to refund debt that, through one or more prior refundings, was initially incurred to pay the costs of public facilities. Refunding warrants may be issued in such principal amount as shall be determined by the county commission of the issuing county, provided that such refunding warrants shall not be issued in an aggregate principal amount exceeding the sum of (a) the outstanding principal amount of such refundable debt, (b) the interest accrued or to accrue until the respective maturities or redemption dates thereof, (c) the amount of any redemption premium required and (d) the amount of any costs incurred in connection with such refunding.

BOOK-ENTRY ONLY SYSTEM

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "Banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 2003-B Warrants under the DTC system must be made by or through DTC Participants, which will receive a credit for the Series 2003-B Warrants on DTC's records. The ownership interest of each beneficial owner of a Series 2003-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 confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2003-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 2003-B Warrants, except in the event that use of the book-entry only system for the Series 2003-B Warrants is discontinued.

To facilitate subsequent transfers, all Series 2003-B Warrants deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2003-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 2003-B Warrants. DTC's records reflect only the identity of the DTC Participants to whose accounts such Series 2003-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 2003-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 2003-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 2003-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 2003-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. Payments 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 2003-B WARRANTS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2003-B WARRANTS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2003-B WARRANTS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2003-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 2003-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 2003-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 SERIES 2003-B WARRANTHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2003-B

WARRANTS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS SERIES 2003-B WARRANTHOLDER.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its service with respect to the Series 2003-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 2003-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 2003-B Warrants at any time by giving reasonable notice to DTC.

SECURITY AND SOURCE OF PAYMENT FOR SERIES 2003-B WARRANTS

General Information

The Series 2003-B Warrants are not general obligations of, and will not 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 2003-B Warrants will be limited obligations of the County payable solely out of, and secured by a pledge and assignment of, the Pledged Revenues on a parity of lien with outstanding obligations secured by the Indenture. Information describing the revenues collected by the County is set forth in this Official Statement under the captions "RESULTS OF OPERATIONS" and "JEFFERSON COUNTY SEWER SYSTEM".

Following the issuance of the Series 2003-B Warrants, there will be no outstanding indebtedness of the County payable out of Pledged Revenues other than the Outstanding Sewer Revenue Indebtedness. The Indenture permits the issuance of Additional Parity Securities, however, payable out of, and secured by a pledge of, the Pledged Revenues on a parity with the Outstanding Sewer Revenue Indebtedness. See Appendix A - "SUMMARY OF THE INDENTURE - Additional Parity Securities".

Pursuant to the Indenture, a debt service reserve fund (the "Reserve Fund") has been established for the benefit of the Outstanding Sewer Revenue Indebtedness. For a description of the funds and accounts established under the Indenture for the collection and disposition of revenues from the System, see Appendix A - "SUMMARY OF THE INDENTURE -Flow of Funds".

Pursuant to Amendment No. 73 to the Alabama Constitution, any moneys derived by the County from sewer service charges may be expended only for purposes related to the improvement, extension, maintenance and operation of the System and may not be used to pay general expenses of the County.

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 2003-B Warrants. However, the extent of the remedies afforded to the holders of the Series 2003-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 2003-B Warrants are limited obligations of the County payable solely out of the Pledged Revenues, 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 United States Bankruptcy Code

The United States Bankruptcy Code permits political subdivisions of a state and certain state and local public agencies or instrumentalities that are insolvent or unable to meet their debts to file petitions for relief in the Federal Bankruptcy Courts if authorized by state law. While the matter is not entirely free from doubt, prospective purchasers of the Series 2003-B Warrants should assume that existing Alabama statutes presently authorize the County to file such petitions for relief.

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 2003-B Warrants from the Pledged Revenues.

BOND INSURANCE FOR SERIES 2003-B WARRANTS

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

Bond Insurance for Series 2003-B-1 Warrants

Concurrently with the issuance of the Series 2003-B-1 Warrants, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Series 2003-B-1 Warrants described in the Policy. The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Series 2003-B-1 Warrants which have become due for payment, but shall be unpaid by reason of nonpayment by the County. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 2003-B-1 Warrants or the Trustee of the nonpayment of such amount by the County. The Fiscal Agent will disburse such amount due on any Series 2003-B-1 Warrant to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's rights to payment of such principal, accredited value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owners right to receive payment of the principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 2003-B-1Warrant includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Series 2003-B-1 Warrant which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2003-B-1 Warrants. The Policy covers failure to pay principal or accreted value (if applicable) of the Series 2003-B-1 Warrants on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 2003-B-1 Warrants may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 2003-B-1 Warrants are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the County is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 2003-B-1 Warrants and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 2003-B-1 Warrants.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of December 31, 2002, the total capital and surplus of Financial Guaranty was approximately $978 million. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

Bond Insurance For Variable Rate Demand Warrants

Description of XL Capital

XL Capital Assurance, Inc. ("XL Capital" or XLCA") accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding XL Capital and its affiliates set forth under this heading. In addition, XL Capital makes no representation regarding the Series 2003-B Warrants or the advisability of investing in the Series 2003-B Warrants.

General

XL Capital is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. XLCA is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, the State of New York, forty-seven other states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore. XLCA has license applications pending, or intends to file an application, in each of those states in which it is not currently licensed.

XL Capital is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation ("XL Capital Ltd"). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XL Capital Ltd is not obligated to pay the debts of or claims against XL Capital.**

XL Capital was formerly known as The London Assurance of America Inc. ("London"), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 22, 2001, XL Reinsurance America Inc. ("XL Re") acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

Reinsurance

XL Capital has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd ("XLFA"), an insurance company organized under the laws of Bermuda, and an affiliate of the XL Capital. Pursuant to this reinsurance agreement, XL Capital expects to cede up to 90% of its business to XLFA. XL Capital may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by XL Capital as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit the XLCA's obligations under any financial guaranty insurance policy. With respect to any transaction insured by XLCA, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether XLCA has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XLCA, including the Policy issued with respect to the Variable Rate Demand Warrants.

Based on the audited financials of XLFA, as of December 31, 2002, XLFA had total assets, liabilities, redeemable preferred shares and shareholders' equity of $611,791,000, $245,750,000, $39,000,000 and $327,041,000, respectively, determined in accordance with generally accepted accounting principles in the United States. XLFA's insurance financial strength is rated "Aaa" by Moody's and "AAA" by S&P and Fitch Inc. In addition, XLFA has obtained a financial enhancement rating of "AAA" from S&P.

The obligations of XLFA to XL Capital under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd ("XLI"), a Bermuda company and one of the world's leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XL Capital Ltd. In addition to having an "A+" rating from A.M. Best, XLI's financial strength rating is "Aa2"by Moody's and "AA" by Standard & Poor's and Fitch. The ratings of XLFA and XLI are not recommendations to buy, sell or hold securities, including the Variable Rate Demand Warrants and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch.

Notwithstanding the capital support provided to XL Capital described in this section, the holders of the Variable Rate Demand Warrants will have direct recourse against XLCA only, and neither XLFA nor XLI will be directly liable to the holders of the Variable Rate Demand Warrants.

Financial Strength and Financial Enhancement Ratings of XLCA

XL Capital's insurance financial strength is rated "Aaa" by Moody's and "AAA" by Standard & Poor's and Fitch, Inc. ("Fitch"). In addition, XLCA has obtained a financial enhancement rating of "AAA" from Standard & Poor's. These ratings reflect Moody's, Standard & Poor's and Fitch's current assessment of XLCA's creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under "Reinsurance" above.

The above ratings are not recommendations to buy, sell or hold securities, including the Variable Rate Demand Warrants and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the Variable Rate Demand Warrants. XL Capital does not guaranty the market price of the Variable Rate Demand Warrants nor does it guaranty that the ratings on the Variable Rate Demand Warrants will not be revised or withdrawn.

Capitalization of XL Capital

Based on the audited statutory financial statements for XLCA as of December 31, 2001, XLCA had total admitted assets of $158,442,157, total liabilities of $48,899,461 and total capital and surplus of $109,542,696 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP"). Based on the unaudited statutory financial statements for XLCA as of December 31, 2002 filed with the State of New York Insurance Department, XLCA has total admitted assets of $180,993,189, total liabilities of $58,685,217 and total and capital surplus of $122,307,972 determined in accordance with SAP.

For further information concerning XLCA and XLFA, see the financial statements of XLCA and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XLCA and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the "Commission") by XL Capital Ltd and may be reviewed at the EDGAR website maintained by the Commission. All financial statements of XLCA and XLFA included in, or as exhibits to, documents filed by XL Capital Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities and Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the Series 2003-B Warrants, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XLCA and XLFA, no other information contained in XL Capital Ltd's reports filed with the Commission is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XLCA are available upon request to the State of New York Insurance Department.

Regulation of XL Capital

XL Capital is regulated by the Superintendent of Insurance of the State of New York. In addition, XLCA is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, XLCA is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. XL Capital is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY XL CAPITAL, INCLUDING THE INSURANCE POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of XLCA are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

Bond Insurance for Series 2003-B-8 Warrants

Bond Insurance Policy

Concurrently with the issuance of the Series 2003-B Warrants, Financial Security Assurance Inc., ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2003-B-8 Warrants (the "Policy"). The Policy guarantees the scheduled payment of principal and interest on the Series 2003-B-8 Warrants when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2002, Financial Security's total policyholders' surplus and contingency reserves were approximately $1,876,117,000 and its total unearned premium reserve was approximately $1,055,340,000 in accordance with statutory accounting principles. At December 31, 2002, Financial Security's total shareholders' equity was approximately $1,971,325,000 and its total net unearned premium reserve was approximately $892,552,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series 2003-B Warrants. Copies of the materials incorporated by reference will be provided upon request to Financial Security Assurance, Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The policy does not protect investors against changes in market value of the Series 2003-B-8 Warrants, which market value my be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2003-B-8 Warrants or the advisability of investing in the Series 2003-B-8 Warrants. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the County the information presented under this caption for inclusion in the Official Statement.

STANDBY PURCHASE AGREEMENTS 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 relating to such subseries. Each 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. Each Standby Purchase Agreement is scheduled to expire (absent certain events of default described herein) on April 28, 2004, except as otherwise limited by the terms of the Indenture. The enforceability of each 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 each Bank is only to fund its available commitment under the Standby Purchase Agreement applicable to its respective subseries of the Variable Rate Demand Warrants. The initial principal commitment and the initial interest commitment of each Bank for each subseries of Variable Rate Demand Warrants is as follows:

Subseries	Bank	Initial Principal Commitment
Series 2003-B-2	Société Générale	$55,000,000
Series 2003-B-3	The Bank of New York	$25,000,000
Series 2003-B-4	The Bank of New York	$25,000,000
Series 2003-B-5	State Street Bank	$75,000,000
Series 2003-B-6	State Street Bank	$15,000,000
Series 2003-B-7	Lloyds TSB Bank plc	$105,000,000

Purchase of Tendered Warrants by the Banks

From time to time during the period prior to the expiration or earlier termination of a Standby Purchase Agreement (the "Purchase Period") the Bank which is a party to such agreement will purchase 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 FLOATING RATE WARRANTS--Mandatory Tender". 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. The Bank's commitment with respect to interest shall be equal to 35 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 A BANK TO PURCHASE VARIABLE RATE DEMAND WARRANTS OF ITS RESPECTIVE SUBSERIES 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 OF SUCH SUBSERIES TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. THE BOND INSURANCE POLICY FOR THE VARIABLE RATE DEMAND WARRANTS DOES NOT INSURE PAYMENT OF THE PURCHASE PRICE OF SUCH WARRANTS.

Events of Default and Remedies

The following constitute events of default under each Standby Purchase Agreement:

For purposes of this section, the following terms have the meanings ascribed to them:

"Bank Warrant" means each Variable Rate Demand Warrant purchased by the Bank pursuant to a Standby Purchase Agreement and held by or for the account of a Bank Warrantholder in accordance with the terms of such Standby Purchase Agreement, until purchased from or retained in accordance with such Standby Purchase Agreement or redeemed in accordance with such Standby Purchase Agreement or otherwise.

"Bond Insurance Policy" means the municipal bond insurance policy at the time applicable to the Variable Rate Demand Warrants in question.

"Bond Insurer" means the issuer of the applicable Bond Insurance Policy.

"Default" shall mean the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Eligible Warrants" means any Variable Rate Demand Warrants of a subseries outstanding under and entitled to the benefits of the Indenture (other than any such Variable Rate Demand Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the County or any Affiliate of the County, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Variable Rate Demand Warrants pursuant to the Indenture); and which (i) bear interest at a Daily Rate or a Weekly Rate and are optionally tendered or deemed tendered for purchase pursuant to the Indenture or (ii) bear interest at the Daily Rate or a Weekly Rate and are required to be tendered for purchase pursuant to the Indenture.

"*Event of Default*" shall have the meaning described below.

"*Insurer Event of Default*" shall mean an Event of Default described in paragraph (a), (b)(i), (b)(iii), (c) or (d) below in the list of "Events of Default".

"*Liquidity Agent*" means JPMorgan Chase Bank, together with its permitted successors and assigns.

"*Related Documents*" means with respect to any subseries of Variable Rate Demand Warrants, the Standby Purchase Agreement, the Variable Rate Demand Warrants of such subseries, the Indenture, the Remarketing Agreement and the Bond Insurer Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms of such Standby Purchase Agreement.

"*Related Insurance Policy*" means with respect to any subseries of Variable Rate Demand Warrants, any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to such subseries of Variable Rate Demand Warrants.

Each of the following events shall constitute an "Event of Default" under a Standby Purchase Agreement:

(a) any principal or interest due on the respective subseries of Variable Rate Demand Warrants (including Bank Warrants) is not paid by the County when due and such principal or interest is not paid by Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy or the Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for Bond Insurer as the insurer of the Variable Rate Demand Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Bond Insurance Policy at any time for any reason ceases to be valid and binding on Bond Insurer in accordance with the terms of the Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) Bond Insurer denies that it has any or further liability or obligation under the Bond Insurance 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 Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or Bond Insurer shall institute or take any corporate action authorizing the institution of any such legal proceeding; or 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 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) Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any facility fees payable under the Standby Purchase Agreement within five Business Days after the County has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest under the Standby Purchase Agreement; or

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

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

(h) The County shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the County shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the County shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the County shall have made a general assignment for the benefit of creditors; the County shall have failed generally to pay its debts as they become due; and the County shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the County seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the County, any purported commencement of such an involuntary case or other proceeding against the County shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the County under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the County by the County or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the County; or

(i) The County shall have failed to pay when due any amount (other than the Series 2003-B Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the County payable from Pledged Revenues aggregating more than $5,000,000 or

(ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the County to perform or observe any other term, covenant or agreement contained in the Standby Purchase Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Variable Rate Demand Warrants; or

(l) The County shall have denied that it has any or any further obligation under the Series 2003-B Warrants or under the Standby Purchase Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the County or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the County under the Variable Rate Demand Warrants or under the Standby Purchase Agreement is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the County; or

(m) A final judgment or order for the payment of money in excess of $5,000,000 shall have been rendered against the County, shall be payable from the Pledged Revenues, and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the County's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" (or its equivalent) and the long-term rating assigned to the County's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB" (or its equivalent); or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of Bond Insurer to below Aa3, AA- or AA-, respectively or suspended or withdrawn its ratings on any claims paying ability of Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy) when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

If any Event of Default shall have occurred and be continuing under a Standby Purchase Agreement:

(a) In the case of an Insurer Event of Default, the available commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase

Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the County, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's available commitment and of its obligation to purchase Eligible Warrants pursuant to the Standby Purchase Agreement.

(b) In the case of any Event of Default under paragraph (e), (h), (i) (but only if the County is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) above, the Bank may terminate its available commitment by delivering a termination notice to the County, the Trustee, the Tender Agent, Bond Insurer and the Remarketing Agent, specifying the date on which at 2:00 p.m. New York City time the available commitment shall terminate (the "Termination Date"), which date shall be not less than 25 days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants under the Standby Purchase Agreement.

(c) In the case of an Event of Default specified in paragraph (b)(ii) above, the Bank may suspend its obligation to purchase Eligible Warrants under the Standby Purchase Agreement, effective immediately, upon written notice to the County, the Trustee, the Remarketing Agent and Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Bond Insurance Policy null and void, or declaring that Bond does not have any further liability or obligation under the Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants under the Standby Purchase Agreement shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Bond Insurance Policy are upheld in their entirety, the Bank's obligation under the Standby Purchase Agreement shall be automatically reinstated and the terms of the Standby Purchase Agreement will continue in full force and effect as if there had been no such suspension (unless the Standby Purchase Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy has not been obtained, then the available commitment and obligation of the Bank to purchase Eligible Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described above in (b)(ii), the Bank may suspend its respective obligations to purchase Eligible Warrants hereunder which are insured by Bond Insurer to which such event relates, upon written notice to the County, the Trustee and Bond Insurer until the proceeding referred to therein in terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations under the Standby Purchase Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants under the Standby Purchase Agreement shall otherwise have terminated or there has occurred an Insurer Event of Default) as if there had been no such suspension.

(d) Upon the occurrence of an Event of Default described under paragraphs (f), (g), (j), (m), (n), (p) or (q) above, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due under the Standby Purchase Agreement due and payable, or to accelerate the maturity date of any Variable Rate Demand Warrants of its respective subseries except as provided in the Standby Purchase Agreement and in the Indenture. This paragraph shall not limit the exercise of the Bank's other remedies.

(e) In the case of an Event of Default specified in paragraph (q) above, which Event of Default a Bank reasonably concludes could adversely affect Bond Insurer's ability to perform under the Bond Insurance Policy, a Bank may suspend its obligation to purchase Eligible Warrants under the Standby Purchase Agreement, effective immediately, upon written notice to the County, the Trustee, the Remarketing Agent and Bond Insurer. If a court or other ruling body of competent jurisdiction rules against Bond Insurer and Bond Insurer fails to comply in any respect with, or appeal in good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants under the Standby Purchase Agreement. If a court or other ruling body of competent jurisdiction either (i) rules in favor of Bond Insurer or (ii) rules against Bond Insurer and Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants under the Standby Purchase Agreement shall be automatically reinstated and the terms of Standby Purchase Agreement will continue in full force and effect as if there had been no such suspension (unless the Standby Purchase Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the purchase period, the dispute regarding Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the available commitment and obligation of the Bank to purchase Eligible Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default described under paragraph (e), (h), (i) (but only if the County is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) above occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on 25 days' notice pursuant to the terms of the Standby Purchase Agreement, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in paragraphs (a), (b), (c), (d) and (e) above, in the case of any Event of Default described above, upon the election of the Bank: (i) all amounts payable under the Standby Purchase Agreement to the Bank shall upon notice to the County become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the County; and/or (ii) the Bank shall have all the rights and remedies available to it under the Standby Purchase Agreement, the Related Documents, the Bond Insurer Insurance Policy or otherwise pursuant to law or equity.

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

Upon any redemption, repayment or other payment of all or any portion of the principal amount of the Series 2003-B Warrants, each Bank's purchase commitment under its respective Standby Purchase

Agreement with respect to principal of and interest on Series 2003-B Warrants shall automatically be reduced proportionally by the principal amount of the Series 2003-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 Liquidity Agent, the Bank and the County. No Bank has an obligation to extend or renew its respective Standby Purchase Agreement beyond its initial term. The County has the right under certain circumstances to terminate the Standby Purchase Agreements.

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 Agreements, which comprise the initial Liquidity Facility. See "DESCRIPTION OF THE SERIES 2003-B WARRANTS – Support Facilities – Liquidity Facility".

THE BANKS

The Banks described below will enter into a Standby Purchase Agreement with respect to a subseries of Variable Rate Demand Warrants. See "STANDBY PURCHASE AGREEMENTS FOR THE VARIABLE RATE DEMAND WARRANTS". The information set forth below has been provided by each Bank. The delivery of this Official Statement shall not create any implication that there will be no change in the affairs of any of the respective Banks after the date hereof, or that the information contained or referred to in this section of this Official Statement is correct as of any time subsequent to its date.

The County has not independently verified any financial information furnished by the Banks nor has it made an independent determination of the financial position of the Banks, determined whether the Banks are or will be financially capable of fulfilling their respective obligations under the Standby Purchase Agreements, nor ascertained the correctness, accuracy, or completeness of such information. There can be no assurance that such information is indicative of the future financial performance or financial condition of the Banks.

The term "Bank", as used within each of the following subsections, refers solely to the particular Bank described within such subsection.

Series 2003-B-2: Société Générale

Société Générale, New York Branch is a licensed New York branch of Société Générale, a French banking corporation. The executive offices of Société Générale, New York Branch are located at 1221 Avenue of the Americas, 6th Floor, New York, New York 10020, Telephone (212) 278-6000.

Société Générale (the "Bank") is a French banking corporation and the most important constituent entity of the Société Générale Group (the "Group"). The Group is an international banking and financial services group based in France that includes approximately 300 French and foreign banking and non-banking companies. The Group also holds (for investment) minority interests in industrial and commercial companies. In this subdivision of the Official Statement, the term "Bank" refers to Société Générale (the parent company) only and the term "Group" refers to Société Générale and its domestic and foreign subsidiaries and affiliates which are consolidated in full or under the equity method.

The Bank was originally incorporated in 1864 and was nationalized along with other major French commercial banks in 1945. In July 1987, the Bank was returned to the private sector through offerings of shares in France and abroad. The Bank and other French financial institutions of the Group are subject to laws and regulations which are applicable generally to financial institutions doing business in the relevant jurisdictions and which cover such matters as liquidity and asset coverage, reserve requirements, risk diversification and limitations on equity investments in non-financial companies, all of which require compliance with numerous reporting and accounting requirements.

The Group is engaged in a broad range of banking and financial services activities, including deposit-taking, lending and leasing, securities brokerage services, investment management, investment banking, capital markets activities and foreign exchange transactions. The Group's customers are served by its extensive network of domestic and international branches, agencies and other offices, which at December 31, 2001 consisted of approximately 2,600 offices in France and approximately 500 offices in 75 foreign countries.

The registered office of the Bank is 29, Boulevard Haussmann, 75009 Paris, France. Its headquarters are at Tour Société Générale, 92987 Paris, La Défense Cedex, France. Its telephone number is 42 14 20 00.

The Group has had operations in the United States since 1940. The Bank maintains offices in New York, Chicago, Dallas, Greenwich (CT), Houston, San Francisco, Boston, Cleveland and Denver. The Group also conducts business in the United States through a number of subsidiaries.

At December 31, 2002, the Group had total consolidated assets of 501.3 billion Euros and shareholders' equity of 15.7 billion Euros, and the Bank had total consolidated assets of 386.6 billion Euros and total consolidated shareholders' equity of 14.3 billion Euros. At December 31, 2002, the buying rate expressed in U.S. dollars per Euro was 1.0487 U.S. dollars.

The foregoing financial figures have been derived from, and are qualified by reference to, the Group's audited consolidated financial statements and notes (including note 1 which contains a discussion of the significant accounting principles applied) and the Bank's audited financial statements and notes (including note 1 which contains a discussion of the significant accounting principles applied) that are contained in the Group's 2002 Annual Report (the "Annual Report"). Such financial statements are prepared in accordance with French generally accepted accounting principles, which differ in certain significant respects from generally accepted accounting principles in the United States.

Copies of the English version of the Annual Report (translated in full from the underlying French document) will be mailed to each person to whom this Official Statement is delivered, upon written request mailed to Société Générale, New York Branch, 1221 Avenue of the Americas, New York, New York 10020, Attention: Corporate Communications Department.

Series-2003-B-3 and Series-2003-B-4: The Bank of New York

The Bank of New York (the "Bank") is the principal subsidiary of The Bank of New York Company, Inc. (NYSE: BK), a financial holding company ("BNY Company"). BNY Company provides a complete range of banking and other financial services to corporations and individuals worldwide through its basic businesses, namely, Securities Servicing and Global Payment Services, Corporate Banking, BNY Asset Management and Private Client Services, Retail Banking, and Financial Market Services. Additional information on BNY Company is available at www.bankofny.com.

The Bank was founded in 1784 by Alexander Hamilton and is the nation's oldest bank. The Bank is a state chartered New York banking corporation and a member of the Federal Reserve System. Its business is subject to examination and regulation by federal and state banking authorities.

The Bank has long-term senior debt ratings of "AA-"/"Aa2" and short-term ratings of "A1+/P1" from Standard & Poor's and Moody's Investors Service, Inc., respectively.

The Bank's principal office is located at One Wall Street, New York, New York 10286. A copy of the most recent annual report and 10-K of BNY Company may be obtained from the Bank's Public Relations Department, One Wall Street, 31st Floor, (212) 635-1569 or by visiting the Bank's website.

Series 2003-B-5 and Series-2003-B-6: State Street Bank and Trust Company

State Street Bank and Trust Company (the "Bank"), a wholly-owned subsidiary of State Street Corporation (the "Corporation"), provides banking, securities processing and investment management services to a broad base of customers worldwide. The Bank combines information processing with banking to process and manage virtually all types of financial assets. In addition to financial processing services, the Bank provides a full range of capital market services to businesses and financial institutions in New England and selected national and international markets. At December 31, 2002, the Bank and its consolidated subsidiaries had total assets of $85.794 billion, total deposits (including deposits in foreign offices) of $45.468 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $4.113 billion and total equity capital of $4.787 billion.

The Bank's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2002, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this Official Statement and shall be deemed to be a part hereof.

In addition, all reports filed by the Bank pursuant to 12 U.S.C. §324 after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and the Bank is set forth in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Bank's Standby Purchase Agreement is an obligation of the Bank and not of the Corporation.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, 225 Franklin Street, Boston, Massachusetts 02110, (617) 786-3000.

Neither the Bank not its affiliates make any representation as to the contents of this Official Statement (except as to this subdivision of this Official Statement), the suitability of the Series 2003-B Warrants for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

Series 2003-B-7: Lloyds TSB Bank plc

Lloyds TSB Bank plc (the "Bank") is the wholly-owned subsidiary of Lloyds TSB Group plc ("LTSB Group"). The Bank and its subsidiaries (the "Bank's Group") comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a wide range of banking and financial services in the United Kingdom and overseas.

At the end of 2002, total assets of LTSB Group were £253 billion. The total number of persons employed by LTSB Group and its subsidiaries was approximately 80,000.

The main business activities of the Bank's Group during 2002 are described below:

UK Retail Financial Services

UK Retail Financial Services encompasses two of the Bank's Group's main businesses – (i) UK Retail Banking and Mortgages and (ii) Insurance and Investments – which provide a wide range of banking and financial services to 16 million personal and small business customers in England, Scotland and Wales.

Wholesale Markets

The Bank's Group's relationships with major United Kingdom and multinational companies, banks and institutions and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through dedicated offices in the United Kingdom and a number of locations overseas, including New York and Tokyo.

International Banking

The Bank's Group provides banking, investment and other financial services overseas in three main areas: (i) The Americas (including the international bank agency of the Bank in Miami, Florida), (ii) New Zealand and (iii) Europe and Offshore Banking.

Availability of Public Information

The Bank will provide, upon request, to each person to whom this Official Statement is delivered a copy of (i) the most recently available annual Report and Accounts of LTSB Group for the fiscal year ended as at December 31, 2002 (ii) Annual Report on Form 20F of LTSB Group for the fiscal year ended 31st December, 2001. Written requests should be directed to the Bank at 1251 Avenue of the Americas, 39th Floor, New York, New York 10020; Attention: Structured Finance. Additional information (including a full copy of such Report and Accounts and Form 20F of LTSB Group) is available from the LTSB Group web site at www.lloydstsb.co.uk (Investor Relations).

THE PLAN OF FINANCING

Advance Refunding

The proceeds of the Series 2003-B Warrants will be used to advance refund all or a portion of selected maturities of the County's outstanding Series 1997-A Warrants, Series 1997-D Warrants, Series

1999-A Warrants, Series 2001-A Warrants, Series 2002-B Warrants and Series 2002-D Warrants aggregating $922,635,000 in principal amount (the "Refunded Warrants"), to refund a portion of the interest on certain of the Outstanding Sewer Revenue Indebtedness other than Refunded Warrants and pay the costs of issuance of the Series 2003-B Warrants. Simultaneously with the issuance of the Series 2003-B Warrants, the County and the Trustee will enter into an Escrow Trust Agreement dated April 1, 2003 (the "Escrow Agreement"). Pursuant to the Escrow Agreement, the County will deposit substantially all of the net proceeds of the Series 2003-B Warrants into an escrow fund and will apply such proceeds to the purchase of certain U.S. government securities (the "Escrow Securities"). The principal of and interest on the Escrow Securities will be sufficient to pay debt service on the Refunded Warrants from August 1, 2003 until and including August 1, 2012, and the redemption price of Refunded Warrants that will be called for redemption on February 1 in the years 2007, 2009, and 2011, and on August 1, 2012. Other proceeds of the Series 2003-B Warrants will be deposited in a separate escrow fund established to provide for the payment of the aforesaid interest that is being refunded.

The Refunded Warrants will consist of the following portions of the principal amounts maturing or subject to mandatory redemption in the years indicated for each series:

Series	**Maturity Date**	**Refunded Par Amount**
1997A	2/1/20	$ 8,110,000
1997A	2/1/21	9,875,000
1997A	2/1/22	11,870,000
1997A	2/1/23	14,125,000
1997A	2/1/24	16,625,000
1997A	2/1/25	19,440,000
1997A	2/1/26	22,595,000
1997A	2/1/27	26,130,000
		128,770,000
1997D	2/1/19	23,810,000
1997D	2/1/20	25,170,000
1997D	2/1/21	23,000,000
		71,980,000
1999A	2/1/28	58,820,000
1999A	2/1/29	61,915,000
1999A	2/1/32	71,980,000
1999A	2/1/33	75,670,000
1999A	2/1/39	104,935,000
		373,320,000
2001A	2/1/26	2,045,000
2001A	2/1/27	2,160,000
2001A	2/1/28	2,285,000
2001A	2/1/41	107,375,000
		113,865,000
2002B	2/1/38	23,745,000
2002B	2/1/39	25,610,000
2002B	2/1/40	53,840,000
2002B	2/1/41	12,485,000

2002B	2/1/41	31,655,000
2002B	2/1/42	59,585,000
		206,920,000
2002D	2/1/37	27,780,000
		27,780,000 **Total: 922,635,000**

Fixed Payer Swap Transaction

In connection with the issuance of the Series 2003-B Warrants, the County has entered into an interest rate swap transaction with JPMorgan Chase Bank (the "Counterparty") with an aggregate notional amount equal to the par amount of the Series 2003-B Warrants, other than the Series 2003-B-8 Warrants (the "Fixed Payer Swap Transaction"). Under the Fixed Payer Swap Transaction, the County (a) will be obligated to make semiannual fixed payments to the Counterparty calculated by reference to the applicable notional amount and a fixed rate of 3.678% and (b) will be entitled to receive monthly floating payments from the Counterparty 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). The Fixed Payer Swap Transaction will have a termination date of February 1, 2042. Upon an early termination of the Fixed Payer Swap Transaction, the County may owe a termination payment to the Counterparty or vice-versa. The County expects that the payments that the County will receive pursuant to the Fixed Payer Swap Transaction will approximate (both in amount and date of payment) the payments of interest due on the Series 2003-B Warrants, other than the Series 2003-B-8 Warrants. The Fixed Payer Swap Transaction will be a Qualified Swap and a Secured Related Obligation for purposes of the Indenture.

SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of funds for the plan of financing with respect to the issuance of the Series 2003-B Warrants. Amounts in this table have been rounded to the nearest whole dollar.

Sources of Funds

Principal amount of Series 2003-B Warrants	$1,155,765,000
Transfer from Indenture Funds	12,731,490
Original Issue Premium from Series 2003-B-8 Warrants	10,723,979
Accrued Interest on Series 2003-B-8 Warrants	524,847
TOTAL SOURCES	$1,179,745,316
Uses of Funds	
Deposits to Escrow Funds	$1,157,650,000
Accrued Interest on Series 2003-B Warrants	524,847
Issuance expenses (including underwriting discount, bond insurance premiums, liquidity facility fees, legal fees, printing costs, Trustee acceptance, CUSIP services and miscellaneous)	21,570,469
TOTAL USES	$1,179,745,316

DEBT SERVICE REQUIREMENTS AND COVERAGE

The following table presents the actual debt service requirements on the Outstanding Sewer Revenue Indebtedness after giving effect to the Plan of Financing, which will be the only indebtedness of the County secured by Pledged Revenues after the Series 2003-B Warrants are issued.

Fiscal Year Ending September 30	Series 2003-B Warrants [1] Principal	Interest	Outstanding Sewer Revenue Indebtedness (Other then Series 2003-B Warrants) [234]	Total Debt Service[5]
9/30/2003	-	11,623,569	47,842,312	59,465,880
9/30/2004	-	44,394,887	83,239,401	127,634,288
9/30/2005	-	44,394,887	61,990,501	106,385,388
9/30/2006	-	44,394,887	66,574,426	110,969,312
9/30/2007	-	44,394,887	67,255,728	111,650,614
9/30/2008	-	44,394,887	89,273,520	133,668,407
9/30/2009	5,400,000	44,295,581	101,389,948	151,085,528
9/30/2010	13,850,000	43,876,728	101,399,743	159,126,471
9/30/2011	21,695,000	43,033,472	101,409,633	166,138,105
9/30/2012	22,550,000	41,965,379	101,512,390	166,027,769
9/30/2013	23,500,000	40,853,441	101,613,063	165,966,503
9/30/2014	24,785,000	39,686,371	101,603,140	166,074,511
9/30/2015	26,005,000	38,457,278	101,694,705	166,156,983

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[1] The County has entered into a variable-to-fixed interest rate swap transaction referable to the Series 2003-B Warrants. See "THE PLAN OF FINANCING". For purposes of the foregoing table, interest on the Series 2003-B Warrants (other than the Series 2003-B –8 Warrants) has been calculated on the basis of the fixed rate (3.678%) that will determine the amounts payable by the County under such swap transaction.

[2] The County has entered into variable-to-fixed interest rate swap transactions that are referable to the Series 2002-C Warrants. See "OUTSTANDING DEBT –Outstanding Swap Transactions". For purposes of the foregoing table, interest on the Series 2002-C Warrants has been calculated on the basis of the fixed rate (3.92%) that determines the amounts payable by the County under those swap transactions.

[3] The County has entered into a variable-to-fixed interest rate swap transaction that is referable to the Series 2002-A Warrants. See "OUTSTANDING DEBT – Outstanding Swap Transactions." For purposes of the foregoing table, interest on the Series 2002-A Warrants has been calculated on the basis of the fixed rate (5.06%) that determines the amounts payable by the County under that swap transaction.

[4] The County has refunded certain interest on Outstanding Sewer Revenue Indebtedness other than the Refunded Warrants. Such refunding is reflected in the table above.

[5] Fiscal Year 2003 debt service does not include debt service that was paid on February 1, 2002 , and February 15, 2003.

9/30/2016	31,580,000	37,053,747	97,522,763	166,156,510
9/30/2017	7,275,000	36,146,005	123,573,540	166,994,545
9/30/2018	7,550,000	35,873,373	124,978,328	168,401,701
9/30/2019	29,350,000	35,194,782	103,291,231	167,836,013
9/30/2020	37,775,000	33,960,353	96,924,779	168,660,132
9/30/2021	37,050,000	32,584,322	97,534,096	167,168,418
9/30/2022	17,700,000	31,577,469	138,164,354	187,441,823
9/30/2023	19,800,000	30,887,844	136,395,506	187,083,350
9/30/2024	22,100,000	30,117,303	136,923,114	189,140,417
9/30/2025	24,650,000	29,257,571	137,871,097	191,778,667
9/30/2026	29,325,000	28,264,970	136,784,465	194,374,435
9/30/2027	32,500,000	27,128,009	137,811,823	197,439,832
9/30/2028	62,100,000	25,388,315	92,102,208	179,590,522
9/30/2029	62,250,000	23,101,518	94,413,838	179,765,356
9/30/2030	5,475,000	21,856,055	157,965,838	185,296,893
9/30/2031	5,675,000	21,651,007	158,010,453	185,336,459
9/30/2032	71,225,000	20,236,816	87,883,938	179,345,753
9/30/2033	73,900,000	17,567,967	87,822,338	179,290,305
9/30/2034	4,475,000	16,126,651	165,591,203	186,192,853
9/30/2035	4,650,000	15,958,842	166,052,583	186,661,425
9/30/2036	4,825,000	15,784,597	166,117,783	186,727,379
9/30/2037	30,200,000	15,140,487	139,392,498	184,732,985
9/30/2038	26,400,000	14,099,613	240,126,948	280,626,561
9/30/2039	123,175,000	11,348,929	137,366,203	271,890,131
9/30/2040	52,025,000	8,127,001	206,299,773	266,451,773
9/30/2041	140,125,000	4,593,362	116,028,506	260,746,869
9/30/2042	54,825,000	1,008,232	210,451,488	266,284,719
	1,155,765,000	1,145,801,387	4,820,199,194	7,121,765,581

Historical Coverage

Prior to the issuance of the Series 1997 Warrants, the County Commission amended the ordinance that establishes rates and charges for the System (the "Rate Ordinance") in order to establish a procedure for periodic automatic increases in such rates and charges. See "Automatic Rate Adjustment Ordinance" herein. In December 1997, pursuant to the amended Rate Ordinance, the County increased the sewer service charge from $1.78 to $1.88 per hundred cubic feet, effective January 1, 1998. In November 1998, pursuant to the amended Rate Ordinance, the County increased the sewer service charge from $1.88 to $1.96 per hundred cubic feet, effective January 1, 1999. In January 1999, after a public hearing, the County Commission, acting on a discretionary basis, increased the sewer service charge from $1.96 to $2.20 per hundred cubic feet, effective March 1, 1999. Two additional automatic annual increases in sewer rates under the Rate Ordinance raised the sewer service charge to $2.48 as of January 1, 2000 and to $2.74 as of January 1, 2001. Sewer rates increased to $3.01 per hundred cubic feet as of April 1, 2001 due to a discretionary rate increase by the County Commission. Additional automatic annual increases under the Rate Ordinance raised the sewer service charge to $3.53 effective January 1, 2002 and $4.90 effective January 1, 2003.

The following table sets forth certain historical debt service coverage ratios for the County's sewer revenue debt by the County's excess of revenues over expenditures for the fiscal years indicated:

Fiscal Year Ended September 30	Excess of Revenues over Expenditures (000's)	Net Revenues Available for Debt Service (unaudited)[1]	Current Year Debt Service (000's)	Current Year Debt Service Coverage Ratio[2]
1997	$42,815	$42,593	$ 7,294	5.84
1998	48,817	48,481	39,750	1.22
1999	70,592	69,112	39,958	1.73
2000	85,076	82,661	43,744	1.89
2001	88,086	69,060	47,486	1.45
2002	93,031	71,688	72,531	.99

Additional Debt

Parity Debt Under Indenture. The County may from time to time issue warrants, notes or other obligations entitled to a charge, lien or claim on the Pledged Revenues on a parity with the lien or claim imposed by the Indenture for the benefit of the Outstanding Sewer Revenue Indebtedness ("Additional Parity Securities"), subject to the restrictions noted below. The Outstanding Sewer Revenue Indebtedness and the Additional Parity Securities shall be secured equally and proportionately by the Pledged Revenues.

Subordinated Debt. The County may also from time to time issue subordinated debt payable from or secured by a pledge and assignment of the Pledged Revenues that is subject and subordinate to the lien in favor of the Outstanding Sewer Revenue Indebtedness and other outstanding Additional Parity Securities (if any) that is imposed by the Indenture, subject to the restrictions noted below.

Restrictions on Additional Debt. So long as the Indenture remains in effect, the County shall not issue any Additional Parity Securities unless (i) no Event of Default exists under the Indenture and (ii) the Trustee is provided with a Revenue Certificate or a Revenue Forecast (as hereinafter defined). However, the County is not required to deliver a Revenue Certificate or Revenue Forecast in connection with the issuance of a series of Additional Parity Securities for refunding purposes if, in lieu thereof, the County delivers a certificate signed by the County's Director of Finance or an Independent Investment Advisor stating (i) that the Maximum Annual Debt Service immediately after the issuance of such Additional Parity Securities will not be greater than the Maximum Annual Debt Service immediately prior to the issuance of such Additional Parity Securities and (ii) that the total debt service expected to be due and payable on such Additional Parity Securities will be less than the total debt service that would be due and payable after the issuance date of such Additional Parity Securities on those of the Parity Securities being refunded if such refunding did not occur. In the case of the Series 2003-B Warrants, no Revenue Certificate or Revenue Forecast will be required because the County's Director of Revenue will deliver the foregoing alternative certificate.

"Revenue Certificate" means a certificate signed by an Independent Accountant, the President of the Jefferson County Commission (the "Commission") or the County's Director of Finance that satisfies whichever of the following is applicable:

(I) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued prior to October 1, 2007, such certificate shall state the following:

(i) the sum of (A) the Prior Years' Surplus as of the beginning of the Fiscal Year that immediately preceded the Fiscal Year in which such certificate is delivered and (B) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; and

(ii) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 75% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

(II) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, such certificate shall state that the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

If rates and charges for services furnished by the System were increased and put into effect by the County after the beginning of the Fiscal Year or other twelve-month period to which a Revenue Certificate refers and not thereafter reduced, an Independent Engineer may certify the amount of gross revenues from the System that would have been received by the County had such increased rates and charges been in effect during the entire Fiscal Year or other twelve-month period, and the Independent Accountant, the President of the Commission or the County's Director of Finance, as the case may be, preparing and signing the Revenue Certificate may compute Net Revenues Available for Debt Service during such Fiscal Year or other twelve-month period based on the amount of revenues that would have been derived from the System during such period with such increased rates and charges, as so certified by such Independent Engineer.

"Revenue Forecast" means a report prepared by an Independent Engineer with respect to a period that shall begin on the first day of the Fiscal Year that succeeds the Fiscal Year in which the proposed Additional Parity Securities are issued and that shall not be longer than five Fiscal Years (such period being herein called the "Forecast Period"), which report shall make the following projections with respect to the last Fiscal Year in the Forecast Period (such year being herein called the "Test Year"):

(I) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued prior to October 1, 2007,

> (i) the sum of (A) the projected Prior Years' Surplus as of the beginning of the Test Year and (B) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made; and
>
> (ii) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 75% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

(II) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

In preparing its Revenue Forecast, the Independent Engineer shall be entitled (a) to make projections with respect to the rates and charges to be imposed for services furnished by the System during each of the Fiscal Years in the Forecast Period (so long as such Independent Engineer certifies, with respect to any projected rates and charges that are higher than the actual rates and charges in effect as of the date of the Revenue Forecast, that such projected rates and charges would be reasonable for public sanitary sewer systems similar in size and character to the System) and (b) to rely upon estimates prepared by an independent investment advisor with respect to the aggregate amount of debt service on the Parity Securities to become due and payable during each of the Fiscal Years in the Forecast Period.

For purposes of any Revenue Certificate or Revenue Forecast prepared and delivered to the Trustee in connection with the issuance of a series of Additional Parity Securities, the date for determining Maximum Annual Debt Service may be any date that occurs during the period of thirty (30) days that immediately precedes the issuance date for such series of Additional Parity Securities (provided that, in any event, the debt service on such series of Additional Parity Securities shall be taken into account and included in calculating Maximum Annual Debt Service).

Rate Covenant

The County has sole jurisdiction to set the rates for sewer services. The County's rates are not subject to review by any federal, state or similar regulatory authority, but are subject to judicial review as to reasonableness.

The County has covenanted in the Indenture to make and maintain such rates and charges for the services supplied from the System and make collections from the users thereof in such manner as shall provide, in each Fiscal Year, Net Revenues Available for Debt Service in an amount that shall result in compliance with each of the following two requirements (such requirements being referred to herein collectively as the "Rate Covenant"):

(i) the sum of (A) the Net Revenues Available for Debt Service for a given Fiscal Year and (B) the Prior Years' Surplus as of the beginning of such Fiscal Year shall not be less than 110% of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities; and

(ii) the Net Revenues Available for Debt Service for a given Fiscal Year shall not be less than 80% (or, in the case of any Fiscal Year beginning on or after October 1, 2007, 100%) of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities.

For purposes of the Rate Covenant, (a) debt service on the Parity Securities shall not include any interest (i.e., accrued interest or capitalized interest) paid with proceeds of Parity Securities, (b) debt service shall be reduced by any amounts received by the County during the Fiscal Year in question pursuant to Qualified Swaps (other than any amounts so received that constitute extraordinary non-periodic payments), and (c) debt service shall be increased by any amounts paid by the County during such Fiscal Year pursuant to Qualified Swaps. The County has covenanted to make such increases and other changes in such rates and charges as may be necessary to comply with the Rate Covenant.

The Indenture provides that the County's Director of Finance shall, within 60 days after the end of each Fiscal Year, (i) determine whether or not the Net Revenues Available for Debt Service and Prior Years' Surplus for the then most recently completed Fiscal Year were sufficient to result in compliance with the Rate Covenant for such Fiscal Year (the "Historical Evaluation"), (ii) determine whether or not the combination of the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) and the Prior Years' Surplus as of the beginning of the then current Fiscal Year would be sufficient to result in compliance with the Rate Covenant for the then current Fiscal Year (the "Immediate Prospective Evaluation") and (iii) determine whether or not the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) were equal to or greater than 100% of Maximum Annual Debt Service (the "Extended Prospective Evaluation"). For purposes of the Immediate Prospective Evaluation and the Extended Prospective Evaluation, the Net Revenues Available for Debt Service for the preceding Fiscal Year may be adjusted to give effect to any increase in the rates and charges for services furnished by the System that was put into effect after the beginning of such Fiscal Year.

If at the beginning of any Fiscal Year the County's Director of Finance makes the aforesaid determinations and concludes that the County has failed to satisfy the Historical Evaluation, the Immediate Prospective Evaluation or the Extended Prospective Evaluation, then a written notice setting forth such determinations and the conclusions reached (a "Rate Adjustment Notice") shall be delivered, no later than December 10 in such Fiscal Year, to the Trustee and to each member of the Commission. The County has covenanted that, in the event of delivery of notice of the County's failure to satisfy the Historical Evaluation or Immediate Prospective Evaluation (or both), the County will increase rates and charges for services furnished by the System in order to comply with the Rate Covenant.

Automatic Rate Adjustment Ordinance

On February 12, 1997, the Commission amended the ordinance that establishes the rates and charges for services furnished by the System (the "Rate Ordinance") in a manner that has resulted in continual compliance with the Rate Covenant. Under the provisions of the Rate Ordinance, the preparation and delivery of a Rate Adjustment Notice in accordance with the provisions of the Indenture results in an automatic increase in the rates for the standard charges imposed upon and collected from the users of the System, with such increase to be effective as of January 1 in the Fiscal Year in which such Rate Adjustment Notice is delivered. The amount of any such rate increase is determined by formulas contained in the Rate Ordinance, which formulas produce periodic rate increases that are consistent with the requirements of the Rate Covenant.

The Rate Ordinance specifically provides that the provisions thereof shall not limit or restrict the power and authority of the Commission to modify the rates and charges for services furnished by the System in addition to the automatic rate increases resulting from the application of the Rate Ordinance. The Rate Ordinance shall not constitute a contract between the County and the Series 2002-B Warrantholders and such ordinance or any rate adjustments resulting from the operation thereof may be modified at any time by the Commission at its sole discretion.

The automatic rate increases under the Rate Ordinance have been implemented six times, resulting in rate increases effective January 1 in the years 1998, 1999, 2000, 2001, 2002 and 2003. The County Commission also has implemented two discretionary rate increases in addition to the increases resulting from the Rate Ordinance, which discretionary rate increases became effective March 1, 1999 and April 1, 2001. See "Historical Coverage" herein.

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 and the Rate Covenant).

The County has entered into certain interest rate swap transactions and certain standby warrant purchase agreements pursuant to its rights described in the preceding paragraphs. See "OUTSTANDING DEBT - Outstanding Swap Transactions." Also, the obligations of the County with respect to the Fixed Payer Swap Transaction and under the Standby Purchase Agreements will constitute Secured Related Obligations.

CAPITAL IMPROVEMENT PROGRAM

Capital Improvements Mandated by Consent Decree

The County is a party to a consent decree (the "Consent Decree") arising out of certain litigation involving alleged violations of the federal Clean Water Act in the operation of the System. See "LITIGATION - The Consent Decree". The Consent Decree calls for the development and implementation of a remedial plan which is intended to eliminate bypasses and other unlawful discharges of untreated sewage to streams in the County. The remedial plan requires, among other things, extensive rehabilitation of lateral and collector sewers throughout the County and construction of additional capacity to the treatment plants in the System.

Phase I of the remedial plan involved the preparation of planning documents used to evaluate the physical condition and hydraulic capacity of the County's sewage collection system and wastewater treatment plants. Phase II involved a detailed analysis of the conditions of the County and municipal sewage collection systems and wastewater treatment plants, including reports quantifying the amount of infiltration and inflow in each sewage collection system, describing the types of remedial or corrective work needed and quantifying the benefits expected. Both Phase I and Phase II of the remedial plan have now been completed. Phase III is the implementation phase of the Consent Decree and it began in late 1996.

According to Jefferson County, the total estimated cost of the remedial plan is approximately $1.99 billion. Between fiscal year 1996 and fiscal year 2002, approximately $1.1 billion had been expended under this plan, leaving approximately $901 million to be expended in future years. The Jefferson County Commission has hired BE&K to review all capital improvement program projects and effect cost reductions while carrying out the mandated portions of capital improvement program. Projected costs related to the Consent Decree may decline if the County accepts recommendations to cancel specific contracts and implement value engineering as proposed by BE&K As of November 30, 2002, approximately $1.461 billion of the total costs were under contract. See "JEFFERSON COUNTY SEWER SYSTEM -- Sanitary Sewer Capital Improvement Program" for a schedule of estimated expenditures to comply with the Consent Decree.

Clean Water Act Compliance

The County has undertaken a number of projects that, while not required by the Consent Decree, are necessary for compliance with the Clean Water Act. Approximately $169 million was spent on Clean Water Act compliance projects between fiscal years 1996 and 2002, leaving approximately $610 million in projects to be funded through fiscal year 2007. Projected costs may decline as BE&K continues its review if the County accepts recommendations to cancel specific contacts and implement value engineering as proposed by BE&K. As of November 30, 2002, approximately $404 million of these costs was under contract. See “JEFFERSON COUNTY SEWER SYSTEM – Sanitary Sewer Capital Improvement Program” for a schedule of estimated expenditures for the County’s Clean Water Act compliance efforts.

Ongoing Sewer Expansion Program

In addition to the capital improvement program necessitated by the Consent Decree and to Clean Water Act compliance efforts, the County has an ongoing sewer expansion program. Approximately $170 million was spent on sewer expansion projects between fiscal years 1996 and 2002. The County estimates that an additional $114 million will be spent on this portion of the capital improvement program through fiscal year 2007. This represents a cost reduction of approximately $271 million from previous projections related to the sewer expansion program. This projected cost savings comes through cancellation of some contracts for sewer expansion resulting from the County Commission's decision to employ BE&K to review all capital improvement program projects and focus on the mandates of the Consent Decree and Clean Water Act while attempting to reduce the cost of compliance with both and scaling back sewer expansion projects. Acceptance of value engineering recommendations that may be put forth by BE&K may lead to further cost reductions. As of November 30, 2002, approximately $267 million of sewer expansion costs were under contract. See "JEFFERSON COUNTY SEWER SYSTEM -- Sanitary Sewer Capital Improvement Program" for a schedule of estimated expenditures for the County's ongoing capital improvement program.

Sources of Funding

The County expects that the remaining costs of the remedial plan, Clean Water Act compliance and the ongoing sewer expansion program will be funded from remaining proceeds of the Series 2002-B Warrants and Series 2002-D Warrants, interest income, and possibly future borrowings. Additionally, cost savings in excess of the $271 million projected in the ongoing sewer expansion program may also be realized in the future in various aspects of the capital improvement program. The County may also liquidate approximately $200 million in reserves from previous warrants to cover costs of the Capital Improvement Program. The estimated future costs and sources of funding are summarized in the following table:

Future Costs

	(in millions)
Remaining costs of the remedial plan (from November 30, 2002 through completion)	$901.2
Clean Water Act compliance (from November 30, 2002 through completion)	610.4
Ongoing sewer expansion program (from beginning of current fiscal year through completion)	114.4
TOTAL	$1,626

Sources of Funding

Remaining proceeds of Series 2002-B Warrants (as of December 31, 2002)	$417.5
Remaining proceeds of Series 2002-D Warrants (as of December 31, 2002)	386.6
TOTAL	$804.1

The County is uncertain as to whether available proceeds of the Series 2002-B Warrants and Series 2002-D Warrants combined with future cost reductions, and interest income will be sufficient to pay costs of the capital improvement program. The County may also need to borrow again for the capital improvement program. The County might also liquidate reserves for the Series 2002-A, 2002-B and 2002-D Warrants to fund the program. However, the timing of any additional borrowing cannot be predicted with certainty. Numerous factors can affect the timing of any such borrowing, including changes in the work priority as a result of future performance of the System and cost savings identified by BE&K, timing requirements of the Consent Decree, the rate at which independent contractors complete their work, the availability of materials and supplies, market conditions, and the availability of the cash reserves to cover costs in excess of available Series 2002-B Warrants, and Series 2002-D Warrant proceeds until an additional borrowing can be completed.

JEFFERSON COUNTY SEWER SYSTEM

General Information

Act No. 714 of the Alabama Legislature, enacted February 28, 1901 authorized the construction, maintenance and operation of a sewage disposal system (the "System") in Jefferson County by the Jefferson County Sanitary Commission, which Act No. 714 created. Act No. 716, also enacted February 28, 1901, provided for the issuance of bonds for sewer purposes and for the levy of a special ad valorem tax (the "Sewer Tax") for sewer purposes. On August 19, 1909, Act No. 48 was enacted into law to transfer the rights, duties and powers with respect to the System from the Jefferson County Sanitary Commission to the Board of Revenue of the County. Pursuant to these acts, municipalities in the County may construct their own sewage collection systems which connect to trunk or branch lines of the System. Private sewer systems, if any, can also be connected to the System with the permission of the governing body of the County, the County Commission. In addition to building trunk and branch lines, the Commission is also authorized to locate and build wastewater treatment plants to carry out its legislative charge to protect the sources of drinking water supply from pollution.

Amendment No. 73 to the Alabama Constitution (the "County Sewer Amendment") grants to the governing body of the County the right to levy and collect sewer service charges from the users of the System. The County Sewer Amendment provides that the County Commission shall have a lien against any property served by the System to secure the payment of any related sewer service charges. Any such lien may be enforced by foreclosure in the same manner as municipal assessments for public improvements. Under the County Sewer Amendment, any moneys derived by the County from sewer service charges may be expended only for purposes related to the improvement, extension, maintenance and operation of the System.

Through the end of World War II, the System serviced four areas in the County, and total cumulative construction expenditures were under $2 million. Subsequent to World War II, two major forces contributed to the geographical expansion of the System and the upgrading of treatment provided by the System's wastewater treatment plants ("WWTPs"). The suburban migration that began in the 1950's, together with the rapid residential and industrial growth in the County at that time, was one factor. The other factor was the Federal Government's passage of the first Water Pollution Control Act of 1948, which set up policies, rules and grant procedures for water pollution control and was the first in a series of acts and amendments designed to protect the streams and watercourses in the United States.

The Federal Water Pollution Control Act amendments of 1972 and 1977 (the "Clean Water Acts") provide for the restoration and maintenance of the chemical, physical and biological integrity of the nation's waters. Toward the furtherance of that goal, the Clean Water Acts established the National Pollutant Discharge Elimination System ("NPDES"), a permit system administered by the United States Environmental Protection Agency ("EPA") in conjunction with the various states. EPA has delegated the NPDES program in Alabama to the Alabama Department of Environmental Management ("ADEM"). The System is subject to the requirements of the Clean Water Acts and the conditions set forth in the NPDES permit applicable to each of the WWTPs. In addition, the System is subject to regulation by ADEM.

All of the County's WWTPs achieve levels of secondary and tertiary treatment consistent with the standards set forth in the Clean Water Acts. However, due to the treatment capacities for wet weather flows to certain plants coupled with the loading restrictions associated with low volume of water flow of the stream into which the plants discharge, problems related to peak treatment capabilities remain. Additionally, the EPA and the ADEM have established high stream quality standards for the County. For example, the Cahaba River WWTP discharges into the Cahaba River, which has very low stream flow due to its upstream diversion and use as drinking water. Therefore, continued improvements to facilities where stringent effluent limits are imposed will be necessary in the future.

In 1998, as the result of a United States District Court's decision pursuant to a lawsuit claiming that Jefferson County was violating EPA regulations of the Clean Water Acts, the operations and maintenance of the sewage collection systems of twenty-one municipalities connected to the System were unified under the control of the County Commission. The unification of the respective sewage collection systems added over 11 million linear feet of sewer lines and approximately 100 pumping stations, thereby expanding the County Commission responsibility for the System with a total of more than 2600 miles of sewer lines, 140 pumping stations, and nine WWTPs. Upon the acquisition of the municipal systems, the County Commission determined that the municipal systems failed to meet the standards required to comply with the Clean Water Acts. The County Commission is currently implementing comprehensive rehabilitation to the infrastructure to comply with federal requirements and prepare the System to meet the demands of Jefferson County's growing population.

County Growth Patterns

The most significant aspect of the County's growth since 1950 is its low density when compared to the older central area. For instance, new suburban growth in the areas of the County on the southern side of Red Mountain from Birmingham have taken place at a density of less than two dwelling units per net residential acre as compared to densities in the West End section of Birmingham of approximately six dwelling units per net residential acre. Beginning in the 1950's, a mass outward migration of people from the central valley area began, following the national trend of movement from the city out to the suburbs. This led to pressure for sewer service in outlying areas at the same time that regulatory requirements were mandating secondary treatment of wastewater.

Although the period from 1970 to 1980 saw only a slight increase in the County's population, the number of housing units in the County increased by 22%. This may be attributable to an increase in multifamily construction during this time, which added to the County's housing units. The trend towards smaller families and declining birthrate, generally, also contributed to the slow population growth. Subsequent moratoria on sanitary sewer facilities and the impact of an economic recession slowed growth in the late 1970's.

Between 1980 and 1990, the County's population declined by nearly 20,000 people. Household size decreased rapidly during this decade, as well. In part, the shrinking population may be attributed to smaller households and the declining birthrate. In addition, migration from the County contributed to the population decline. Construction on Interstate 459 was completed during this decade which enabled those working in Birmingham to move to outlying counties and commute into the city. Despite the population decline during this time, the number of housing units in the County rose by 5.1%. This increase is likely the result of the construction of multi-unit dwellings.

Between 1990 and 2000, the population of the County increased slightly, reversing the trend of the prior decade. While out-migration from the County has occurred, this trend has been somewhat offset by a high birth to death ratio. The number of housing units increased during this time, as well, but not as rapidly as it did during the 1970's and 1980's. Nearly one-half of the new housing units in Jefferson County were located south of Birmingham along Interstate 65 and Highway 31 in the Hoover and Vestavia Hills areas and northeast of Birmingham along Interstate 59 in the Trussville area.

System Management

The Jefferson County Commission is comprised of five commissioners elected by district. The President of the Commission is responsible for the financial management of the System, as well as the financial management of the rest of the County's operations. One commissioner has been given the responsibility of Environmental Services which includes, in part, the overall operational management of the System. The System is managed by the County Environmental Services Department under the daily direction of the County's Environmental Services Director.

Environmental Services Department

The Environmental Services Department is organized into five divisions: Administration, Maintenance and Construction, Wastewater Treatment Plants, Barton Lab/Industrial Pretreatment and Solid Waste. The Environmental Services Department has a total of 761 employees, all of whom are civil service employees.

The Administration Division has the responsibility of providing direction to all phases of the Department's operations. The Administration Division has 79 employees, including the engineering staff. The duties include management of wastewater treatment plants, management of the capital construction programs, issuance of impact connection permits, sewer service inspections, sewer availability information, assessment sewers and review and approval of all proposed sewer construction plans.

The Maintenance and Construction Division has the responsibility for performing sewer maintenance activities, sewer construction inspection, and miscellaneous construction to support the maintenance crews. The maintenance operations are staffed 24 hours per day, seven days per week. This division has a total of 203 employees.

The Wastewater Treatment Plant Division has the responsibility for the operation and maintenance of the wastewater treatment facilities of the County. This division has a total of 379 employees.

Barton Lab/Industrial Pretreatment Division has the responsibility for miscellaneous laboratory analyses required by the Department, water quality monitoring activities, plant laboratory quality control and industrial pretreatment sampling and surcharge activities. This division has a total of 33 employees.

Solid Waste Division is responsible for operating and maintaining the Department's two public landfills, solid waste transfer facility and two wood waste facilities. This division is funded entirely from tipping fees, which revenues do not constitute System Revenues. This division has a total of 67 employees.

Jefferson County Wastewater Treatment Plants and Sewer Lines

Village Creek Wastewater Treatment Plant. The Village Creek Plant is located in Pratt City. The plant receives sewage flow from most of the downtown Birmingham area, including Southside, West End, Avondale, Woodlawn, East Lake, Huffman, North Birmingham, Ensley, Pratt City, Forestdale and Hooper City. The Village Creek Plant has an average design capacity of 60 million gallons per day ("MGD"). The unit processes for treatment consist of screening removal with mechanical bar screens, pre-aeration and grit removal, primary clarification, first stage activated sludge aeration, intermediate clarification, second stage aeration for nitrification, final clarification, partial sand filtration, chlorination, dechlorination and final effluent discharge into Village Creek. Sludge handling consists of thickeners, anaerobic and aerobic digestion, mechanical dewatering by centrifuges. The dried solids are handled by the biosolids operations described later. There are 82 employees at this plant which is staffed 24 hours per day, seven days a week. The plant is currently under design to expand the average capacity from 60 MGD to 120 MGD and provide peak flow treatment to all wet weather flows.

Valley Creek Wastewater Treatment Plant. The Valley Creek Plant is located in West Bessemer near the intersection of Johns Road and Powder Plant Road. The plant receives sewage flow from the Central Park — Fairgrounds area, Fairfield, Midfield, Powderly, Roosevelt City, Brighton, Lipscomb, Bessemer, Hueytown, Pleasant Grove, Dolomite, Garywood, Wylam and McCalla areas. The Valley Creek Plant also receives all the flow from the Shades Valley basin including Irondale, Mountain Brook, Homewood and portions of Birmingham south of Red Mountain. The Valley Creek Plant has an average design capacity of 65 MGD. The unit processes for treatment consist of mechanical bar screens, comminutors, pre-aeration and grit removal, primary clarification, first stage activated sludge aeration, intermediate clarification, second stage aeration for nitrification, final clarification, chlorination, dechlorination and final effluent discharge to Valley Creek. Sludge handling consists of thickeners, anaerobic digesters and sludge dewatering by belt filter presses. Dried solids are handled by the biosolids operations. There are 72 employees at this plant, which is also staffed 24 hours per day, seven days a week. The plant is currently under design to expand the average capacity to 85 MGD and provide peak flow treatment to all wet weather flows.

Five Mile Creek Wastewater Treatment Plant. The Five Mile Creek Plant is located in Lower Coalburg. The plant receives sewage flow from Tarrant City, Inglenook, Lewisburg, Roebuck, Center Point, Grayson Valley, the southern end of Pinson Valley, Fultondale and southern Gardendale. The Five Mile Creek Plant has an average design capacity of 20 MGD. The unit processes for treatment consist of mechanical screens, flow equalization, pre-aeration and grit removal, primary clarification, step-aeration activated sludge aeration, secondary clarification, chlorination and dechlorination, and final effluent discharge to Five Mile Creek. Sludge handling consists of aerobic digestion, thickeners and sludge drying beds. Dried solids are handled by the biosolids operations. There are 37 employees who operate the Five Mile Creek Plant 24 hours per day, seven days a week. The plant is currently under design to expand the average capacity to 30 MGD and provide peak flow treatment to all wet weather flows.

Cahaba River Wastewater Treatment Plant. The Cahaba River Plant is located in Hoover just downstream of the I-65 bridge over the Cahaba River. The plant receives sewage flow from Hoover, Bluff Park, Vestavia, Rocky Ridge, Acton Valley, Cahaba Heights and that portion of Riverchase which is within Jefferson County. This plant has an average design capacity of 16 MGD. The unit process consists of mechanical fine screens, pre-aeration and grit removal, peak flow holding basin, primary clarification, first stage activated sludge aeration, intermediate clarification, second stage aeration for nitrification, final clarification, filtration, chlorination, dechlorination and final effluent discharge to the Cahaba River. Sludge handling consists of aerobic digestion and sludge dewatering by belt filter presses. Dried solids are handled by the biosolids operations. There are 39 employees at the Cahaba River Plant, which is staffed 24 hours per day, seven days a week. The plant is currently under design to add additional tertiary treatment components to meet new regulatory discharge requirements.

Turkey Creek Wastewater Treatment Plant. The Turkey Creek Plant is located in Pinson just off The Narrows Road. The plant receives sewage flow from Pinson, the Sweeney Hollow Road area, and northern Center Point. The Turkey Creek Plant has a design capacity of 4 MGD. The unit processes for treatment consist of bar screens, comminutors, pre-aeration and grit removal, equalization holding basin, oxidation ditch extended aeration, secondary clarification, ultraviolet light radiation and final effluent discharge cascade to Turkey Creek. Sludge handling consists of thickeners and sludge drying beds. Dried solids are handled by the biosolids operations. There are 10 employees at this plant which is staffed eight hours per day, seven days a week. The plant is currently under design for expansion to accommodate growth within the service area of this plant.

Norman R. Skinner (Leeds) Wastewater Treatment Plant. The Leeds Plant is located in the City of Leeds off Montevallo/Cahaba Valley Road. The plant receives sewage flow only from the City of Leeds, including small parts of St. Clair and Shelby Counties. The Leeds Wastewater Treatment Plant has a design capacity of 5 MGD. The unit processes for treatment consists of headworks grinders, grit removal, peak flow holding facilities, oxidation ditch extended aeration, secondary clarification, sand filtration, ultra-violet light radiation (disinfection) and final effluent discharge to the Little Cahaba River. Sludge handling consists of aerobic digestion, thickening and sludge drying beds. Dried solids are handled by the biosolids operations. There are 13 employees at this plant which is staffed 8 hours per day, seven days a week.

Trussville Wastewater Treatment Plant. The Trussville Plant is located in the City of Trussville behind City Hall. The plant currently receives flow from the City of Trussville and an area along U. S. Highway 11 between Trussville and I-459. The Trussville Plant, completed in July 1998, has a design capacity of 4.5 MGD. The unit processes for treatment consist of grit removal, oxidation ditch extended aeration, secondary clarification, sandfiltration, ultra-violet light radiation (disinfection) and final effluent discharge to the Cahaba River. Sludge handling consists of sludge drying beds. Dried solids are handled by the biosolids operations. There are 13 employees at this plant which is staffed eight hours per day, seven days a week.

Warrior Wastewater Treatment Plant. The Warrior Plant is located to the west of Warrior on Blackburn Drive and serves the City of Warrior. The plant has an average design capacity of 100,000 gallons per day. The unit processes for treatment consist of headworks grinders, extended aeration, final clarification, ultra-violet light radiation and final discharge into Cane Creek. The Warrior Plant is staffed for eight hours per day, five days per week with 2 employees. The plant is currently under design for expansion to accommodate growth in the service area.

Prudes Creek Wastewater Treatment Plant. The Prudes Creek Plant serves the Cities of Graysville and Adamsville. The Plant has an average design capacity of 600,000 gallons per day. The unit processes for treatment consist of headworks grinders, extended aeration, final clarifiers, ultra-violet light radiation and final effluent discharge into Fivemile Creek. The Prudes Creek Plant is staffed eight hours per day, five days per week with 2 employees. The plant is currently under design to provide additional peak flow treatment to all wet weather flows.

Pump Stations. The County Commission currently operates numerous pumping stations throughout the County. These stations operate automatically for the most part and they are not permanently staffed. This operation is staffed with 52 employees which comprise several crews who monitor and maintain these pumping stations on a daily basis.

Sewer Plant Maintenance Shops. The County Commission has electrical, electronic and mechanical maintenance shops at the Village Creek, Valley Creek and Five Mile Creek Plants with a total of 38 employees. The shops perform maintenance activities at all of the WWTPs.

Biosolids (Sludge) Beneficial Reuse Operations. This operation provides the staffing (19 employees) and trucking operations to haul and apply all dried sludge (biosolids) onto land which has been stripped for coal in the past as part of a beneficial reuse and land reclamation effort by the County Commission. This program has received regional and national recognition by the EPA.

Billing, Collection and Rate Making Authority

The majority of the sewer customers in the County are served by the Birmingham Water Works Board system or another city-owned water system. Sewer customers served by the Birmingham Water Works Board and Bessemer are billed for sewer service on their monthly water bills. The remaining sewer customers are billed by and pay directly to the County. Some industrial and/or commercial users are subject to a surcharge based on the strength of their waste. This surcharge is administered by the County.

Pursuant to the County Sewer Amendment, the governing body of the County has sole authority to set sewer rates and charges in the County and to provide for the collection, payment and enforcement thereof. In 1984, the Alabama Supreme Court confirmed the County's authority to set rates for sewer service, and held unconstitutional an attempt by the Alabama Legislature to limit that authority. Since the County rate making authority is constitutionally granted, it can only be changed by further constitutional amendment.

The Commission has adopted an amended ordinance that provides for an automatic adjustment in the rates and charges for services furnished by the System, effective each January 1, in order to comply with the Rate Covenant. See "DEBT SERVICE REQUIREMENTS AND COVERAGE – Automatic Rate Adjustment Ordinance". The provisions of such ordinance do not limit or restrict the power and authority of the Commission to modify rates and charges in addition to the automatic rate increases resulting from the application of such ordinance.

Rates and Charges

On January 1, 2003, the effective charge for sewer service in the County became $4.90 per 100 cubic feet of water consumed, an increase from the rate of $3.53 which had become effective on January 1, 2002. A 15% consumption allowance is permitted for residential customers (other than customers who also have private meters) for water not returned to the System. In addition, the County charges a sewer impact fee of $100.00 for each new plumbing fixture added to the System.

Shown below is a chart reflecting the rates and charges for sewer service in effect since January 1, 1994:

Rate Increase Date	Average Per 100 Cubic Feet	Average Residential Bill[1]	Comparative Rates[2]
January 1, 2003	$4.90	$41.65	NA
January 1, 2002	3.53	30.01	NA
April 1, 2001	3.01	25.59	$20.32
January 1, 2001	2.74	23.29	20.32
January 1, 2000	2.48	21.08	20.32
March 1, 1999	2.20	18.70	18.70
January 1, 1999	1.96	16.66	18.70
January 1, 1998	1.88	15.98	17.88
February 1, 1997	1.78	15.13	17.57
January 1, 1996	1.73	14.71	17.27
June 1, 1995	1.58	13.43	16.97
January 1, 1994	1.44	12.24	16.60

[1]The typical monthly residential consumption is 1000 cubic feet. The typical residential customer does not have a special sewer meter. These typical customers receive a 15% consumption discount for water used that does not enter the sewer system. This information was supplied by Jefferson County.

[2]Sources: Raftelis Financial Consulting, PA (formerly known as Raftelis Environmental Consulting Group, Inc.), *Raftelis Financial Consulting, PA 1996, 1998, 2000 and 2002 Water and Wastewater Rate Survey*, Charlotte, N.C.; and Ernst & Young, 1994 Rate Survey.

The County expects that increases in sewer rates of roughly 10% per annum over each of the next five years will result under the County's automatic rate adjustment ordinance in order to pay the required debt service on the Series 2002-B Warrants, which were issued by the County on September 30, 2002, the Series 2002-C Warrants, which were issued on October 25, 2002, the Series 2002-D Warrants, which were issued on November 8, 2002 and the Series 2003-B Warrants. See "CAPITAL IMPROVEMENT PROGRAM". If and to the extent the County must incur additional indebtedness to pay for the County's ongoing capital improvement program, the County expects that sewer rates will have to be increased in order to pay debt service on any such additional borrowings.

Listed below is a comparison of residential sewer service charges per 1,000 cubic feet in other Southeastern cities. The charges listed in this chart are based on rates in effect at various points during calendar year 2001. Other than the charges referable to the County, the following charges have been extracted from a rate study conducted by Raftelis Financial Consulting, PA.

Residential Sewer Charge Comparisons
Per 1000 Cubic Feet of Water Metered

Charleston SC	$42.16
Richmond, VA	33.45
Asheville, NC	33.00
Jacksonville, FL	32.40

Austin, TX	31.69
Tampa, FL	31.49
Knoxville, TN	29.66
Greenville, SC	27.96
Greenville, NC	26.96
Jefferson Co., AL	**25.59**
Spartanburg, SC	24.95
High Point, NC	23.60
Dallas, TX	23.59
Baton Rouge, LA	22.94
Mobile, AL	22.89
Miami, FL	22.12
Charlotte, NC	21.55
Cleveland, OH	21.10
All Systems	**20.32**
Augusta, GA	20.16
Tulsa, OK	18.95
Greensboro, NC	18.00
Anniston, AL	11.70
Memphis, TN	4.39

Note: The information shown is for calendar year 2001. Jefferson County's residential sewer charge for 1000 cubic feet of water metered in calendar year 2003 is $41.65.

Source: Raftelis Financial Consulting, PA., *Raftelis Financial Consulting, PA 2002 Water and Wastewater Rate Survey*, Charlotte, N.C.

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Major Customers

Listed below are the top ten customers of the System during fiscal year ended September 30, 2002 and the related sewer service charges paid:

Major Sewer User	Business	Annual Sewer Service Revenues
University of Alabama at Birmingham	University	$2,317,840
Birmingham Housing Authority	Government	1,932,577
USX	Steel manufacturer	1,290,160
Barbers Dairies	Dairy	997,964*
Golden Flake	Snack Foods	606,370*
Birmingham Board of Education	Government	592,021
Buffalo Rock	Soft drinks	518,781*
Brookwood Medical Center	Hospital	412,754
SMI Steel	Steel manufacturer	377,128
Baptist Health System, Inc.	Hospitals	358,284

* Includes surcharge on same consumption.

Source: Jefferson County.

Sanitary Sewer Capital Improvement Program

The purposes of the County's Sanitary Sewer Capital Improvement Program are:

1. To achieve compliance with the Consent Decree. See "LITIGATION-Consent Decree".

2. To comply with the Clean Water Act and National Pollutant Discharge Elimination System standards sufficiently to prevent future moratoriums.

3. To upgrade and expand the large-scale wastewater treatment plants in order to permit projected and predictable economic and residential growth over the next 10 to 15 years.

4. To accommodate some areas of the County which have been without sewer systems and that show an imminent need.

Financing for the County's capital improvement program has been and will be accomplished through the issuance of sewer revenue warrants by the County and the use of retained sewer service charges not required for operation.

The County expects that it will spend in excess of $1.37 billion on capital expenditures for sewer purposes between October 1, 2002 and September 30, 2005. This estimate does not include projections reflecting potential savings that may be identified by BE&K's review of the capital improvement program other than the savings already identified and discussed in this Official Statement. The following table sets forth the amount expected to be spent on projects necessary to comply with the Consent Decree, projects necessary for Clean Water Act compliance, and other ongoing capital projects for the periods shown, beginning October 1, 1997. The table below rounds the following estimates to the nearest million dollars.

JEFFERSON COUNTY ENVIRONMENTAL SERVICES
SANITARY SEWER CAPITAL IMPROVEMENT PROGRAM
Actual and Estimated Expenditures for Period beginning October 1, 1997

Period	Consent Decree Projects (millions)	Clean Water Act Compliance (millions)	Ongoing Capital Improvements (millions)	Total Expenditures (millions)
10/1/97 through 9/30/02	$1,062	$173	$174	$1,409
10/1/02 through 9/30/03	309	126	54	489
10/1/03 through 9/30/04	318	179	40	537
10/1/04 through 9/30/05	180	143	16	339
10/1/05 through completion	121[1]	158[2]	0	279
TOTALS	$1,990	$779	$284	$3,053

Although the foregoing table reflects the County's best estimates based on current plans of the Environmental Services Department for constructing improvements to the System, the County may modify its plans by eliminating or delaying certain projects or by altering the order in which the foregoing projects are undertaken. No assurance can be given that the amounts shown will be spent at all nor that such amounts will be spent according to the schedule indicated.

Sewer Tax

The Sewer Tax is levied and collected by the County as a .7 mill ad valorem tax for the purpose of paying a portion of the costs of improving, maintaining and operating the System and debt service on County obligations issued for sewer purposes. For the fiscal year that ended September 30, 2002, the revenues derived from the Sewer Tax were approximately $3.1 million and it is expected that the annual revenues from such tax will continue to approximate that amount.

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[1] Includes projected expenditures for fiscal years 2006 and 2007.

[2] Includes projected expenditures for fiscal years 2006 and 2007.

RESULTS OF OPERATIONS

This section of the Official Statement presents certain historical operating data and financial information concerning the System. This information in this section will be updated annually and such annual report will be filed with appropriate information repositories in accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

System Utilization

The following table sets forth certain essential utilization data with respect to the System for the past six fiscal years.

	Fiscal Year Ended September 30					
	2002	2001	2000	1999	1998	1997
Active Accounts	143,038	142,305	142,277	142,042	141,606	140,324
Avg. daily treatment volume (millions of gallons treated)	116	97	114	119	132	127
Sewer Rate Charges (in thousands) [1]	$84,470	$72,129	$66,834	$57,020	$49,531	$46,950
% Revenues - Largest Customer	2.74%	2.66%	2.57%	2.93%	2.91%	2.92%
% Revenues - Top 10 Customers	11.13%	12.53%	11.99%	11.62%	12.35%	10.37%

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[1] Represents sewer rate charges billed but not collected by the County during the fiscal year.

Summary of Revenues and Expenditures

The following table sets forth the consolidated revenues, expenditures and changes in fund balance with respect to the System for each of the past five years:

	Fiscal Year Ended September 30				
	2002	2001	2000	1999	1998
Revenues					
Sewer Rate Charges[1]	$83,929,394	$70,560,676	$68,267,995	$60,705,297	$49,531,824
Other Operating Revenue	6,537,849	6,491,136	6,776,612	5,552,947	5,837,746
Ad Valorem Taxes	3,127,531	3,805,666	4,486,818	3,151,127	3,009,938
Interest income	43,816,319	51,359,876	46,564,365	34,367,637	21,504,762
Miscellaneous Revenue	635,277	28,874	155,674	53,655	244,054
TOTAL REVENUES	$138,046,370	$132,246,228	$126,251,464	$103,830,663	$80,128,324
Expenses					
Salaries and Wages	$26,541,901	$24,548,763	$22,369,514	$19,610,265	$17,100,926
Contract Services	6,019,224	6,091,616	4,386,205	3,538,821	3,495,947
Other	12,454,034	13,519,821	14,419,350	10,714,865	9,123,806
TOTAL EXPENSES	45,015,159	44,160,200	41,175,069	33,238,685	31,311,738
Excess of Revenues Over Expenditures	$93,031,211	$88,086,028	$85,076,395	$70,591,978	$48,816,586
Other Financing Sources (Uses)					
Transfers	-0-	(336,568)	(57,695)		
Depreciation & Amortization	(76,602,471)	(33,576,394)	(31,503,295)	(24,920,608)	(22,525,436)
Interest Expense	(114,324,268)	(90,390,904)	(82,904,264)	(62,504,352)	(33,546,331)
TOTAL OTHER FINANCING SOURCES (USES)	(190,926,739)	(124,303,866)	(114,465,254)	(87,424,960)	(56,071,767)
Net Income (Loss)	(97,895,528)	(36,217,838)	(29,388,859)	(16,832,982)	(7,255,181)
Retained Earnings, Beginning of Year	1,522,673,586	143,063,194	172,452,053	189,285,035	196,540,505
Adjustments for Prior Periods	(122,976,982)	1,415,828,230	0	0	0
Adjusted Retained Earnings Beginning of Year	1,399,696,604	1,558,891,424	172,452,053	189,285,035	196,540,505
Retained Earnings, End of Year	$1,301,801,076	$1,522,673,586	$143,063,194	$172,452,053	$189,285,324

[1] Represents sewer rate charges collected by the County during the fiscal year.

Summary of Balance Sheet

The following table sets forth a summary of the assets and liabilities of the System for each of the past five years:

	Fiscal Year Ended September 30				
	2002 (unaudited)	2001	2000	1999	1998
ASSETS					
Cash and Investments	$830,274,161	$555,728,032	$688,401,358	$972,410,540	$217,577,359
Accounts Receivable, Net	12,393,996	10,998,922	12,008,486	11,063,769	7,576,355
Interest Receivable	667,063	352,821	0	0	0
Due From Other Governmental Units	3,997,020	4,036,862	489,659	465,039	325,510
Inventories	344,304	496,768	546,885	534,599	514,939
Prepaid Items	8,580	4,874	0	0	0
Warrant Issue Costs	39,798,214	33,497,709	22,941,539	23,821,583	16,615,610
Fixed Assets, Net	2,932,952,495	2,770,619,883	1,005,837,887	755,595,701	576,175,647
Deferred Loss on Early Debt Retirement	2,321,981	2,775,870	3,229,759	3,683,648	4,137,537
TOTAL ASSETS	$3,822,757,814	$3,378,511,741	$1,733,455,573	$1,767,574,879	$822,922,957
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	$42,304,800	$18,700,513	$26,955,667	$25,478,133	$19,860,553
Interest Payable	18,384,383	16,273,088	13,695,115	13,799,841	5,472,833
Accrued Payroll and Taxes	521,629	425,831	393,570	978,339	796,949
Retainage Payable	12,505,351	13,121,124	6,114,742	3,684,049	3,044,758
Accrued Vacation and Sick Leave	3,026,745	2,810,681	2,562,982	2,340,363	2,137,551
Accrued Compensatory Leave	414,455	364,934	324,028	263,741	224,989
Due to Other Funds	-0-				
Deferred Revenue	3,661,500	3,427,014			
Arbitrage Rebate Payable	2,382,875	4,464,970	3,461,275	603,360	
Warrants Payable	2,437,755,000	1,796,250,000	1,536,885,000	1,547,975,000	602,100,000
TOTAL LIABILITIES	2,520,956,738	1,855,838,155	1,590,392,379	1,595,122,826	633,637,633
FUND EQUITY					
Retained Earnings	1,301,801,076	1,522,673,586	143,063,194	172,452,053	189,285,324
TOTAL FUND EQUITY	1,301,801,076	1,522,673,586	143,063,194	172,452,053	189,285,324
TOTAL LIABILITIES AND FUND EQUITY	$3,822,757,814	$3,378,511,741	$1,733,455,373	$1,767,574,879	$822,922,957

OUTSTANDING DEBT

General

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

The County Financial Control Act generally prohibits the issuance of warrants by counties unless at the time of such issuance funds are available for their payment. The statutes pursuant to which the Series 2003-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 Long-Term Sewer Revenue Debt

After the issuance of the Series 2003-B Warrants, the County's only outstanding long-term sewer revenue debt will consist of the Outstanding Sewer Revenue Indebtedness. See "GLOSSARY OF TERMS" herein. For a schedule of debt service requirements on the Outstanding Sewer Revenue Indebtedness, see "DEBT SERVICE REQUIREMENTS AND COVERAGE".

Outstanding Short-Term Sewer Revenue Debt

The County does not have any short-term debt outstanding payable out of Pledged Revenues and does not have a line of credit for short-term borrowing purposes payable out of such revenues. However, in addition to the Variable Rate Demand Warrants described in this Official Statement, the Series 2002-A Warrants and certain of the Series 2002-C Warrants having an aggregate principal amount of $540,700,000 are variable rate demand obligations that may be put to the County at the option of the holders. To provide for the purchase of the Series 2002-A Warrants and such Series 2002-C Warrants tendered for purchase but not remarketed, the County has entered into various Standby Warrant Purchase Agreements (the "Existing Liquidity Facilities"). The County has covenanted that it will, under certain specified circumstances, redeem in accordance with applicable optional redemption provisions warrants that have been purchased pursuant to the Existing Liquidity Facilities and not subsequently remarketed or otherwise transferred. Comparable agreements are contained in the Standby Purchase Agreements. The obligations of the County under the Existing Liquidity Facilities and the Standby Purchase Agreements are Secured Related Obligations for purposes of the Indenture. See "DEBT SERVICE REQUIREMENTS AND COVERAGE – Related Obligations".

Outstanding Swap Transactions

Acting in accordance with rights reserved in the Indenture, the County has entered into various interest rate swap transactions with respect to the Parity Securities. The County is now obligated with respect to five of those transactions, in addition to the Fixed Payer Swap Transaction. Under three of those 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.

Two of the Outstanding Variable Payment Swaps are between the County and Morgan Guaranty Trust Company of New York ("Morgan"). Those transactions (the "Morgan Transactions") have notional amounts of $200,000,000 and $175,000,000, respectively. The Morgan Transaction with a notional amount of $200,000,000 had an effective date of February 1, 2001, a termination date of January 1, 2016, and a fixed rate (for determining payments to be made by Morgan) of 5.069%. Because of the related Interim Reversal transaction, until February 1, 2004, the only scheduled payments are payments from Morgan to the County determined by applying a net fixed rate of 1.524% to said notional amount.

The Morgan Transaction with a notional amount of $175,000,000 has an effective date of February 1, 2002, a termination date of January 1, 2016, and a fixed rate (for determining payments to be made by Morgan) of 5.2251%. Because of the related Interim Reversal transaction, until February 1, 2004, the only scheduled payments are payments from Morgan to the County determined by applying a net fixed rate of 1.4551% to said notional amount.

For each Morgan Transaction, Morgan has the option to cancel such transaction on the first calendar day of any month occurring after January 31, 2004. In addition, if Morgan exercises such cancellation option with respect to a transaction, Morgan will then have the option to reinstate such transaction (in accordance with its original terms) on the first calendar day of any month occurring after January 31, 2009.

The third Outstanding Variable Payment Swap is between the County and The Chase Manhattan Bank ("Chase"). That transaction (the "Chase Variable Payment 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 Chase) of 5.17%. Chase has the option to cancel the Chase Variable Payment 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 Chase to the County determined by applying a net fixed rate of 1.225% to said notional amount (provided that Chase has an option to cancel the Interim Reversal transaction on February 1, 2005, and semiannually thereafter until February 1, 2007).

In connection with the issuance of the Series 2002-A Warrants, the County and Chase have entered into a fixed payer swap transaction with a notional amount of $110,000,000, 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 expects that the payments that the County will receive pursuant to such transaction will approximate (both in amounts and in dates of payment) the payments of interest due on the Series 2002-A Warrants.

In connection with the issuance of the Series 2002-C Warrants, the County has entered into separate swap transactions with JP Morgan Chase Bank, Bank of America, N.A. and Lehman Brothers with an aggregate notional amount equal to $839,500,000, an effective date of October 23, 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).

The County has entered into a fixed payer swap transaction with respect to the Series 2003-B Warrants See "THE PLAN OF FINANCING—Fixed Payer Swap Transactions".

The Outstanding Swaps are Qualified Swaps and Secured Related Obligations for purposes of the Indenture. See "DEBT SERVICE REQUIREMENTS AND COVERAGE - Related Obligations."

Anticipated Debt

In order to comply with the Consent Decree governing the System (see "LITIGATION - The Consent Decree") and to meet the System's ongoing capital improvement requirements, the County does not expect to issue substantial additional indebtedness within the next two fiscal years. The County anticipates that the remaining projects included in the remedial plan, the Clean Water Act compliance program and ongoing sewer improvement program, may require additional borrowings of approximately $772 million. The County is exploring all options to reduce the said amount, including value engineering and cancellation of certain contracts. After any such savings are realized, the County expects to finance these and other discretionary capital improvements by periodically issuing additional debt secured by the Pledged Revenues on a parity of lien with the Outstanding Sewer Revenue Indebtedness. The next phase (if any) of such additional financing is expected to occur no earlier than 2005. See "CAPITAL IMPROVEMENT PROGRAM – Sources of Funding".

Outstanding General Obligation Debt

The County's outstanding general obligation indebtedness (apart from (i) current liabilities incurred in the regular and ordinary operations of the County and (ii) certain conduit financings for which the County has no payment obligation or other liability) consists of the following outstanding warrants of the County:

General Obligation Warrants, Series 2001-A, maturing annually April 1, 2004 through April 1, 2011	$68,025,000
General Obligation Warrants, Series 2001-B, maturing April 1, 2021	$120,000,000
General Obligation Warrants, Series 2002-A, maturing annually April 1, 2004 through April 1, 2007	$15,805,000
General Obligation Warrants, Series 2003-A maturing annually April 1, 2004 through April 1, 2023.	94,000,000
TOTAL	$297,830,000

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, which have since been refunded. 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 a special privilege or license tax (the "Special County License Tax") that the County levies and collects at the rate of 1/2% of the gross receipts of each person following a vocation, occupation, calling or profession within the County. No other County revenues are subject to such financial commitment. Under the provisions of said agreement, the County is required to make payments to the Authority out of such proceeds in the amount of $10,000,000 per year for each calendar year until and including 2008.

Jefferson County Economic and Industrial Development Authority Financing

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

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

GENERAL INFORMATION RESPECTING JEFFERSON COUNTY, ALABAMA

COUNTY GOVERNMENT AND ADMINISTRATION

The County Commission

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

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

In the 2002 fiscal year, the County employed 4,854 individuals. The County's employees perform tasks in five areas of County government. These areas are the Department of Finance and

General Services, the Department of Roads and Transportation, the Department of Environmental Services, the Department of Health and Human Services and the Department of Land and Technology Development. A description of 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". For the most part, the activities of the department are supported with moneys from the General Fund of the County. The President of the Commission, Larry P. Langford, has been assigned the responsibility of the Department of Finance and General Services.

The Department of Roads and Transportation

The Department of Roads and Transportation is responsible for the construction and maintenance within the unincorporated area of the County of public highways, streets and bridges. Commissioner Shelia Smoot has been assigned the responsibility of this department. The various divisions which constitute the department, including the Administrative Division, the Design Division, the Right-of-Way Division, the Highway Engineering Division, the Highway Maintenance Division, the Traffic Division and the Equipment Division, are supported with moneys from the Road Fund.

The Department of Environmental Services

The Department of Environmental Services is responsible for the construction, operation and maintenance within the County of wastewater treatment plants and sanitary sewer lines and solid waste facilities. Commissioner Gary White has been assigned the responsibility for this department.

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 health care institutions and agencies of the County. Two of the institutions subject to the supervision of the department are the County nursing home in Ketona, Alabama (the "County Home") and Cooper Green Hospital, which provides medical care for indigent residents of the County. Cooper Green Hospital is supported from the Indigent Care Fund of the County and the County Home is supported by the General Fund.

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.

COUNTY FINANCIAL SYSTEM

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

Pursuant to Alabama law, the County is audited annually by the State Department of Examiners of Public Accounts. Historically, the emphasis of the state audit has been on compliance with applicable state law. Such audits are generally completed within one year after the end of the audit period. The most recent available state audit is for the fiscal year ended September 30, 2002. In addition to the state audit, the Director of Finance of the County prepares internal financial statements which conform to the format of the state audit. **A copy of the latest audit for the County is included in Appendix B for general information purposes only. The Series 2003-B Warrants will not constitute general obligations of or a charge against the general credit or taxing power of the County but instead are limited obligations of the County payable solely out of the Pledged Revenues.**

Budget System

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

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

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

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

Accounting System

The County maintains a number of separate funds, some of which should be categorized as governmental funds and the remainder of which are more appropriately considered to be proprietary or fiduciary funds. For at least the last five fiscal years, these funds have been maintained and reported by the County in accordance with the standards of the Government Finance Officers Association. The following paragraphs contain brief descriptions of certain of the funds maintained by the County.

General Fund. The General Fund is the primary operating fund of the County. Its revenues are not earmarked and may be utilized for any purpose authorized by state or local law. Primary sources of revenue for the General Fund are occupational taxes, property taxes, county sales taxes and commissions and revenues collected by the State and shared with the County. For the most part, the General Fund supports the operation of the County's basic governmental functions, including management, personnel, accounting, taxation, purchasing, data processing, law enforcement, the judiciary and land utilization.

Special Revenue Funds. The County maintains a number of special revenue funds in order to account for revenues from specific sources which are regulated and restricted to expenditures for specific purposes. The following are brief descriptions of the special revenue funds of the County.

The Indigent Care Fund is used to support the operation of Cooper Green Hospital. Revenue sources for the Indigent Care Fund include alcoholic beverage taxes and sales taxes.

The Road Fund is used to support County road and street construction and maintenance. Revenue sources for the fund include County ad valorem taxes and a County gasoline tax, together with the County's portion of the state gasoline taxes and drivers' license and motor vehicle tag fees.

The Bridge and Public Building Fund is used to account for expenditures of ad valorem taxes designated for the maintenance and repair of County bridges and public buildings. Expenditures from this fund include transfers of moneys to the Road Fund to support the County road maintenance program and payments of debt service on County obligations incurred for road and public building purposes.

The Community Development Fund is used to account for the receipt and disbursement of certain federal grant funds received by the County. Typical grants received are Community Development Block Grants, Farmers' Home Administration Grants and Housing and Urban Development Grants. Moneys from such fund are used for housing development and community revitalization projects, including related road and sewer developments.

The Senior Citizens' Services Fund is used in connection with a federally-sponsored program to help senior citizens obtain prepared meals, medical care and transportation.

Debt Service Funds. The debt service funds are a group of accounts into which the proceeds of pledged taxes and interest income are deposited for the payment of the County's long-term debt.

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

The Capital Improvements Fund is used to support a variety of capital projects undertaken by the County, including construction of new buildings, renovation of existing buildings and major equipment purchases.

The Road Construction Fund is used to account for the expenditures related to a number of road construction and improvement projects. Moneys in this fund consist primarily of warrant proceeds, contributions from other governmental entities and proceeds of grants.

Enterprise Funds. The enterprise funds are used to account for activities where the intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the County has decided that periodic income determination is appropriate for capital maintenance, public policy, management control accountability or other purposes. A major County enterprise fund is the Sanitary Operations Fund, which is used to support the operation and maintenance of sewage disposal facilities in the County. Sewer service charges constitute the primary revenue source for such fund. Other major enterprise funds are maintained with respect to Cooper Green Hospital, the County Home, the County solid waste disposal facilities and the County Parking Deck.

Trust and Agency Funds. The County maintains trust and agency funds to account for expendable trust funds and agency funds which the County is charged with maintaining.

Pension and Retirement Plan

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

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

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Jefferson County (the "County"), Alabama's most populous county, is the principal center of finance, trade, health care, manufacturing, transportation and education in the State of Alabama. Birmingham, the State's largest city, and the county seat, had a population of 242,820 in 2000. Forty-five other incorporated municipalities and places are located within the County's 1,124 square miles. The County, which had a population of 663,222 in 2000, is the center of the four-county Birmingham Metropolitan Statistical Area (MSA), which covers 3,221 square miles. The Birmingham MSA's population was 921,106 in 2000, making it the 65th-most populated area among the 316 metropolitan areas in the U.S.[1]

[1] Source: Jefferson County

While the County's economy once depended primarily on iron and steel and other heavy industry, it has diversified extensively over the past three decades into healthcare, finance, trade, government and other services. In 2001, 83 percent of the County's work force was employed in the service-producing sectors of the economy. Over nine percent of the wage and salary jobs in the County are in the health care sector.

Population

The County and the Birmingham MSA have experienced steady population growth over the years. Although the City experienced an 8.7 percent loss in population between 1990 and 2000, the four-county MSA grew 14.6 percent from 1990 to 2000. 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 MSA will continue to occur outside the present City limits and that the City will continue to serve as an employment, service and cultural center for residents of the suburban areas. The following table summarizes historical population growth for Jefferson County, the City of Birmingham, and the Birmingham MSA.

Population Trends

Year	Jefferson County	City of Birmingham	MSA*
2000	663,222	242,820	921,106
1990	651,525	265,968	907,810
1980	671,324	286,799	884,040
1970	644,991	300,910	794,083
1960	634,864	340,887	772,044
1950	558,928	326,037	708,721
1940	459,930	267,583	609,919

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

Source: Bureau of the Census, U.S. Department of Commerce.

As previously stated, in addition to the City of Birmingham, there are 45 places and cities in Jefferson County. Population changes from the 1980 to the 2000 Census are listed in the following table for these areas:

Place	2000	1990	1980	Percent Change, 1990 – 2000
Adamsville	4,965	5,161	4,511	-3.8%
Bessemer	29,672	33,518	31,729	-11.5%
Brighton	3,640	4,518	5,308	-19.4%
Brookside	1,393	1,365	1,409	2.1%
Cahaba Heights	5,203	4,778	4,675	8.9%
Cardiff	82	72	140	13.9%
Center Point	22,784	22,658	23,486	0.6%
Chalkville	3,829			
Clay	4,947			
Concord	1,809			
County Line	257	75	99	242.7%
Edgewater	730			
Fairfield	12,381	12,200	13,239	1.5%
Forestdale	10,509	10,395	10,688	1.1%
Fultondale	6,595	6,400	6,217	3.0%
Gardendale	11,626	9,251	8,608	25.7%
Grayson Valley	5,447			
Graysville	2,344	2,249	2,642	4.2%
Homewood	25,043	23,644	21,412	5.9%
Hoover	62,742	40,000	20,881	56.9%
Hueytown	15,364	15,280	14,797	0.5%
Irondale	9,813	9,458	7,073	3.8%
Kimberly	1,801	1,096	1,043	64.3%
Leeds	10,455	10,009	7,881	4.5%
Lipscomb	2,458	2,892	3,741	-15.0%
Maytown	435	651	538	-33.2%
McDonald Chapel	1,054			
Midfield	5,626	5,559	6,185	1.2%
Minor	1,116			
Morris	1,827	1,136	623	60.8%
Mount Olive	3,957			
Mountain Brook	20,604	19,810	19,718	4.0%
Mulga	973	284	405	242.6%
North Johns	142	177	243	-19.8%
Oak Grove	457			
Pinson	5,033			
Pleasant Grove	9,983	8,458	7,102	18.0%
Rock Creek	1,495			
Sylvan Springs	1,465	1,470	450	-0.3%
Tarrant	7,022	8,046	8,148	-12.7%
Trafford	523	739	763	-29.2%
Trussville	12,924	8,283	3,507	56.0%
Vestavia Hills	24,476	19,550	15,722	25.2%
Warrior	3,169	3,280	3,260	-3.4%
West Jefferson	344	388	357	-11.3%
Jefferson County	**662,047**	**651,525**	**671,392**	**1.6%**

Note: Cities, towns and places without population figures for 1980 or 1990 were not designated places in those Census counts.

Source: Birmingham Area Chamber of Commerce, U.S. Census Bureau.

Employment and Labor Force

The following tables present certain information with respect to employment in the Birmingham MSA. The growth in jobs in the Birmingham area has occurred primarily in the service-producing sectors. Construction is the only goods-producing sector that has experienced growth since the 1970s.

BIRMINGHAM MSA
WAGE AND SALARY NON-AGRICULTURAL EMPLOYMENT
(Jobs in Thousands)

Sector	2002	1970	1980	1990	1999	2000	2001
Goods Producing	80.0	95.3	96.5	81.2	82.7	84.5	83.0
Mining	2.7	6.3	9.9	3.4	2.4	2.6	2.7
Construction	31.1	13.5	20.4	23.2	29.2	30.3	30.4
Manufacturing	46.2	75.5	66.2	54.6	51.1	51.6	49.9
Durable Goods	30.2	56.6	48.9	35.3	32.9	33.3	32.1
Nondurable Goods	16.0	18.9	17.3	19.3	18.2	18.3	17.8
Service-Producing	405.7	171.8	260.5	319.8	399.4	401.1	402.1
Transportation and Public Utilities	29.4	19.2	29.3	31.4	31.2	31.2	31.1
Trade	117.3	59.7	83.7	95.4	118.9	118.0	116.4
Finance, Insurance and Real Estate	39.5	16.8	23.0	29.6	37.9	38.1	39.0
Services	148.3	38.1	67.1	100.7	143.5	145.0	146.5
Government	71.2	38.0	57.4	62.7	68.0	68.8	69.2
Total	**485.7**	**267.1**	**357.0**	**401.0**	**482.1**	**485.5**	**485.1**

Source: State of Alabama, Department of Industrial Relations.

BIRMINGHAM MSA
PERCENTAGE DISTRIBUTION OF
NON-AGRICULTURAL EMPLOYMENT
(2001 Annual Averages)

Category	Birmingham MSA	United States
Goods-Producing	17.1%	19.0%
Mining	0.6	0.4
Construction	6.3	5.2
Manufacturing	10.3	13.4
Service-Producing	82.9	81.0
Transportation & Public Utilities	6.4	5.3
Trade	24.0	23.1
Finance, Insurance & Real Estate	8.0	5.8
Services	30.2	31.0
Government	14.3	15.8
Total	**100.0%**	**100.0%**

Source: State of Alabama, Department of Industrial Relations.

COMPARATIVE EMPLOYMENT TRENDS
Annual Averages
(000's)

	2002*	2001	2000	1999	1998	1997
Birmingham						
Employed	N/A	123.3	123.4	122.3	124.6	124.1
Unemployed	N/A	7.2	6.4	6.4	5.8	7.0
Unemployment Rate	N/A	5.5%	5.0%	5.0%	4.5%	5.3%
Jefferson County						
Employed	327.9	323.7	324.0	321.1	327.4	326.1
Unemployed	15.5	12.9	11.6	11.5	10.5	12.6
Unemployment Rate	4.5	3.8%	3.5%	3.5%	3.1%	3.7%
Birmingham MSA						
Employed	465.8	459.8	460.4	456.1	459.8	453.9
Unemployed	20.1	16.4	14.5	14.6	13.3	15.7
Unemployment Rate	4.2%	3.5%	3.1%	3.1%	2.8%	3.4%
State of Alabama						
Employed	2,033.5	2,033.2	2,055.2	2,043.1	2,065.6	2,057.2
Unemployed	120.9	114.4	99.1	102.2	90.9	109.8
Unemployment Rate	5.6%	5.3%	4.6%	4.8%	4.2%	5.1%
United States						
Employed	134,275	135,073	135,208	133,488	131,463	129,588
Unemployed	8,208	6,742	5,655	5,880	6,210	6,739
Unemployment Rate	5.8%	4.8%	4.0%	4.2%	4.5%	4.9%

Source: State of Alabama, Department of Industrial Relations. Based on place of residence.
*The 2002 Comparative Employment Trends for Jefferson County and Birmingham MSA are preliminary.

RECENT EMPLOYMENT DATA
April 2002
(thousands)

	Number Employed	Number Unemployed	Unemployment Rate
Birmingham	123.7	7.6	5.8%
Jefferson County	325.0	13.7	4.1
Birmingham MSA	461.5	18.4	3.8
Alabama[(1)]	2,032.5	120.9	5.6
United States[(1)]	133,976.0	8,594.0	6.0

(1) Seasonally adjusted.
Source: State of 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. The list includes education, government, healthcare, communications, finance and manufacturing industries.

BIRMINGHAM 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	Government	6,784
Baptist Health System, Inc.	Healthcare	6,000
Bruno's, Inc.	Retail grocery	5,374
Jefferson County Board of Education	Education	5,000
Birmingham Public Schools	Education	4,555
City of Birmingham	Municipal government	4,500
Jefferson County Government	County government	4,191
Wal Mart	Retail Stores	3,800
AmSouth Bank	Banking and financial services	3,624
SouthTrust Bank	Banking and financial services	3,094
Alabama Power Company	Utilities	3,000
Regions Financial	Banking and financial services	3,000
Drummond Company	Coal mining	2,900
Blue Cross-Blue Shield of Alabama	Employee benefits	2,650
UAB Health Services Foundation	Healthcare	2,500
Carraway Methodist Medical Center	Healthcare	2,400
Children's Heatlh System	Healthcare	2,400
USX	Steel Mill	2,400
Compass Bank	Banking and financial services	2,371
American Cast Iron Pipe	Iron and steel pipe, castings	2,300
Brookwood Medical Center	Healthcare	2,200

Note: Employment figures reflect both full-time and part-time employees.
Source: Birmingham Area Chamber of Commerce, August, 2001.

Income

Per Capita Personal Income is listed in the table below for Jefferson County, the Birmingham MSA, the State of Alabama, and the United States. 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 County and MSA are above average for the State of Alabama. Per capita personal incomes in the Birmingham MSA are slightly below the national average, while per capita personal incomes in the County just exceed 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
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%

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

The median family income is a measure defined by the U.S. Census Bureau as the amount of income per family that divides the income distribution of families into two equal groups. In recent years, median family income in Alabama and the Birmingham MSA increased at slightly faster rates than the U.S. overall.

Median Family Income

	1997	1998	1999	2000*	2001*	2002*	% Change, 97-02
United States	$43,500	$45,300	$47,800	$50,200	$52,500	$54,400	25.1%
Alabama	37,100	38,700	41,500	44,300	46,100	47,000	26.7%
Birmingham MSA	41,900	44,000	47,900	51,100	51,100	52,700	25.8%

*Estimates.
Source: Center for Business and Economic Research, The University of Alabama; HUD Office of Economic Affairs.

Housing and Construction

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

BIRMINGHAM AREA HOUSING UNITS

	Housing Units			Percent Change	
	2000	1990	1980	1990-2000	1980-90
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%

Source: Bureau of the Census, U. S. Department of Commerce, Birmingham Area Chamber of Commerce.

RESIDENTIAL CONSTRUCTION ACTIVITY
BIRMINGHAM MSA

	Single-Family		Multi-Family	
Year	Permits Issued	Value	Units	Value
1996	4,774	$553,539,000	1,925	$60,771,000
1997	4,333	528,651,000	725	27,579,000
1998	5,076	611,924,000	1,285	51,434,000
1999	4,973	677,045,000	985	49,927,000
2000	4,352	569,298,000	781	42,454,000
2001	4,072	555,612,000	305	12,373,000

Source: U.S. Census Bureau.

Education

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

The largest institution is the University of Alabama at Birmingham (UAB), which includes the University College, the graduate school, and UAB Health Services. 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 16,016. UAB Health Services includes the Schools of Medicine, Dentistry, Nursing, Optometry, Public Health and Health-Related Professions. UAB has a full-time payroll exceeding $559 million and is the largest employer in the Birmingham MSA.

Institutions of Higher Education
Jefferson County

Name	Type	Enrollment Spring 2001
Four-Year		
Birmingham School of Law	Private	475
Birmingham-Southern College	Private	1,550
Miles College	Private	1,346
Samford University	Private	4,485
Southeastern Bible College	Private	200
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	30
Jefferson State Junior College	State Supported	6,723
Lawson State Community College	State Supported	2,100
Virginia College	Private	700

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

Primary and Secondary Education

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

National Rankings

The following table shows the ranking of the Birmingham MSA for a number of socioeconomic categories in comparison with other metropolitan areas in the nation.

Birmingham MSA National Ranking for Selected Categories

Category	2002 Rank Among All 323 United States Metro Markets[1]
Population	66
Effective Buying Income (EBI)	63
Households with EBI of $150,000 and over	54
Retail Sales	49
Households	65
Buying Power Index[2]	45

1 Metro markets as defined by Sales & Marketing Management.

2 Buying Power Index is defined as a market's "ability to buy;" it is a weighted index of population, income and retail sales.

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

Jefferson County, Alabama Statistical Comparison to City of Birmingham, Birmingham MSA and State of Alabama (2002)

Area	Population	Percent of Alabama	Households (000)	Percent of Alabama
Birmingham	237,600	5.3%	97.0	5.5 %
Jefferson County	655,300	14.6%	261.9	14.8%
Birmingham MSA	925,600	20.79%	364.9	20.7%
Alabama	4,474,600	100.0%	1,760.5	100.0%

Area	Total Retail Sales	Percent of Alabama	Household Median EBI	Percent of Alabama	Percent of National Average
Birmingham	$ 3,625,088	7.9%	$26,965	86.59%	70.3%
Jefferson County	9,250,713	20.1%	35,516	114.0%	92.6%
Birmingham MSA	11,113,904	24.2%	36,669	117.7%	95.6%
Alabama	46,008,635	100.0%	31,162	100.0%	81.2%

Note: 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

Commercial airline service is available through Birmingham's airport, which is served by six major carriers--American, Continental, Delta, Northwest, Southwest, and USAirways, and the commuter airlines of Atlantic Southeast, Comair, Continental Express, Delta Connection, Skywest, Southwest, United Express and U.S. Airways Express. Air cargo service is provided by Airborne Express, BAX Global, Continental Cargo, Federal Express and United Parcel Service. Total passenger traffic at the Airport was 2.81 million for the year ended December 31, 2002.

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

Barge transportation is available 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 inland ports in Midwest America.

AIRLINE OPERATIONS
PASSENGERS ON & OFF

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

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

Health Care

The area's 21 hospitals and numerous specialized health care facilities have turned Birmingham into a major medical center. The University of Alabama at Birmingham, the area's largest employer, is home to a world-class patient care and research medical center. The Kirklin Clinic, opened in June 1992 by the University of Alabama Health Services Foundation, has enhanced Birmingham's reputation in healthcare.

Birmingham is Alabama's center for advanced technology, with high-technology firms involved in industries such as telecommunications, engineering, aerospace design and computer services, in addition to health care. Southern Research Institute, located in Birmingham's Oxmoor Valley Mixed-Use Development, is the largest nonprofit independent research laboratory located in the Southeast. In 2000, The University of Alabama at Birmingham ranked 29th in federally financed research and development expenditures for science and engineering, and ranked 17th among institutions receiving funding from the National Institutes of Health.

LITIGATION

General

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

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

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

The Consent Decree

The County has been a defendant in certain civil actions (collectively referred to as the "Clean Water Act litigation") in which the County allegedly violated various provisions of the federal Clean Water Act, 33 U.S.C. § 1251 et seq. (the "Clean Water Act") in the operation of the System. The plaintiffs in the Clean Water Act litigation included private citizens, an environmental group, and the United States Justice Department, acting at the request and on behalf of the Environmental Protection Agency ("EPA"). The actions were filed and consolidated in the United States District Court, Northern District of Alabama, Southern Division (United States of America v. Jefferson County, Alabama, et al., Civil Action No. 94-G-2947-S, and R. Allen Kipp, Jr. et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama, et al., Civil Action No. 93-G-2492-S).

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

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

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

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

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

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

LEGAL MATTERS

The legality and validity of the Series 2003-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 2003-B Warrants have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2003-B Warrants, and the exclusion of interest thereon from gross income for purposes of Federal income taxation and the exemption of interest thereon from State of Alabama income taxes. Although Bond Counsel assisted in the preparation of certain portions of this Official Statement and is of the opinion that the statements made herein under the captions "DESCRIPTION OF THE FLOATING RATE WARRANTS", "DESCRIPTION OF THE SERIES 2003-B-8 WARRANTS", "SECURITY AND SOURCE OF PAYMENT", and "TAX STATUS" 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 the approving opinion of Bond Counsel will be in substantially the form attached hereto as Appendix C.

Certain legal matters will be passed upon for the Underwriters by their counsel, Emond Vines Gorham & Waldrep, P.C., Birmingham, Alabama and Miller, Hamilton, Snider & Odom, L.L.C., Birmingham, Alabama. Certain legal matters will be passed on for the Banks by their respective counsel.

The various legal opinions to be delivered concurrently with the delivery of the Series 2003-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 STATUS

In the opinion of Bond Counsel, under existing law, interest on the Series 2003-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 2003-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 2003-B Warrants to be included in gross income, retroactively to the date of issuance of the Series 2003-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 2003-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 corporations.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2003-B Warrants other than the opinions expressed in the two preceding paragraphs. The form of Bond Counsel's opinion with respect to the Series 2003-B Warrants is expected to be substantially as set forth in Appendix C to this Official Statement.

Prospective purchasers of the Series 2003-B Warrants should be aware that (i) Section 265 of the Internal Revenue Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2003-B Warrants, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Internal Revenue Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2003-B Warrants, (iii) interest on the Series 2003-B Warrants earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Internal Revenue Code, (iv) passive investment income, including interest on the Series 2003-B Warrants, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, and (v) Section 86 of the Internal Revenue Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2003-B Warrants. Any purchaser of the Series 2003-B Warrants who might be affected by any of these provisions of the Internal Revenue Code should consult his own tax advisor about the effect of such provisions as applied to the purchaser.

Bond Counsel is also of the opinion that under existing law interest on the Series 2002-B Warrants will be exempt from State of Alabama income taxation.

VERIFICATION OF CERTAIN COMPUTATIONS RELATING TO SERIES 2003-B WARRANTS

The accuracy of (i) the arithmetical computations of the adequacy of the payments of principal and interest on the securities being held in the Escrow Fund, together with the initial cash balance in the Escrow Fund, to provide for the payment or redemption of the Refunded Warrants as contemplated by the Escrow Agreement, and (ii) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2003-B Warrants are not "arbitrage bonds" under the applicable provisions of the Internal Revenue Code, will be verified by The Arbitrage Group, Inc. Such verification will be based, in part, upon information supplied to The Arbitrage Group, Inc., by the Underwriters.

RISK FACTORS

Limited Source of Payment

The Series 2003-B Warrants will be limited obligations of the County payable solely from the Pledged Revenues. See "SECURITY AND SOURCE OF PAYMENT". The Series 2003-B Warrants do not constitute or give rise to a personal or pecuniary liability or a charge against the general credit of the County.

The sufficiency of revenues to pay debt service on the Series 2003-B Warrants may be affected by events and conditions relating to, among other things, population trends, weather conditions and political and economic developments in the service area in which the System operates, the nature and extent of which are not presently determinable. No representation can be made and no assurance can be given that Pledged Revenues will be sufficient to permit the County to pay debt service on the Series 2003-B Warrants.

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 2003-B Warrants. The following discussion of risk factors is intended only as a summary and does not purport to identify all the risk factors that may affect the County's ability to pay debt service on the Series 2003-B Warrants.

Termination or Suspension of Standby Purchase Agreement for Variable Rate Demand Warrants

Under certain circumstances, the obligation of the Banks under the respective Standby Purchase Agreements 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. See "STANDBY PURCHASE AGREEMENTS FOR VARIABLE RATE DEMAND WARRANTS – Purchase of Tendered Warrants by Banks" and "—Events of Default and Remedies".

Consent Decree

The County is bound by the terms of a Consent Decree that requires the County to implement a remedial plan to eliminate bypasses and unpermitted discharges of untreated sewage and sewer system overflows. See "LITIGATION - Consent Decree". The Consent Decree requires that such remedial plan be implemented over a twelve-year period beginning in mid-1995, and provides for stipulated penalties if the County fails to meet certain deadlines specified therein. The economic impact of the Consent Decree on the County and the System will be significant. The County estimates that the total cost of compliance with the Consent Decree will be approximately $1.99 billion, of which the County had spent approximately $1.461 million between October 1, 1995 and November 30, 2002. The actual cost of compliance with the Consent Decree may vary substantially depending on, among other things, (i) the availability of an adequate pool of qualified contractors to implement the program, (ii) the inflationary environment with respect to the costs of labor and supplies needed to implement the program, (iii) weather conditions that could adversely affect construction schedules and consumption patterns, (iv) population trends and political and economic developments in the service area in which the System operates that could adversely impact the collection of System Revenues; (v) the willingness of the U.S. Justice Department and the Environmental Protection Agency to cooperate with respect to various issues that may arise as the County implements its remedial plan, (vi) the possibility of new environmental legislation or regulations affecting the System, (vii) unanticipated costs or potential modifications to the County's sanitary sewer capital improvement program resulting from requirements and limitations imposed by environmental laws and regulations and (viii) the inherent uncertainty involved in a capital improvement project of the magnitude undertaken by the County. There can be no assurance that the actual cost of compliance will be within the range of the County's preliminary estimate. Nor can any assurances be given that the County will be able to comply fully with the terms of the Consent Decree.

Additional Indebtedness

In order to comply with the Consent Decree and to implement the County's ongoing sewer improvement program, the County may need to issue additional indebtedness secured by the Pledged Revenues on a parity with the lien thereon imposed by the Indenture for the benefit of the Outstanding Sewer Revenue Indebtedness. The burden of such additional debt may require increases in rates currently being charged to sewer customers in the County. No assurances can be given that such rate increases will be sufficient on a timely basis to generate the revenues required to pay debt service or to satisfy the debt service coverage covenant contained in the Indenture.

Under current Alabama law, the sewer rates established by the County must be reasonable and are subject to review by the courts in that regard upon complaint of a consumer. In establishing rates, the actions of the County are presumed by the courts to be reasonable, but sewer rates must not be arbitrary, discriminatory or greatly excessive.

CONTINUING DISCLOSURE

General

In order to provide certain continuing disclosure with respect to the Series 2003-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 2003-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 2003-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 2003-B Warrants.

2. Non-payment related defaults under the proceedings of the County authorizing the Series 2003-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 2003-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 2003-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 2003-B Warrants or events affecting the tax-exempt status of interest on the Series 2003-B Warrants.

7. Any modification of the rights of the registered owners of the Series 2003-B Warrants.

8. Redemption of any of the Series 2003-B Warrants prior to the stated maturity or mandatory redemption date thereof.

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

11. Any changes in published ratings affecting the Series 2003-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 section of this Official Statement called "RESULTS OF OPERATIONS". 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 repository.

The County shall never be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the holders of the Series 2003-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 2003-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 30-days' written 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 30-days' prior written 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 Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report, or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the Holders of the Series 2003-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.

UNDERWRITING

Series 2003-B-1 through Series 2003-B-7 Warrants

The Series 2003-B-1 through Series 2003-B-7 Warrants (the "Floating Rate Warrants") are being purchased from the County pursuant to a Warrant Purchase Agreement executed by J.P. Morgan Securities Inc. ("JPMorgan"). JPMorgan has agreed to purchase Floating Rate Warrants for an aggregate purchase price of par. JPMorgan will be paid a fee of $4,565,395.34 for its services in underwriting such Floating Rate Warrants. JPMorgan will purchase all such Floating Rate Warrants if any are purchased.

The County has agreed to indemnify JP Morgan against certain liabilities. The obligation of JP Morgan to accept delivery of the Floating Warrants is subject to various conditions of the warrant purchase agreement between the County and JP Morgan.

Series 2003-B-8 Warrants

The Series 2003-B-8 Warrants are being purchased from the County pursuant to a Warrant Purchase Agreement executed by Sterne, Agee & Leach ("Sterne Agee"). Sterne Agee has agreed to purchase such Series 2003-B-8 Warrants for an aggregate purchase price of par plus original premium and accrued interest and minus underwriting discount and original issue discount. The underwriting discount is $681,401. Sterne Agee will purchase all such Series 2003-B-8 Warrants if any are purchased.

The County has agreed to indemnify Sterne Agee against certain liabilities. The obligation of Sterne Agee to accept delivery of the Series 2003-B-8 Warrants is subject to various conditions of the warrant purchase agreement between the County and Sterne Agee.

FINANCIAL ADVISOR

National Bank of Commerce of Birmingham served as advisor to the County with respect to the sale and issuance of the Series 2003-B Warrants. It is regularly engaged in the business of providing such advisory services.

RATINGS

It is a condition to closing that Moody's Investors Service, Inc. and Standard & Poor's Ratings Services assign long term ratings of Aaa and AAA to each subseries of the Series 2003-B Warrants and short-term ratings of VMIG1 and A1+ for all of the Variable Rate Demand Warrants on the understanding that a standard policy of a Bond Insurer insuring the timely payment of the principal of and interest on each of the Series 2003-B Warrants when due will be issued by a Bond Insurer and, in the case of the short-term ratings, on the basis of the respective Standby Purchase Agreements. See "BOND INSURANCE" herein and Appendix E attached hereto. The underlying ratings of the County's sewer revenue warrants by the said agencies are A3 (Moodys) and A(S&P). Such ratings reflect only the view of each rating agency at the time such ratings were given, and neither the County nor the Underwriter for the Series 2003-B Warrants makes any representations as to the appropriateness of such ratings. Any explanation of the significance of the ratings may only be obtained from each rating agency. There is no assurance that such ratings will remain for any given period of time or that they may not be lowered or withdrawn entirely if in the judgment of that rating agency, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Series 2003-B Warrants.

FINANCIAL STATEMENTS

The audited financial statements of the County contained in Appendix B have been included for general information purposes only. The Series 2003-B Warrants will not constitute general obligations of or a charge against the general credit or taxing power of the County. The Series 2003-B Warrants are limited obligations of the County, payable solely out of and secured by an assignment and pledge of the Pledged Revenues.

MISCELLANEOUS

For further information during the initial offering period with respect to the Series 2003-B Warrants, contact Steve Sayler, Director of Finance, Jefferson County, Suite 810, 716 Richard Arrington Jr. Boulevard North, Birmingham, Alabama 35203, telephone: (205) 325-5055.

This Official Statement has been approved by the Commissioners of the County.

JEFFERSON COUNTY, ALABAMA

By: /S/ Larry Langford
President of the Commission

{819092.5}

APPENDIX A

Summary of the Indenture

APPENDIX A

SUMMARY OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture pursuant to which the Series 1997 Warrants, the Series 1999-A Warrants, the Series 2001-A Warrants, the Series 2002-A Warrants, the Series 2002-B Warrants, the Series 2002-C Warrants, the Series 2002-D Warrants and the Series 2003-A Warrants have been issued and the Series 2003-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 A 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.

"Adjustable Rate" means a Commercial Paper Rate, an Auction Rate, a Daily Rate, a Weekly Rate or a Term Rate.

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

"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 2003-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 the Series 2003-B 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 2003-B Warrant in the Auction Rate Mode, means a date on which interest calculated at the Auction Rate is payable on such Series 2003-B Warrant.

"Auction Rate Mode" means the Interest Rate Mode in which a Series 2003-B Warrant bears interest at the Auction Rate.

"Authorized Denominations" means (i) for Series 2003-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 2003-B Warrants bearing interest at the Auction Rate, $25,000 or any integral multiple thereof, and (iii) for Series 2003-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 2003-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.

"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 Wednesday 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 2003-B Warrants.

"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 2003-B Warrants 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 2003-B Warrant in the Commercial Paper Rate Mode, means a date on which interest calculated at the Commercial Paper Rate is payable on such Series 2003-B Warrant.

"Commercial Paper Rate Mode" means the Interest Rate Mode in which a Series 2003-B Warrant bears interest at the Commercial Paper Rate.

"Commercial Paper Rate Period", when used with respect to any Series 2003-B Warrant in the Commercial Paper Rate Mode, means a period established pursuant to the Indenture during which such Series 2003-B 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 any bond insurance policy or other instrument that provides for the payment when due of the principal of and interest on the Series 2003-B Warrants or any subseries thereof.

"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 2003-B Warrants 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 2003-B Warrant in the Daily Rate Mode, means a date on which interest calculated at the Daily Rate is payable on such Series 2003-B Warrant.

"Daily Rate Mode" means the Interest Rate Mode in which a Series 2003-B Warrant bears interest at the Daily Rate.

"Daily Rate Period", when used with respect to any Series 2003-B Warrant in the Daily Rate Mode, means a period established pursuant to the Indenture during which such Series 2003-B 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 2003-B Warrants), the first Business Day occurring during such Calculation Period.

"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 2003-B Warrants 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.

"Financing Participants" means the County, the Liquidity Providers, the Insurers, the Trustee, the Remarketing Agents and the Tender Agent.

"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 2003-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 the Series 2003-B 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 2003-B Warrants to a Fixed Rate.

"Fixed Rate Period" means the period, if any, during which Series 2003-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.

"Independent Counsel" means counsel having 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 counsel in the performance of any services to be performed under the Indenture as Independent Counsel.

"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 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 2003-B Warrant, means the date specified in the Indenture and in such Series 2003-B 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 each Bank and each provider of an Alternate Liquidity Facility.

"Mandatory Tender" means a required tender of a Series 2003-B Warrant for purchase pursuant to the Indenture.

"Mandatory Tender Date" means a date on which a Series 2003-B Warrant is to be purchased pursuant to a Mandatory Tender.

"Maturity", when used with respect to any Series 2003-B Warrant, means the date specified herein and in such Series 2003-B Warrant as the fixed date on which principal of such Series 2003-B Warrant is due and payable.

"Maximum Annual Debt Service" means the maximum amount payable in a Fiscal Year as principal of and interest on the Parity Securities then outstanding and, if applicable, any Additional Parity Securities with respect to which a Revenue Certificate or Revenue Forecast (as those terms are defined and used in this Appendix A under "Additional Parity Securities") is prepared and delivered, 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 Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption or prepayment is required and not in the Fiscal Year in which their stated maturity or due date occurs;

(b) for purposes of determining the amounts of principal and interest due in any Fiscal 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 hedging agreement 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 average of the various rates published as the BMA Municipal Swap Index (or comparable index if no longer published) during the ten year period ending on the last day of the month immediately preceding the date of determination, plus fifty (50) basis points, 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 hedging agreement 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 average of the various rates published as the BMA Municipal Swap Index (or comparable index if no longer published) during the ten year period ending on the last day of the month immediately preceding the date of determination, plus fifty (50) basis points, 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 Fiscal 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 of 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 Fiscal Year;

(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 or interest, or (iii) both moneys and such Permitted Defeasance Obligations which together will produce funds sufficient to pay such principal or interest; and

(h) the County may assume that all or any portion of outstanding Parity Securities that are subject to optional redemption provisions will be redeemed in one or more installments that are consistent with such provisions and may adjust the expected payment schedule with respect to such Parity Securities to reflect such assumed redemptions.

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.

"Net Revenues Available for Debt Service" means, for any period, the difference between (A) the sum of (i) the total amount of System Revenues accrued during such period, and (ii) the amount of interest earned during such period on moneys held in the Indenture Funds (to the extent that such interest is not taken into account pursuant to the preceding clause (i)) and (B) the total amount of Operating Expenses incurred during such period (determined in accordance with generally accepted accounting principles).

"Optional Tender" means a tender of a Series 2003-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 2003-B Warrant is to be purchased pursuant to an Optional Tender.

"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.

"Prior Years' Surplus" means, with respect to any particular Fiscal Year, the aggregate amount on deposit in the Rate Stabilization Fund and the Depreciation Fund at the beginning of such Fiscal Year.

"Purchase Price", when used with respect to a Tendered Warrant, means 100% of the principal amount of such Series 2003-B Warrant plus accrued interest to the Tender Date. If the Tender Date for a Series 2003-B Warrant is also an Interest Payment Date for such Series 2003-B 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 A3 by Moody's.

"Rate Stabilization Fund Requirement" means, as of the date of any determination thereof, 75% of the Maximum Annual Debt Service on the then outstanding Parity Securities.

"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 2003-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 2003-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 related Interest Payment Date.

"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 Internal Revenue 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.

"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 2003-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 February 1, 2042.

"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 2003-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 2003-B 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.

"Term Rate Mode" means the Interest Rate Mode in which the Series 2003-B Warrants bear interest at the Term Rate.

"Term Rate Period", when used with respect to any Series 2003-B Warrant in the Term Rate Mode, means a period established pursuant to the Indenture during which such Series 2003-B 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 2003-B Warrants 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 2003-B Warrants 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 2003-B Warrant in the Weekly Rate Mode, means a date on which interest calculated at the Weekly Rate is payable on such Series 2003-B Warrant.

"Weekly Rate Mode" means the Interest Rate Mode in which a Series 2003-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 Revenue Account, the Debt Service Fund, the Reserve Fund, the Subordinate Debt Fund, the Rate Stabilization Fund, the Depreciation Fund, the Redemption Fund and the Warrant Purchase Fund. The Commission has the right to designate from time to time the depository or depositories for the Revenue Account, the Subordinate Debt Fund, the Rate Stabilization Fund and the Depreciation Fund. The Trustee is the depository, custodian and disbursing agent for all of the other special funds created in the Indenture.

Revenue Account. The County is required to deposit in the Revenue Account, as received by it, all of the System Revenues and all amounts received by the County pursuant to the Qualified Swaps. Moneys in the Revenue Account are applied first for the payment of Operating Expenses. From the moneys that remain after payment of Operating Expenses, the County is required to make periodic transfers to the Debt Service Fund, the Reserve Fund, the Subordinate Debt Fund, the Rate Stabilization Fund and the Depreciation Fund in accordance with the provisions of the Indenture and as hereinafter summarized. Any moneys that remain in the Revenue Account on any February 15 or August 15 after all required transfers therefrom have been made shall be deemed "surplus revenues" and may be withdrawn from the Revenue Account and used by the County for any lawful purpose related to the County's ownership and operation of the System.

Debt Service Fund. On or before each Interest Payment Date for any of the Parity Securities, the County will be required to transfer from the Revenue Account to the Debt Service Fund an amount equal to the sum of the debt service on the Parity Securities 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. The obligations of the County under the Liquidity Facilities, under standby purchase agreements pertaining to the Series 2002-A Warrants and certain of the Series 2002-C Warrants and under those interest rate swap transactions described in this Official Statement under "OUTSTANDING DEBT — Outstanding Swap Transactions" constitute Secured Related Obligations payable from the Debt Service Fund. Until the Parity Securities have been paid in full, moneys on deposit in the Debt Service Fund are to be used only for the payment of the principal of and the interest and premium (if any) on the Parity Securities or for the payment of Secured Related Obligations.

Reserve Fund. Simultaneously with the issuance of the Series 2003-B Warrants, approximately $227,412,545 (which includes two surety bonds with an aggregate face amount of $19,884,478) will be held in 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. The moneys to be so added to the Reserve Fund may be proceeds of such Additional Parity Securities or System Revenues. Any such addition of moneys to the Reserve Fund may be effected through (i) a single deposit to the Reserve Fund made at the time of the issuance of such Additional Parity Securities, (ii) a series of equal deposits to the Reserve Fund over a period that shall not exceed five years, or (iii) any other series of deposits that will result in a faster accumulation of moneys than described in clause (ii). If, upon the issuance of any Additional Parity Securities, the required addition of moneys to the Reserve

Fund is not effected through the method described in clause (i), a separate account shall be established within the Reserve Fund for 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 thereby, but shall be used for such purpose only when moneys are not otherwise available. In the event that moneys are withdrawn from the Reserve Fund to provide for the payment of the principal of or the interest on any of the Parity Securities, the County will restore the moneys so withdrawn within six months of the date of such withdrawal by making transfers from the Revenue Account into the Reserve Fund.

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 are approved by the Bond Insurers, 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.

The Series 2003-A Warrants are not secured by moneys in the Reserve Fund.

Subordinate Debt Fund. On or before each February 15 and each August 15, the County may pay into the Subordinate Debt Fund from the Revenue Account, after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund and the Reserve Fund (but before any transfers have been made with respect to such date into the Rate Stabilization Fund or the Depreciation Fund), an amount equal to the lesser of (i) one-half (1/2) of twenty-five percent (25%) of the Maximum Annual Debt Service determined as of the date of such deposit, or (ii) the aggregate debt service becoming due and payable during the then next succeeding six months with respect to obligations secured by a pledge of the Pledged Revenues that is subject and subordinate to the pledge made in the Indenture to secure the payment of Parity Securities.

Rate Stabilization Fund. At any time when the total amount held in the Rate Stabilization Fund is less than the Rate Stabilization Fund Requirement, the County shall pay into the Rate Stabilization Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund and the Reserve Fund, an amount equal to 10% of the then effective Rate Stabilization Fund Requirement (or such lesser amount as shall result in the amount held in the Rate Stabilization Fund being equal to the Rate Stabilization Fund Requirement). In addition, the County may from time to time deposit into the Rate Stabilization Fund other moneys that do not constitute System Revenues.

The County may, from time to time at the election of the County's Director of Finance, transfer moneys from the Rate Stabilization Fund into the Revenue Account.

Depreciation Fund. At any time when the total amount held in the Depreciation Fund is less than the amount of accumulated depreciation referable to the System (as shown in the then most recent audited financial statements of the County), the County shall pay into the Depreciation Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund, the Reserve Fund and the Rate Stabilization Fund, the sum of $5,000,000. If on any such date the moneys available in the Revenue Account are not sufficient to permit a deposit of said sum into the Depreciation Fund, such shortfall shall not increase the required amount of any subsequent deposit to the Depreciation Fund. Moneys held in the Depreciation Fund may be withdrawn from time to time by the

County, but only to pay the costs of capital improvements to the System or to purchase or redeem Parity Securities.

Redemption Fund. The Indenture establishes a Redemption Fund into which the Trustee is required to deposit certain insurance proceeds and certain proceeds derived from the disposition of portions of the System. Moneys in the Redemption Fund may be used only for the redemption of Parity Securities prior to maturity, for the purchase of Parity Securities for retirement at a price not greater than par plus accrued interest or, if the amounts in the Debt Service Fund and the Reserve Fund are not sufficient to pay any debt service coming due with respect to any of the Parity Securities, for the payment of such debt service in order to prevent a default. The Indenture provides that if there are at any time on deposit in the Redemption Fund moneys sufficient to redeem at least $5,000 principal amount of Parity Securities then subject to redemption, the County will thereupon take such action as may be necessary, under the provisions of the Indenture, to exhaust the moneys on deposit in the Redemption Fund by redeeming or purchasing Parity Securities for retirement as aforesaid (or both) as soon as practicable thereafter.

Warrant Purchase Fund. The Ninth Supplemental Indenture establishes a special trust fund designated the "Jefferson County Sewer System Series 2003-B Warrant Purchase Fund". The Tender Agent shall be the depository, custodian and disbursing agent for the Warrant Purchase Fund.

There shall be deposited in the Warrant Purchase Fund, as and when received:

(a) the proceeds of any remarketing of Series 2003-B Warrants by a Remarketing Agent,

(b) money received by the Tender Agent from a Liquidity Provider pursuant to a Liquidity Facility with respect to the Purchase Price of Series 2003-B Warrants payable on the related Tender Date,

(c) all other money required to be deposited in the Warrant Purchase Fund pursuant to the Indenture, and

(d) all other money received by the Tender Agent when accompanied by directions that such money is to be deposited in the Warrant Purchase Fund.

The Indenture authorizes the Tender Agent to withdraw sufficient money from the Warrant Purchase Fund to pay the Purchase Price of Series 2003-B Warrants due on any Tender Date.

Funds for the payment of the Purchase Price of Series 2003-B Warrants shall be derived from the following sources in the order of priority indicated:

First, proceeds from the remarketing of Series 2003-B Warrants.

Second, money advanced under the related Liquidity Facility.

Third, any other money on deposit in the Warrant Purchase Fund.

Any money advanced under a Liquidity Facility shall be held in a separate, segregated account in the Warrant Purchase Fund and shall not be commingled with other money in the Warrant Purchase Fund. Such money shall be used only to pay the Purchase Price of Series 2003-B Warrants.

On each Tender Date money in the Warrant Purchase Fund from any source other than a Liquidity Facility remaining after payment of the Purchase Price of all Series 2003-B Warrants (or after segregating money for such purpose as provided in the Indenture) shall be applied by the Tender Agent for the following purposes in the order of priority indicated:

> **First,** the Tender Agent shall reimburse the appropriate Liquidity Provider or Providers, prior to the close of business on such Tender Date, for the amount advanced under the applicable Liquidity Facility or Facilities for payment of the Purchase Price of Series 2003-B Warrants.
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> **Second,** the balance, if any, shall be paid to the County.

If money is on deposit in the Warrant Purchase Fund on any Tender Date sufficient to pay the Purchase Price of the Series 2003-B Warrants to be paid on such Tender Date, but the Holder of any Series 2003-B Warrant fails to deliver such warrant to the Tender Agent for payment of such Purchase Price on such Tender Date, the Tender Agent shall segregate and hold in trust for the benefit of the person entitled thereto money sufficient to pay such Purchase Price due and payable on such Series 2003-B Warrant on such Tender Date. Money so segregated and held in trust shall not be a part of the Trust Estate and shall not be invested, but shall constitute a separate trust fund for the benefit of the persons entitled to such Purchase Price.

Any money held in trust by the Tender Agent for the payment of the Purchase Price of any Series 2003-B Warrant as described in the preceding paragraph and remaining unclaimed for three years after such Purchase Price has become due and payable shall be paid to the County upon request of an Authorized County Representative; and the Holder of such Series 2003-B Warrant shall thereafter, as an unsecured general creditor, look only to the County for payment thereof, and all liability of the Tender Agent with respect to such trust money, and all liability of the County with respect thereto, shall thereupon cease; provided, however, that the Tender Agent, before being required to make any such payment to the County, may at the expense of the County cause to be published once, in a newspaper of general circulation in the city where the Office of the Tender Agent is located, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the County.

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; provided, however, that money held in the Warrant Purchase Fund in trust for the benefit of the holders of any Unsurrendered Warrants shall not be invested. 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

Upon the satisfaction of certain conditions, the County may issue Additional Parity Securities under the Indenture. Such conditions include the adoption by the Commission of a resolution approving the issuance of the proposed Additional Parity Securities, the execution and delivery of a supplemental indenture setting forth the terms of such Additional Parity Securities, the delivery of appropriate approving legal opinions and the delivery of a Revenue Certificate or a Revenue Forecast (as hereinafter defined).

"Revenue Certificate" means a certificate signed by an Independent Accountant, the President of the Commission or the County's Director of Finance that satisfies whichever of the following is applicable:

(I) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued prior to October 1, 2007, such certificate shall state the following:

> (i) the sum of (A) the Prior Years' Surplus as of the beginning of the Fiscal Year that immediately preceded the Fiscal Year in which such certificate is delivered and (B) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; and
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> (ii) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 75% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; or

(II) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, such certificate shall state that the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

If rates and charges for services furnished by the System were increased and put into effect by the County after the beginning of the Fiscal Year or other twelve-month period to which a Revenue Certificate refers and not thereafter reduced, an Independent Engineer may certify the amount of gross revenues from the System that would have been received by the County had such increased rates and charges been in effect during the entire Fiscal Year or other twelve-month period, and the Independent Accountant, the President of the Commission or the County's Director of Finance, as the case may be, preparing and signing the Revenue Certificate, may compute Net Revenues Available for Debt Service during such Fiscal Year or other twelve-month period based on the amount of revenues that would have been derived from the System during such period with such increased rates and charges, as so certified by such Independent Engineer.

"Revenue Forecast" means a report prepared by an Independent Engineer with respect to a period that shall begin on the first day of the Fiscal Year that succeeds the Fiscal Year in which the proposed Additional Parity Securities are issued and that shall not be longer than five Fiscal Years (such period being herein called the "Forecast Period"), which report shall make the following projections with respect to the last Fiscal Year in the Forecast Period (such year being herein called the "Test Year"):

(I) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued prior to October 1, 2007,

> (i) the sum of (A) the projected Prior Years' Surplus as of the beginning of the Test Year and (B) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made; and
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> (ii) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 75% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

(II) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

In preparing its Revenue Forecast, the Independent Engineer shall be entitled (a) to make projections with respect to the rates and charges to be imposed for services furnished by the System during each of the Fiscal Years in the Forecast Period (so long as such Independent Engineer certifies, with respect to any projected rates and charges that are higher than the actual rates and charges in effect as of the date of the Revenue Forecast, that such projected rates and charges would be reasonable for public sanitary sewer systems similar in size and character to the System) and (b) to rely upon estimates prepared by an independent investment advisor with respect to the aggregate amount of debt service on the Parity Securities to become due and payable during each of the Fiscal Years in the Forecast Period.

For purposes of any Revenue Certificate or Revenue Forecast prepared and delivered to the Trustee in connection with the issuance of a series of Additional Parity Securities, the date for determining Maximum Annual Debt Service may be any date that occurs during the period of thirty (30) days that immediately precedes the issuance date for such series of Additional Parity Securities (provided that, in any event, the debt service on such series of Additional Parity Securities shall be taken into account and included in calculating Maximum Annual Debt Service).

The County shall not be required to deliver a Revenue Certificate or Revenue Forecast in connection with the issuance of a series of Additional Parity Securities for refunding purposes if, in lieu thereof, the County delivers a certificate signed by the County's Director of Finance or an Independent Investment Advisor stating (i) that the Maximum Annual Debt Service immediately after the issuance of such Additional Parity Securities will not be greater than the Maximum Annual Debt Service immediately prior to the issuance of such Additional Parity Securities and (ii) that the total debt service expected to be due and payable on such Additional Parity Securities will be less than the total debt service that would be due and payable after the issuance date of such Additional Parity Securities on those of the Parity Securities being refunded if such refunding did not occur.

Particular Covenants of the County

The Indenture contains the following covenants of the County, among others:

Maintenance of Books and Records. The County will maintain complete and separate books and records pertaining to the System and all receipts and disbursements with respect thereto.

Annual Audits. Within 90 days following the close of each Fiscal Year, the County will provide the Trustee with financial statements respecting the System prepared by the County's financial officers. The County will also provide the Trustee with audited financial statements prepared by the State Examiner of Public Accounts of the State of Alabama or an independent certified public accountant within 180 days after the end of each Fiscal Year.

No Free Service. The County will not furnish or permit to be furnished from the System any free service of any kind to the State of Alabama, any county or incorporated municipality or to any other Person. All services furnished from the System will be charged for at the rates at the time established therefor.

Maintenance of Rates. The County will make and maintain such rates and charges for the services supplied from the System and make collections from the users thereof in such manner as shall provide, in each Fiscal Year, Net Revenues Available for Debt Service in an amount that shall result in compliance with each of the following two requirements (such requirements being referred to herein collectively as the "Rate Covenant"):

(i) the sum of (A) Net Revenues Available for Debt Service for a given Fiscal Year and (B) the Prior Years' Surplus as of the beginning of such Fiscal Year shall not be less than 110% of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities; and

(ii) the Net Revenues Available for Debt Service for a given Fiscal Year shall not be less than 80% (or, in the case of any Fiscal Year beginning on or after October 1, 2007, 100%) of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities.

For purposes of the Rate Covenant, (a) debt service on the Parity Securities shall not include any interest (i.e., accrued interest or capitalized interest) paid with proceeds of Parity Securities, (b) debt service shall be reduced by any amounts received by the County during the Fiscal Year in question pursuant to Qualified Swaps (other than amounts so received that constitute extraordinary non-periodic payments), and (c) debt service shall be increased by any amounts paid by the County during such Fiscal Year pursuant to Qualified Swaps. The County will from time to time make such increases and other changes in such rates and charges as may be necessary to comply with the Rate Covenant.

Priority of Pledge. The pledge of the Pledged Revenues for the benefit of the Series 2003-B Warrants, the Series 2003-A Warrants, the Series 2002-A Warrants, the Series 2002-B Warrants, the

Series 2002-C Warrants, the Series 2002-D Warrants, the Series 2001-A Warrants, the Series 1999-A Warrants, the Series 1997-A Warrants and the Series 1997-D Warrants shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued or any contract hereafter made by the County, other than any of the Additional Parity Securities or any Secured Related Obligation.

Continued Operation of System. The County will not sell or lease the whole or any part of the System, will continuously operate the System in an economical and efficient manner, and will keep the System in good repair and efficient operating condition. The County may, however, sell or otherwise dispose of portions of the System which, in its opinion, are no longer necessary for the continued efficient and economical operation of the System. The County may transfer the System as an entirety to a public corporation if the property and income of such public corporation are not subject to taxation and, upon any such transfer, the due and punctual payment of the principal of and interest on the Parity Securities and the observance of the agreements contained in the Indenture are expressly assumed in writing by the corporation to which the System shall be transferred as an entirety, provided that a condition to any such transfer shall be the delivery to the Trustee of an opinion of nationally recognized bond counsel to the effect that such transfer will not result in the interest on the Parity Securities becoming subject to federal income taxation.

Limits on Variable Rate Debt

The County has covenanted that at all times, until the payment of all Indenture Indebtedness, the sum of (i) the aggregate principal amount of all then outstanding Variable Rate Securities (other than any Variable Rate Securities for which a then-effective floating-to-fixed Qualified Swap has been designated), and (ii) the aggregate principal amount of Parity Securities for which then-effective fixed-to-floating Qualified Swaps have been designated, will not exceed 50% of the aggregate principal amount of all then outstanding Parity Securities.

Insurance Required

The County will keep all portions of the System that are of the character and type customarily insured by governmental entities operating utility systems similar to the System insured against loss by fire or other casualty to the extent of the full insurable value thereof. The County will also carry workmen's compensation insurance and public liability insurance in such amounts as are customarily carried with respect to utility systems similar in size and character to the System, provided that the County may, at its election, be self-insured for such risks to the extent customary at the time for such utility systems.

Damage and Destruction Provisions

If the System is damaged or partially destroyed to such extent that the loss thereto is not greater than $25,000,000, the County is required by the Indenture promptly to repair, replace or restore the property damaged or destroyed, applying for such purposes the insurance proceeds referable thereto, as well as providing any other funds required therefor. The County is required to pay into the Revenue Account established under the Indenture any of such insurance proceeds not needed for such repair, replacement or restoration. The Indenture further provides that if the System is damaged or destroyed to such extent that the loss thereto is greater than $25,000,000, the insurance proceeds shall be paid to the Trustee and the Trustee will, in accordance with the directions of the Commission, cause such insurance proceeds to be applied either for the repair, replacement or restoration of the property damaged or destroyed, or for the retirement of Parity Securities prior to maturity through the redemption thereof, or for any combination of such applications. Any insurance proceeds to be applied for the redemption of

Parity Securities prior to maturity shall be deposited in the Redemption Fund established under the Indenture. The Indenture obligates the County to pay any costs of repairing, replacing or restoring any property damaged or destroyed that are in excess of the insurance proceeds available therefor, and any insurance proceeds intended to be used for the payment of the costs of such repair, replacement or restoration but not needed therefor shall be deposited in the Revenue Account.

Events of Default and Remedies

Events of Default. The following constitute events of default under the Indenture:

(a) failure by the County to pay the principal of or the interest or premium (if any) on any of the Parity Securities when such principal, interest and premium respectively become due and payable, whether at maturity or otherwise;

(b) failure by the County to satisfy the Rate Covenant, provided that any such failure shall not constitute an event of default if (i) the Trustee receives evidence satisfactory to it that an increase in the rates charged for services furnished by the System has occurred pursuant to the provisions of the ordinance of the County that governs such rates, or (ii) the County employs a utility system consultant to review the System and its existing rates and fees and makes a good faith effort to comply with the recommendations of such consultant;

(c) 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 the Rate Covenant and its agreement to pay the principal of and the interest and premium (if any) on the Parity Securities] after thirty (30) days' written notice 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 any series 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;

(d) 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

(e) an order, judgment or decree shall be entered by any court of competent jurisdiction (i) appointing a receiver, trustee or liquidator for the System, (ii) approving a petition filed against the County under the federal or any state bankruptcy laws, (iii) granting relief to the County under federal or state bankruptcy laws or relief substantially similar to that afforded under the said laws or (iv) assuming the custody or control of the System (or any part thereof) under the provisions of any other law for the relief or aid of debtors, and such order, judgment or decree shall not be vacated or set aside or stayed within 90 days from the date of the entry thereof, or 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 of an event of default under the Indenture, 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 principal of and the interest accrued on all the Parity Securities forthwith due and payable, and thereupon they shall so be, anything in the Indenture or in the Parity Securities to the contrary notwithstanding. If, however, the County shall thereafter make good that default and every other default under the Indenture (except for those installments of principal and interest so declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and cover the compensation and reimbursement of all reasonable expenses of the Trustee, then such event of default shall be deemed waived and such declaration and its consequences rescinded and annulled, but no such waiver, rescission and annulment shall affect any subsequent default or right relative thereto.

(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 fixing of sufficient rates, the collection of revenues, the proper segregation of the revenues of the System and the proper application thereof.

(c) Receivership. The Trustee shall be entitled upon or at any time after the commencement of any proceedings instituted with respect to an event of default, as a matter of strict right, upon the order of any court of competent jurisdiction, to the appointment of a receiver to administer and operate the System, with power to fix and charge rates and collect revenues sufficient to provide for the payment of the Parity Securities and any other obligations outstanding against the System or the revenues thereof and for the payment of expenses of operating and maintaining the System and with power to apply the income and revenues of the System in conformity with the Act and the Indenture.

Application of Moneys Collected. All moneys collected by the Trustee pursuant to any of the aforesaid remedies, together with all other moneys derived from the System and held by the County or the Trustee, 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 the Parity Securities shall have become or shall have been declared due and payable, such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Parity Securities, with interest on overdue installments of interest, and, if the amount available shall not be sufficient to pay in full all such installments plus 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 any of the Parity Securities which shall have become due (other than Parity Securities matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on overdue installments of principal and premium, if any, and, if the amount available shall not be sufficient to pay in full all such principal and premium, if any, together with such interest, 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;

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 payable upon the Parity Securities (with interest on overdue principal and 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 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 thirty days after written request so to act addressed to the Trustee by the holders of not less than 25% in principal amount of the Parity Securities of any series then outstanding, accompanied by indemnity satisfactory to the Trustee, in which event the holder of any of the Parity Securities may thereupon 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 and behalf 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 (which may be Bond 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 in reliance thereon. Moreover, in entering into a Supplemental Indenture (including the Ninth Supplemental Indenture) the Trustee shall be fully protected in relying upon an opinion of Independent Counsel as conclusive evidence that the Supplemental Indenture complies with the Indenture and that the Trustee is authorized under the Indenture to join in the execution of or to consent to the Supplemental Indenture.

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 the holders of any Parity Securities, the County and the Trustee may amend the Indenture for any of the following purposes: (a) to add to the covenants and agreements of the County; (b) to provide for the surrender by the County of any right or power conferred upon the County in the Indenture; (c) to cure any ambiguity or defect or for any other purpose if the County and the Trustee consider such provisions to be necessary or desirable and such provisions are not inconsistent with the provisions of the Indenture and do not adversely affect the interests of the holders of the Parity Securities; (d) to subject to the lien and pledge of the Indenture additional revenues, properties and collateral; (e) to amend the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute or the qualification of the Parity Securities for sale under the securities laws of any state; (f) to authorize the issuance of Additional Parity Securities; (g) to grant to or confer upon the Trustee any additional rights, remedies, powers, liabilities or duties which are not inconsistent with the Indenture as theretofore in effect; and (h) to amend 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 written consent of the holders of not less than a majority in principal amount of the outstanding Parity Securities, the County and the Trustee may amend the Indenture for the purposes of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained therein; provided, however, that no such amendment shall, without the consent of the holder of each outstanding Parity Security adversely affected thereby,

> (1) change the security for, 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
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> (2) reduce the percentage in principal amount of the outstanding Parity Securities, the consent of whose holders is required for any such amendment, 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 revenues from the System 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 any preference or priority as between the Parity Securities.

Satisfaction of the Indenture

Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee thereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the lien of the Indenture. For purposes of the Indenture (including, without limitation, the provisions pertaining to the issuance of Additional Parity Securities), any of the Parity Securities shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal and interest) due or to be due thereon until and at maturity, and, further, any Parity Security subject to redemption shall also be deemed to have been paid when the County shall have deposited with the Trustee the applicable redemption price of such Parity Security (including any applicable redemption premium), together with evidence that such Parity Security has been called for redemption in accordance with the Indenture.

In addition, the Parity Securities shall for all purposes of the Indenture be deemed fully paid if the County and the Trustee enter into a trust agreement making provision for the retirement of all the Parity Securities by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of all 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 (a) 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 to provide for the payment and retirement of such Parity Securities, or (b) both cash and Permitted Defeasance Obligations which together will produce funds sufficient for such purpose, or (c) cash sufficient for such purpose.

Miscellaneous Rights of Insurers

So long as each Insurer has not failed to comply with its payment obligations under its respective bond insurance policy:

(a) any acceleration of the maturity of the Series 2003-B Warrants upon the occurrence of an event of default (or any annulment of any such acceleration) shall be subject to the prior written consent of such Insurer;

(b) any amendment or supplement to the Indenture shall be subject to the prior written consent of such Insurer; and

(c) such Insurer shall be deemed to be the holder of all outstanding Series 2003-B Warrants insured by such Insurer for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the Indenture, requires the consent of the holder of each outstanding Parity Security).

Financial Guaranty Insurance Company and XL Capital Assurance, Inc., have heretofore issued insurance policies (the "Outstanding Policies") that insure payment of various series of the outstanding Parity Securities. So long as those insurers have not failed to comply with their respective payment obligations under the Outstanding Policies, they will have rights parallel to those described in the preceding paragraph with respect to the various series of Parity Securities insured by the respective Outstanding Policies.

APPENDIX B

Audited Financial Statements of the County for Fiscal Year 2001-2002

Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2001 Through September 30, 2002

Filed: March 28, 2003

Department of Examiners of Public Accounts

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

Ronald L. Jones, Chief Examiner

03-248

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

Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-14, we submit this report on the Jefferson County Commission for the period October 1, 2001 through September 30, 2002.

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*** – a component of required supplementary information 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).

4. ***Financial Section*** – includes basic financial statements (Exhibits 1 through 11) and notes to the financial statements.

5. ***Required Supplementary Information*** – includes Budget to Actual comparisons (Exhibits 12 through 14) which contains supplementary information required by the Governmental Accounting Standards Board (GASB).

6. ***Supplementary Information*** – includes combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds (Exhibits 15 through 24) and the Schedule of Expenditures of Federal Awards (Exhibit 25), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.

7. ***Additional Information*** – contains basic information related to the Commission (Exhibit 26) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

   Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 27) – a report on internal control related to the financial statements and on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

   Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 28) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

   Schedule of Findings and Questioned Costs (Exhibit 29) – a report summarizing the results of the audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by OMB Circular A-133.

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

   Auditee Response/Corrective Action Plan (Exhibit 31) – a response by the Commission on the results of the audit and/or corrective action plan for federal audit findings.

AUDIT COMMENTS

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

The Birmingham Water Works Board (BWWB) and the City of Bessemer, Alabama-Water Service Department (Bessemer Water Service) bills and collects sewer service charges for the Jefferson County Commission (Commission). For the fiscal year ended September 30, 2002, 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

- The ***Code of Alabama 1975***, Section 39-2-2 (b), (Alabama Public Works Law) states, that "an awarding authority may let contracts for public works involving fifty thousand dollars ($50,000) or less with or without advertising or sealed bids." For the period October 1, 1998 to September 30, 2002, the Commission awarded approximately 160 contracts for manhole adjustments and installation projects. These contracts were awarded in exactly $50,000.00 increments. The contracts were awarded to approximately nine different vendors.

  - ✓ The following is the approximate number of contracts awarded and payments made on the contracts by fiscal year:

Year	Contracts Awarded	Contract Amount	Actual Payments
1998-1999	4	$ 200,000	$ 196,000
1999-2000	21	1,050,000	973,000
2000-2001	45	2,250,000	2,223,000
2001-2002	90	4,500,000	3,545,000
Total	160	$8,000,000	$6,937,000

  - ✓ It appears that manhole adjustment and installation projects were split in such a manner that each project would be less than the fifty thousand dollar ($50,000) threshold established under the Alabama Public Works Law.

- The ***Code of Alabama 1975***, Section 39-2-2(d), (Alabama Public Works Law) states, that "excluded from the operation of this title shall be contracts with persons who shall perform only architectural, engineering, construction management, program management, or project management services in support of the public works and who shall not engage in actual construction, repair, renovation, or maintenance of the public works with their own forces, by contract, subcontract, purchase order, lease, or otherwise." For the period October 1, 2001 to September 30, 2002, two contracts were awarded to a vendor for engineering and professional services. These contracts totaled $5,500,000.00. Payments of approximately the same amount were made on these contracts. The contracts were for purposes of 1) performing necessary surveys, evaluations and TV inspection of the designated sewer lines. 2) providing engineering analysis to rank the severity of defects and to summarize recommendations, 3) provide other services deemed necessary by the County such as cleaning sewer lines and locating and exposing buried manhole covers.

  ✓ It appears that the County is not complying with the Alabama Public Works Law by contracting with a vendor to provide professional services and then allowing the vendor to engage in the repair and maintenance of the public works.

- The ***Code of Alabama 1975***, Section 39-2-2 (b), (Alabama Public Works Law) states, that "an awarding authority may let contracts for public works." During the audit period, there was an emergency sewer repair project that exceeded the $50,000 public works threshold and was required to be bid. The Jefferson County Department of Environmental Services, and not the Jefferson County Commission (the awarding authority), awarded the bid.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

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

STATUS OF PRIOR AUDIT

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

- Procedures were not in place to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial statements.

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

- At September 30, 2002, the following funds had deficit fund balances:

Road Fund	$ 7,460,000
Senior Citizens Fund	$ 1,040,000
Capital Improvements Fund	$30,959,000
Road Construction Fund	$ 2,463,000

RECOMMENDATIONS

- The County should comply with the Alabama Public Works Law when designing public works contracts.

- The County should comply with the Alabama Public Works Law by contracting with vendors to provide professional services and not allow the vendor to engage in the repair and maintenance of the public works.

- The County should comply with the Alabama Public Works Law by assuring that the awarding authority, the Commission, awards all bids.

- Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.

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

- The Commission should eliminate the deficit fund balances.

Sworn to and subscribed before me this
the 12 day of March, 2003.

Kim W. Reynolds
Notary Public

Sworn to and subscribed before me this
the 18th day of March, 2003.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this
the 18th day of March, 2003.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this
the 18th day of March, 2003.

Cheryl S. McAlister
Notary Public

rb

Respectfully submitted,

Larry S. McPherson
Examiner of Public Accounts

Cathy M. Cook

Cathy M. Cook
Examiner of Public Accounts

Roderick Edwards

Roderick Edwards
Examiner of Public Accounts

Elizabeth L. Crowson

Elizabeth L. Crowson
Examiner of Public Accounts

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, 2002, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 though 11. 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, 2002, 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, 2002, 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.

As described in Note 1 to the financial statements, the Jefferson County Commission has implemented a new reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement Number 34, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments***, GASB Statement Number 37, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus***, and GASB Statement Number 38, ***Certain Financial Statement Note Disclosures***. This resulted in a change in the format and content of the primary government financial statements.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 21, 2003 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 Management's Discussion and Analysis and the budgetary comparison information, Exhibits 12 through 14, 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 25) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, and the combining financial statements (Exhibits 15 through 24) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

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

February 21, 2003

Management 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, 2002. Please read it in conjunction with the County's basic financial statements, which begin on page 1. In this first year of presentation, no comparisons of government-wide data will be presented, but such comparisons will be presented in future years.

FINANCIAL HIGHLIGHTS

- Jefferson County's governmental fund type fund balances decreased approximately $33 million, or 14.8%, while the enterprise fund type fund equity decreased approximately $101 million, or 6.9%. The governmental funds decrease was mainly the result of over $22 million expended for courthouse and jail renovations and $4 million for road construction, all coming from the Capital Projects Funds, with only $4 million in revenue provided from charges for services and amounts received from other governments. Interest expense of $114 million on sewer revenue bonds, combined with $43 million additional depreciation expense on municipal sewer assets taken over by the County, were the main reasons for the enterprise fund equity decrease.

- Total assets for governmental funds decreased approximately $25 million, or 8%, while total assets for enterprise funds increased approximately $439 million, or 12.7%. The governmental funds decrease is almost entirely the result of funds expended from Capital Projects Funds, as noted above. Enterprise funds assets increased mainly from additional cash and investments provided by new revenue bond issues.

- Total revenues for governmental funds increased approximately $10 million, or 3%, while total operating revenues for enterprise funds increased approximately $14 million, or 11%.

- Total expenditures for governmental funds decreased approximately $58 million, or 15%, while total operating expenses for enterprise funds increased approximately $41 million, or 24%. The key factor in the governmental funds decrease was an $81 million decrease in general obligation warrants principal payments. The enterprise fund expense increase relates primarily to a $43 million increase in depreciation expense, resulting from the $1.4 billion in additional municipal sewer assets which were taken over by the County.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 1 through 4) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements (pages 5 through 20) 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

Since the prior year was not restated, the following condensed financial information for governmental and business-type activities is for the current year only. In future years, a comparative analysis will be presented.

Net Assets
September 30, 2002
($000 omitted)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	$ 355,379	$ 883,969	$ 1,239,348
Capital assets	257,260	3,006,408	3,263,668
Total assets	612,639	3,890,377	4,503,016
Long-term liabilities	(286,338)	(2,450,485)	(2,736,823)
Other liabilities	(141,335)	(85,326)	(226,661)
Total liabilities	(427,673)	(2,535,811)	(2,963,484)
Net assets:			
Invested in capital assets, net of related debt	(10,970)	591,284	580,314
Restricted	203,958		203,958
Unrestricted	(8,022)	763,282	755,260
Total net assets	$ 184,966	$ 1,354,566	$ 1,539,532

Changes in Net Assets
For the Year Ended September 30, 2002
($000 omitted)

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program Revenues:			
Charges for services	$ 44,041	$ 137,046	$ 181,087
Operating grants and			-
contributions	49,568		49,568
Capital grants and			-
contributions	1,250		1,250
General Revenues:			-
Property taxes	73,117	3,128	76,245
Sales taxes	62,834		62,834
Other taxes	9,343		9,343
Occupational license	54,698		54,698
Investment earnings	14,083	43,900	57,983
Miscellaneous	10,238	606	10,844
Total revenues	319,172	184,680	503,852
Program Expenses			
General government	104,496		104,496
Public safety	65,936		65,936
Highways and streets	41,716		41,716
Welfare	14,766		14,766
Culture and recreation	16,187		16,187
Education	200		200
Interest and fiscal charges	15,809		15,809
Hospital		73,375	73,375
Nursing operations		15,279	15,279
Landfill		7,352	7,352
Sanitary operations		234,463	234,463
Parking		326	326
Total expenses	259,110	330,795	589,905
Excess (deficiency) before			
transfers	60,062	(146,115)	(86,053)
Transfers	(45,296)	45,296	-
Increase (decrease) in			
net assets	14,766	(100,819)	(86,053)
Net assets, beginning of year	170,200	1,455,385	1,625,585
Net assets, end of year	$ 184,966	$ 1,354,566	$ 1,539,532

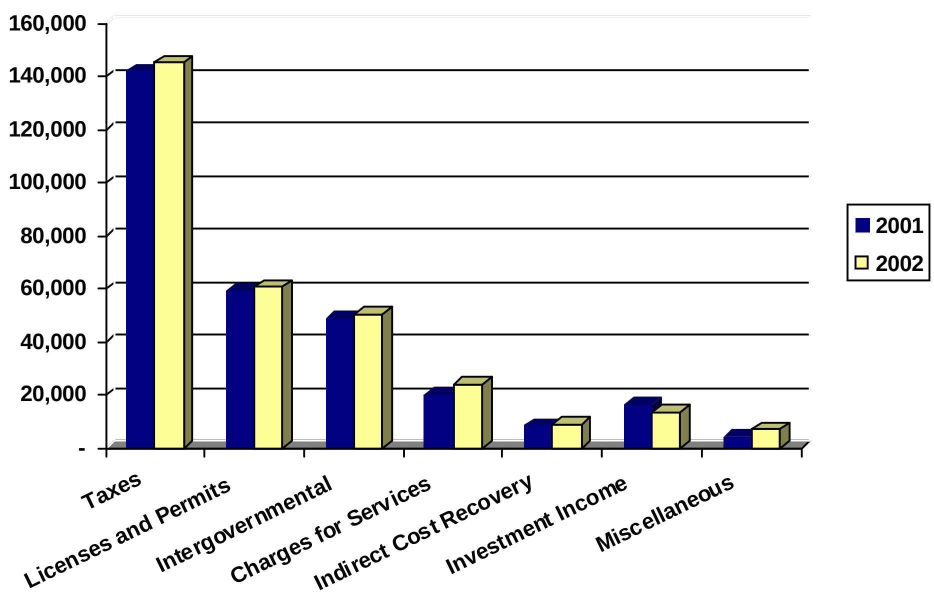
THE COUNTY'S FUNDS

Governmental Funds

Information below compares revenues and expenditures for all governmental fund types for fiscal years ended September 30, 2002 and 2001.

($000 omitted)

Revenues by Source:	2002	2001	$ change	% change
Taxes	$ 145,295	$ 142,261	$ 3,034	2.13%
Licenses and Permits	60,903	59,846	1,057	1.77%
Intergovernmental	50,817	48,974	1,843	3.76%
Charges for Services	24,478	20,460	4,018	19.64%
Indirect Cost Recovery	9,088	8,704	384	4.41%
Investment Income	13,888	16,893	(3,005)	-17.79%
Miscellaneous	7,394	4,838	2,556	52.83%
Total Revenues	$ 311,863	$ 301,976	$ 9,887	3.27%



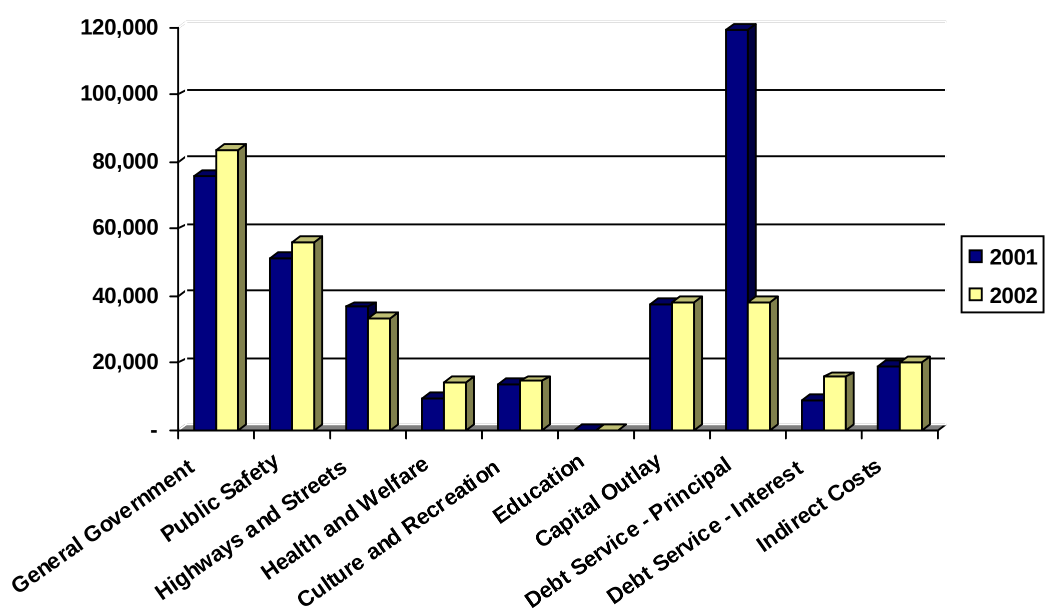
The large increase in charges for services was the result of $2.5 million received into the Road Construction Capital Projects Fund for construction of the Barber Motorsport Parkway.

The decrease in investment income was due to less funds being available for investment, a reduction in the rates of return, and more funds available in the previous fiscal year from the issuance of the 2001-A General Obligation Warrants in the amount of $82 million.

The increase in miscellaneous revenue was the result of an additional $2.7 million received related to the County's contract with Children's Hospital for care of indigent pediatric patients.

($000 omitted)

Expenditures by Function:	**2002**	**2001**	**$ change**	**% change**
General Government	$ 83,525	$ 75,665	$ 7,860	10.39%
Public Safety	56,337	51,314	5,023	9.79%
Highways and Streets	33,554	36,718	(3,164)	-8.62%
Health and Welfare	14,209	9,604	4,605	47.95%
Culture and Recreation	14,684	13,758	926	6.73%
Education	200	197	3	1.52%
Capital Outlay	38,242	37,872	370	0.98%
Debt Service - Principal	38,143	119,345	(81,202)	-68.04%
Debt Service - Interest and Fiscal Charges	15,948	9,201	6,747	73.33%
Indirect Cost	20,399	19,092	1,307	6.85%
Total Expenditures	$ 315,241	$ 372,766	$ (57,525)	-15.43%



The increase in general government expenditures was the result of an approximately $1 million increase paid to Children's Hospital for care of indigent pediatric patients, $1.6 million for a digital tax system, plus a large increase in employees' health care premiums.

Public safety experienced a large increase in personnel costs due to increased security at County facilities. In addition, $1.3 million was paid for a contract to provide health services to jail inmates.

The large increase in health and welfare expenditures was the result of approximately $4.6 million paid to United Way for services under a youth grant.

During 2001, the 1996 and 1999 general obligation warrants were refunded, which accounted for the unusually large principal payment amount.

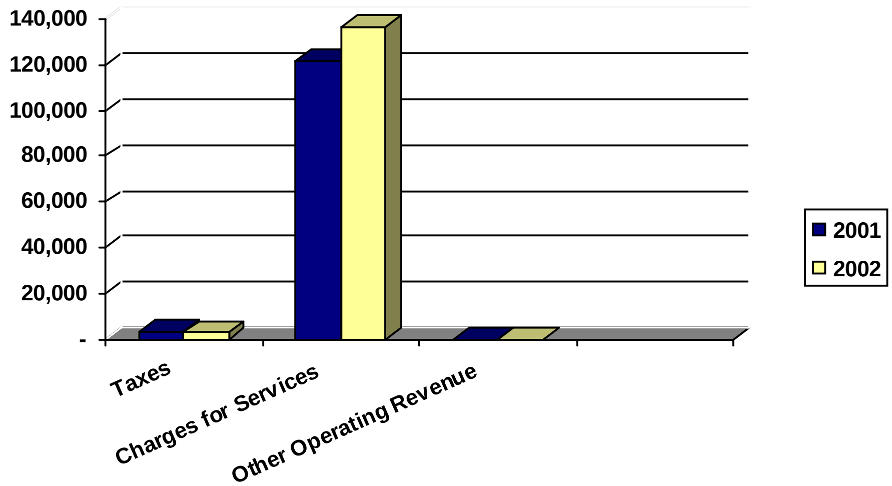
During 2002, approximately $7 million of interest expense was paid on interest rate swap transactions. Interest earned on swap transactions is recorded in interest income.

($000 omitted) **Fund Balance**	
Revenues	$ 311,863
Expenditures	(315,241)
Net Other Financing Sources (Uses)	(29,842)
Net Change in Fund Balance	$ (33,220)

Enterprise Funds

Information below compares revenues and expenses for all enterprise funds for fiscal years ended 2002 and 2001.

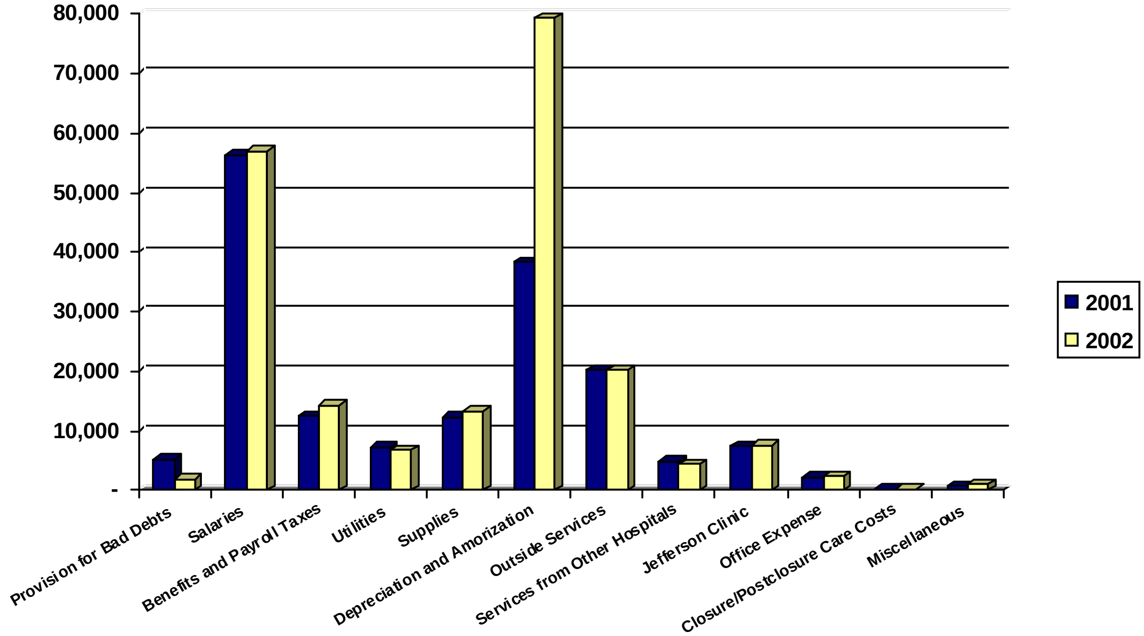
($000 omitted) **Operating Revenues**	**2002**	**2001**	**$ change**	**% change**
Taxes	3,128	3,806	(678)	-17.81%
Charges for Services	136,391	121,653	14,738	12.11%
Other Operating Revenue	244	219	25	11.42%
Total Operating Revenues	139,763	125,678	14,085	11.21%



On January 1, 2002, the sewer rate increased from $3.01 per hundred cubic feet of water used to $3.53 per hundred cubic feet, or 17.3%, thereby resulting in a significant increase in charges for services for fiscal year 2002.

($000 omitted)

Operating Expenses	2002	2001	$ change	% change
Provision for Bad Debts	$ 1,869	$ 5,224	$ (3,355)	-64.22%
Salaries	56,920	56,393	527	0.93%
Benefits and Payroll Taxes	14,276	12,491	1,785	14.29%
Utilities	6,743	7,173	(430)	-5.99%
Supplies	13,209	12,417	792	6.38%
Depreciation and Amorization	79,274	38,280	40,994	107.09%
Outside Services	20,146	20,157	(11)	-0.05%
Services from Other Hospitals	4,426	4,963	(537)	-10.82%
Jefferson Clinic	7,672	7,495	177	2.36%
Office Expense	2,454	2,151	303	14.09%
Closure/Postclosure Care Costs	273	134	139	103.73%
Miscellaneous	1,013	738	275	37.26%
Total Operating Expenses	$ 208,275	$ 167,616	$ 40,659	24.26%



The County is doing a better job of collecting its overdue accounts, thereby reducing the balance of the bad debt allowance.

The increase in employee health insurance premiums accounted for the increase in benefits.

Depreciation expense increased $43 million due to the $1.4 billion in additional municipal sewer assets that were taken over by the County.

($000 omitted)
Fund Equity

Operating Revenues	$ 139,763
Operating Expenses	(208,275)
Net Nonoperating Revenues (Expenses)	(77,605)
Net Operating Transfers	45,296
Net Change in Fund Equity	$ (100,821)

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 64 through 66 for the general fund and all major governmental funds. The original budget for state intergovernmental revenue in the general fund was reduced $3.4 million for a digital tax system which state funds were initially budgeted to fund. The digital tax system increased the expenditure budgets of the Board of Equalization and Tax Assessor by a combined total of $1.6 million. The nondepartmental original budget was increased by $1.3 million for retirement credit and health insurance increases, $400,000 for Treatment Alternatives to Street Crime grant, and $180,000 for a Department of Justice mental health grant. The Sheriff's budget was increased $1.4 million to fund the jail inmate health services program. A $1 million increase was made to the Culture and Recreation budget for a biomedical grant to the University of Alabama at Birmingham.

CAPITAL ASSET AND DEBT ADMININSTRATION

Capital Assets

At the end of fiscal year 2002, the County had $468 million invested in a broad range of general fixed assets, including buildings, roads, bridges, and public safety equipment. This amount represents a net increase (including additions and deductions) of $77 million, or 19.5%, over the previous year. In addition, capital assets invested in enterprise funds was $3.5 billion, a net increase over the previous year of $359 million, or 11.2%.

Debt

At fiscal year end, the County had $268 million outstanding in general obligation warrants and $2.437 billion outstanding in sewer revenue bonds. The general obligation warrants are currently-issued warrants or refundings of previously-issued warrants, proceeds of which were used to finance various general County construction projects and capital equipment purchases. The proceeds of the sewer revenue bonds are being used to upgrade and expand the sanitary sewer system.

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, 2002
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Investments	$ 84,188	$ 13,304	$ 97,492
Accounts Receivable, Net	131	14,653	14,784
Patient Accounts Receivable, Net		7,843	7,843
Loans Receivable, Net	3,359		3,359
Property Taxes Receivable, Net	62,788	3,434	66,222
Interest Receivable	10	667	677
Due from Other Governments	37,714	1,139	38,853
Inventories	3,424	1,380	4,804
Prepaid Expenses	217	1,777	1,994
Total Current Assets	191,831	44,197	236,028
Noncurrent Assets:			
Deferred Charges	109	39,965	40,074
Deferred Loss on Early Retirement of Debt		2,322	2,322
Advances Due from Other Funds	19,489	(19,489)	
Restricted Assets - Noncurrent	143,950	816,974	960,924
Capital Assets, Net of Depreciation	257,260	3,006,408	3,263,668
Total Noncurrent Assets	420,808	3,846,180	4,266,988
Total Assets	612,639	3,890,377	4,503,016
Liabilities			
Current Liabilities:			
Cash Deficit	36,757	5,680	42,437
Accounts Payable	20,573	43,619	64,192
Deposits Payable		30	30
Due to Other Governments	4,775		4,775
Deferred Revenue	68,590	3,662	72,252
Accrued Wages Payable	2,991	1,423	4,414
Accrued Interest Payable	6,242	18,407	24,649
Retainage Payable	1,407	12,505	13,912
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	17,145	13,300	30,445
Estimated Liability for Compensated Absences	1,366	609	1,975
Estimated Claims Liability	3,038		3,038
Total Current Liabilities	162,884	99,235	262,119
Noncurrent Liabilities:			
Portion Due or Payable After One Year:			
Arbitrage Rebate Payable		2,383	2,383
Warrants Payable	251,085	2,424,455	2,675,540
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,587	3,587
Estimated Liability for Compensated Absences	13,704	6,151	19,855
Total Noncurrent Liabilities	264,789	2,436,576	2,701,365
Total Liabilities	427,673	2,535,811	2,963,484
Net Assets			
Invested in Capital Assets, Net of Related Debt	(10,970)	591,284	580,314
Restricted for:			
Debt Service	194,388		194,388
Other Purposes	9,570		9,570
Unrestricted	(8,022)	763,282	755,260
Total Net Assets	$ 184,966	$ 1,354,566	$ 1,539,532

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

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Statement of Activities
For the Year Ended September 30, 2002
(In Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 104,496	$ 37,312	$ 24,489
Public Safety	65,936	3,153	2,022
Highways and Roads	41,716	3,486	8,441
Welfare	14,766	90	14,616
Culture and Recreation	16,187		
Education	200		
Interest and Fiscal Charges	15,809		
Total Governmental Activities	259,110	44,041	49,568
Business-Type Activities:			
Hospital	73,375	32,832	
Nursing Operations	15,279	9,740	
Landfill	7,352	3,784	
Sanitary Operations	234,463	90,468	
Parking	326	222	
Total Business Type Activities	330,795	137,046	
Total Primary Government	$ 589,905	$ 181,087	$ 49,568

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

Change in Net Assets

Net Assets Beginning of Year, as Restated (Note 22)

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
$	$ (42,695)	$	$ (42,695)
1,250	(59,511)		(59,511)
	(29,789)		(29,789)
	(60)		(60)
	(16,187)		(16,187)
	(200)		(200)
	(15,809)		(15,809)
1,250	(164,251)		(164,251)
		(40,543)	(40,543)
		(5,539)	(5,539)
		(3,568)	(3,568)
		(143,995)	(143,995)
		(104)	(104)
		(193,749)	(193,749)
$ 1,250	(164,251)	(193,749)	(358,000)
	73,117	3,128	76,245
	62,834		62,834
	9,343		9,343
	54,698		54,698
	14,083	43,900	57,983
	10,238	606	10,844
	(45,296)	45,296	
	179,017	92,930	271,947
	14,766	(100,819)	(86,053)
	170,200	1,455,385	1,625,585
	$ 184,966	$ 1,354,566	$ 1,539,532

Balance Sheet
Governmental Funds
September 30, 2002
(In Thousands)

	General Fund	Indigent Care Fund
Assets		
Cash and Investments	$ 39,746	$ 219
Accounts Receivable, Net	51	
Loans Receivable, Net		
Property Taxes Receivable, Net	27,470	
Interest Receivable		
Due from Other Governments	20,946	6,038
Inventories	183	
Prepaid Expenses	77	
Advances Due from Other Funds		
Total Assets	88,473	6,257
Liabilities and Fund Balances		
Liabilities:		
Cash Deficit		
Accounts Payable	10,896	
Due to Other Governments	121	
Deferred Revenue	29,336	
Retainage Payable		
Accrued Wages and Benefits Payable	2,042	
Accrued Interest Payable		
Estimated Liability for Compensated Absences	804	
Total Liabilities	43,199	
Fund Balances:		
Reserved for:		
Inventories	183	
Petty Cash	76	
Mapping and Reappraisal	2,652	
Cooper Green Hospital Foundation		186
Debt Service		
Encumbrances	1,785	
Prepaid Expenses	77	
Loans Receivable		
Advances Due from Other Funds		
Unreserved, Reported In:		
General Fund	40,501	
Special Revenue		6,071
Capital Projects		
Total Fund Balances	45,274	6,257
Total Liabilities and Fund Balances	$ 88,473	$ 6,257

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
$ 1,419	$ 161,095	$ 4,967	$ 207,446
		2	53
		3,359	3,359
10,301		25,017	62,788
		10	10
879		4,241	32,104
2,115			2,298
1		2	80
	19,489		19,489
14,715	180,584	37,598	327,627
		31,662	31,662
4,413		4,466	19,775
4,648		6	4,775
10,985		28,269	68,590
1,407			1,407
415		51	2,508
	6,241		6,241
307		1	1,112
22,175	6,241	64,455	136,070
2,115			2,298
1		1	78
			2,652
			186
	154,854		154,854
1,679		34,907	38,371
1		2	80
		3,359	3,359
	19,489		19,489
			40,501
(11,256)		(7,817)	(13,002)
		(57,309)	(57,309)
(7,460)	174,343	(26,857)	191,557
$ 14,715	$ 180,584	$ 37,598	$ 327,627

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2002
(In Thousands)

Total Fund Balances - Governmental Funds (Exhibit 3)		$	191,557
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:			234,994
Deferred Charges Related to Issuance of Long-Term Liabilities are Not Reported in the Funds.			109
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.			37,667
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	268,230		
Estimated Liability for Compensated Absences	11,131		
			(279,361)
Total Net Assets - Governmental Activities (Exhibit 1)		$	184,966

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, 2002
(In Thousands)

	General Fund	Indigent Care Fund
Revenues		
Taxes	$ 65,377	$ 38,436
Licenses and Permits	60,903	
Intergovernmental	19,460	
Charges for Services	20,557	
Indirect Cost Recovery	9,088	
Miscellaneous	389	6,632
Interest	8,450	4
Total Revenues	184,224	45,072
Expenditures		
Current:		
General Government	67,307	7,554
Public Safety	55,147	
Highways and Roads		
Welfare	703	
Culture and Recreation	14,684	
Education	200	
Capital Outlay	2,316	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Indirect Costs	15,893	13
Total Expenditures	156,250	7,567
Excess (Deficiency) of Revenues Over Expenditures	27,974	37,505
Other Financing Sources (Uses)		
Debt Issued		
Premiums on Debt Issued		
Proceeds from Sale of Capital Assets	31	
Transfers In	1	745
Transfers Out	(28,948)	(38,402)
Total Other Financing Sources (Uses)	(28,916)	(37,657)
Net Change in Fund Balances	(942)	(152)
Fund Balances at Beginning of Year, as Restated (Note 22)	46,216	6,409
Fund Balances at End of Year	$ 45,274	$ 6,257

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
$ 12,674	$	$ 28,808	$ 145,295
			60,903
7,739	798	22,822	50,819
204	8	3,708	24,477
			9,088
37		337	7,395
	5,091	344	13,889
20,654	5,897	56,019	311,866
		8,664	83,525
		1,189	56,336
32,224		1,330	33,554
		13,506	14,209
			14,684
			200
4,394		31,532	38,242
	40,700		40,700
	13,252		13,252
	139		139
3,776	61	658	20,401
40,394	54,152	56,879	315,242
(19,740)	(48,255)	(860)	(3,376)
	20,065		20,065
	728		728
231		26	288
15,812	31,457	3,858	51,873
(176)	(1,885)	(33,387)	(102,798)
15,867	50,365	(29,503)	(29,844)
(3,873)	2,110	(30,363)	(33,220)
(3,587)	172,233	3,506	224,777
$ (7,460)	$ 174,343	$ (26,857)	$ 191,557

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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, 2002
(In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$	(33,220)
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 Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount by Which Capital Outlays ($38,242) Exceeded Depreciation ($14,909) in the current period.			23,333
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	(20,065)		
Premium on Refunding Debt	(728)		
Repayments:			
Principal	40,700		
Net Adjustment			19,907
Some Expenditures Reported in the Governmental Funds are Deferred on the Statement of Net Assets, this Includes Bond Issuance Costs.			139
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 ($936) Exceeded Amortization of Deferred Charges ($2).			(934)
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.			5,541
Change in Net Assets of Governmental Activities (Exhibit 2)		$	14,766

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

Statement of Net Assets
Proprietary Funds
September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Assets		
Current Assets:		
Cash and Investments	$	$ 13,300
Accounts Receivable, Net	48	12,395
Patient Accounts Receivable, Net	6,058	
Interest Receivable		667
Due from Other Governments	576	563
Inventories	953	344
Prepaid Expenses	1,767	9
Property Taxes Receivable, Net		3,434
Total Current Assets	9,402	30,712
Noncurrent Assets:		
Deferred Loss on Early Debt Retirement		2,322
Deferred Charges		39,798
Restricted Assets - Noncurrent Cash		816,974
Capital Assets, Net Where Applicable	12,456	2,932,952
Total Noncurrent Assets	12,456	3,792,046
Total Assets	$ 21,858	$ 3,822,758

Other Enterprise Funds	Totals	Internal Service Funds
$ 4	$ 13,304	$ 20,692
2,210	14,653	79
1,785	7,843	
	667	
	1,139	5,613
83	1,380	1,126
1	1,777	136
	3,434	
4,083	44,197	27,646
	2,322	
167	39,965	
	816,974	
61,000	3,006,408	22,263
61,167	3,865,669	22,263
$ 65,250	$ 3,909,866	$ 49,909

Statement of Net Assets
Proprietary Funds
September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Liabilities		
Current Liabilities:		
Cash Deficit	$ 4,309	$
Accounts Payable	1,169	42,305
Deposits Payable		
Deferred Revenue		3,662
Accrued Wages and Benefits Payable	665	522
Accrued Interest Payable		18,384
Retainage Payable		12,505
Estimated Liability for Compensated Absences	210	310
Warrants Payable		13,300
Estimated Claims Liability		
Total Current Liabilities	6,353	90,988
Noncurrent Liabilities:		
Advances Due to Other Funds		
Arbitrage Rebate Payable		2,383
Warrants Payable		2,424,455
Estimated Liability for Landfill Closure/ Postclosure Care Costs		
Estimated Liability for Compensated Absences	2,118	3,131
Total Noncurrent Liabilities	2,118	2,429,969
Total Liabilities	8,471	2,520,957
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,456	537,317
Unrestricted	931	764,484
Total Net Assets	$ 13,387	$ 1,301,801

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

Other Enterprise Funds		Totals		Internal Service Funds
$	1,371	$	5,680	$	5,095
	145		43,619		798
	30		30		
			3,662		
	236		1,423		484
	23		18,407		
			12,505		
	89		609		254
			13,300		
					3,038
	1,894		99,235		9,669
	19,489		19,489		
			2,383		
			2,424,455		
	3,587		3,587		
	902		6,151		2,573
	23,978		2,456,065		2,573
	25,872		2,555,300		12,242
	41,511		591,284		22,263
	(2,133)		763,282		15,404
$	39,378	$	1,354,566	$	37,667

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Operating Revenues		
Taxes	$	$ 3,128.00
Intergovernmental		
Charges for Services	32,816	89,963
Other Operating Revenue	16	505
Total Operating Revenues	32,832	93,596
Operating Expenses		
Provision for Bad Debt	2,253	
Salaries	26,756	20,677
Employee Benefits and Payroll Taxes	5,935	5,865
Materials and Supplies	9,667	1,977
Utilities	913	4,965
Outside Services	10,268	6,019
Services from Other Hospitals	4,426	
Jefferson Clinic	7,672	
Office Expense	1,188	890
Depreciation and Amortization	1,789	74,943
Landfill Closure and Postclosure Care Costs		
Miscellaneous	818	162
Total Operating Expenses	71,685	115,498
Operating Income (Loss)	(38,853)	(21,902)
Nonoperating Revenues (Expenses)		
Interest Expense	(18)	(114,324)
Interest Revenue	13	43,816
Miscellaneous		635
Amortization of Bond Issue Costs		(1,660)
Indirect Costs	(1,672)	(2,981)
Gain/(Loss) on Sale of Capital Assets		(1,479)
Indirect Cost Recovery		
Total Nonoperating Revenues (Expenses)	(1,677)	(75,993)
Operating Transfers		
Transfers In	38,402	
Transfers Out		
Total Operating Transfers	38,402	
Change in Net Assets	(2,128)	(97,895)
Total Net Assets - Beginning of Year, as Restated (Note 22)	15,515	1,399,696
Total Net Assets - End of Year	$ 13,387	$ 1,301,801

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

Other Enterprise Funds		Totals		Internal Service Funds
$	$	3,128	$	
				4,949
13,614		136,393		20,819
132		653		
13,746		140,174		25,768
25		2,278		
9,488		56,921		18,725
2,476		14,276		5,223
1,565		13,209		3,566
864		6,742		3,184
3,859		20,146		8,803
		4,426		
		7,672		
376		2,454		899
2,543		79,275		2,801
273		273		
33		1,013		470
21,502		208,685		43,671
(7,756)		(68,511)		(17,903)
(337)		(114,679)		
71		43,900		193
1,407		2,042		1,404
(9)		(1,669)		
(1,109)		(5,762)		(266)
43		(1,436)		(21)
				17,502
66		(77,604)		18,812
8,152		46,554		6,550
(1,258)		(1,258)		(921)
6,894		45,296		5,629
(796)		(100,819)		6,538
40,174		1,455,385		31,129
$ 39,378	$	1,354,566	$	37,667

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 33,671	$ 88,614
Other Operating Revenues	16	3,458
Cash Payments to Employees	(32,559)	(26,181)
Cash Payments for Goods and Services	(37,669)	(8,667)
Net Cash Provided (Used) by Operating Activities	(36,541)	57,224
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out		
Operating Transfers In	38,402	
Increase/(Decrease) in Cash Deficit	1,849	
Received from Auxiliary Services		635
Indirect Cost	(1,672)	(2,981)
Indirect Cost Recovery		
Net Cash Provided (Used) by Non-Capital Financing Activities	38,579	(2,346)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(2,138)	(346,144)
Proceeds from Sale of Capital Assets	105	3,132
Interest Paid	(18)	(112,213)
Proceed from Bond Issues		650,000
Principal Payments on Warrants		(8,495)
Bond Issuance Costs		(7,416)
Retainage Payments		(616)
Arbitrage Payments		(2,082)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,051)	176,166
Cash Flows from Investing Activities		
Interest Received	13	43,502
Net Cash Flows Provided by Investing Activities	13	43,502
Net Increase (Decrease) in Cash		274,546
Cash and Investments, Beginning of Year		555,728
Cash and Investments, End of Year	$	$ 830,274

Other Enterprise Funds		Totals		Internal Service Funds
$ 11,961	$	134,246	$	20,745
132		3,606		2,630
(11,911)		(70,651)		(23,631)
(6,496)		(52,832)		(19,443)
(6,314)		14,369		(19,699)
(1,258)		(1,258)		(921)
8,152		46,554		6,550
1,338		3,187		2,503
1,407		2,042		1,404
(1,109)		(5,762)		(266)
				17,502
8,530		44,763		26,772
(2,279)		(350,561)		(6,246)
91		3,328		1,031
(315)		(112,546)		
		650,000		
		(8,495)		
		(7,416)		
		(616)		
		(2,082)		
(2,503)		171,612		(5,215)
71		43,586		193
71		43,586		193
(216)		274,330		2,051
220		555,948		18,641
$ 4	$	830,278	$	20,692

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2002
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income/(Loss)	$ (38,853)	$ (21,902)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	1,789	74,943
(Increase)/Decrease in Prepaid Expenses	209	(4)
(Increase)/Decrease in Accounts Receivable	(12)	(1,395)
(Increase)/Decrease in Patient Receivables	1,085	
(Increase)/Decrease in Due from Other Governments	(219)	47
(Increase)/Decrease in Inventories	(60)	152
Increase/(Decrease) in Accounts Payable	(612)	4,788
Increase/(Decrease) in Deferred Revenue		234
Increase/(Decrease) in Advances Due to Other Funds		
Increase/(Decrease) in Deposits Payable		
Increase/(Decrease) in Accrued Wages and Benefits Payable	119	96
Increase/(Decrease) in Estimated Liability for Compensated Absences	13	265
Increase/(Decrease) in Estimated Liability for Landfill Closure/Postclosure Care Costs		
Increase/(Decrease) in Estimated Claims Payable		
Total Adjustments	2,312	79,126
Net Cash Provided (Used) by Operating Activities	$ (36,541)	$ 57,224

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

Other Enterprise Funds	Totals	Internal Service Funds
$ (7,756)	$ (68,511)	$ (17,903)
2,543	79,275	2,801
	205	(62)
(1,455)	(2,862)	(71)
(197)	888	
	(172)	(2,321)
9	101	7
(13)	4,163	(863)
	234	
289	289	
(19)	(19)	
38	253	120
15	293	195
232	232	
		(1,602)
1,442	82,880	(1,796)
$ (6,314)	$ 14,369	$ (19,699)

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2002
(In Thousands)

	General Retirement System	Agency Funds
Assets		
Cash and Investments	$ 637,050	$ 3,112
Loans Receivable		465
Interest Receivable	5,010	
Total Assets	642,060	3,577
Liabilities		
Accounts Payable	377	
Due to External Organizations		2,228
Due to Other Governments		1,349
Total Liabilities	377	$ 3,577
Net Assets		
Reserved for Contingent Refunds	69,891	
Reserved for Retirement and Disability Benefits	571,792	
Total Net Assets	$ 641,683	

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

Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended September 30, 2002
(In Thousands)

		General Retirement System
Additions		
Investment Income		
Net Appreciation in Fair Value of Investments	$	15,007
Interest		21,242
Dividends		3,796
Total Investment Income		40,045
Less: Investment Manager Fees		1,496
Sub-Total		38,549
Contributions		
Members		8,184
Employer		8,189
Total Contributions		16,373
Other		
Pistol Permits		240
Other Income		8
Sub-Total		248
Total Additions		55,170
Deductions		
Net Depreciation in Common Stocks		64,742
Participant Expenses		
Benefits Paid to Participants and Beneficiaries		17,611
Refunds of Member Contributions		1,245
Interest Paid on Refunds of Member Contributions		72
Sub-Total		18,928
Administrative Expenses		
Office Expenses		296
Other Expenses		67
Sub-Total		363
Total Deductions		84,033
Change in Net Assets		(28,863)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year		670,546
End of Year	$	641,683

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 generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the 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 has implemented the provisions of the Statement in the current 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.

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:

- ***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.

- ***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.

- ***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 types:

Pension Trust Fund

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

Agency Funds

- ***Stormwater 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 columns:

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 Types

- ***Pension Trust Fund*** **–** This fund is used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

- ***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 include 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	$17,462
Allowance Accounts	(9,619)
Net Patient Receivables	$ 7,843

Jefferson County issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans (net an allowance account) totaled $3,359,000 at September 30, 2002.

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, 2002, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled $465,000.

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. 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.

6. 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. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 2002-B Sewer Revenue Warrants contain deferred costs of $5,900,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 2002-A issue was $5,888,000.

Bond discount/issue cost of the Series 2002-A Sewer Revenue Warrants contain deferred costs of $1,607,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 2002-A issue was $1,583,000.

Bond discount/issue cost of the Series 2001-A Sewer Revenue Warrants contain deferred costs of $11,605,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 2001-A issue was $11,145,000.

Bond discount/issue cost of the Series 1999-A Sewer Revenue Refunding Warrants contain deferred costs of $8,003,000 that are being amortized over 40 years. At September 30, 2002, the unamortized deferred cost of the 1999-A issue was $7,286,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contain deferred costs of $9,956,000 that are being amortized over 30 years. At September 30, 2002, the unamortized deferred cost of the 1997-A issue was $8,076,000.

Bond discount/issue cost of the Series 1997-B Sewer Revenue Refunding Warrants contain deferred costs of $509,000 that are being amortized over 6 years. At September 30, 2002, the unamortized deferred cost of the 1997-B issue was $28,000.

Bond discount/issue cost of the Series 1997-C Sewer Revenue Refunding Warrants contain deferred costs of $946,000 that are being amortized over 18 years. At September 30, 2002, the unamortized deferred cost of the 1997-C issue was $648,000.

Bond discount/issue cost of the Series 1997-D Sewer Revenue Warrants contain deferred costs of $6,320,000 that are being amortized over 30 years. At September 30, 2002, the unamortized deferred cost of the issue was $5,144,000.

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, 2002, the unamortized deferred cost of the 2002-A issue was ($522,000).

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, 2002, the unamortized deferred cost of the 2001-A issue was ($580,000).

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of $379,000 attributable to general governmental operations and $178,000 attributable to Landfill Operations that are being amortized over 20 years. At September 30, 2002, the unamortized deferred cost of the 2001-B issue was $356,000 for the governmental funds and $167,000 for enterprise funds.

Bond discount/issue cost of the Series 1993 General Obligation Warrants contain deferred costs of $1,898,000 that are being amortized over 17 years. At September 30, 2002, the unamortized deferred cost of the 1993 issue was $854,000.

7. 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, 2002, the liability for accrued vacation and compensatory leave is approximately $13,691,000. Of this amount $9,406,000 is reported in the government activities, $4,205,000 is reported in the business-type activities and $80,000 is reported in fiduciary funds.

As of September 30, 2002, the liability for accrued sick leave is approximately $8,265,000. Of this amount, $5,664,000 is reported in the government activities, $2,555,000 is reported in the business-type activities and $46,000 is reported in fiduciary funds.

8. 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	$ 4,270
Interest	194
Transfers In	6,548
Total Revenues	11,012
Expenses:	
General Government	5,266
Public Safety	(325)
Highways and Roads	(217)
Health and Welfare	(87)
Culture and Recreation	(87)
Transfers Out	921
Total Expenses	5,471
Total Revenues Over Expenses	$ 5,541

Note 3 – Stewardship, Compliance and Accountability

A. Budgets

Annual budgets are adopted 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, 2002, the following governmental funds had a deficit fund balance:

	(In Thousands)
Road Fund	$ 7,460
Senior Citizens Fund	$ 1,040
Capital Improvement Fund	$30,959
Road Construction Fund	$ 2,463

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

Note 4 – Deposits and Investments

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 Amount	Fair Value
U. S. Government Securities (**)	$ 468,159,000	$ 468,159,000	$ 468,159,000
Repurchase Agreements	503,737,000	503,737,000	503,737,000
Corporate Obligations (*)	166,103,000	166,103,000	166,103,000
Common Stocks (*)	276,900,000	276,900,000	276,900,000
Total Investments	$1,414,899,000	$1,414,899,000	$1,414,899,000

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

(**) Includes $157,318,000 investments of General Retirement System for Employees of Jefferson County

The County has entered into contracts for construction of various facilities within Jefferson County. Amounts were provided by some contractors that were used to purchase certificates of deposits and U. S. Government securities to be held by designated financial institutions in the name of the contractors and the Jefferson County Commission in lieu of retainage. These securities totaling $14,196,000 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, 2002, was as follows:

	(In Thousands)				
	Balance 10/01/2001	Additions	Retirements	Reclassifications	Balance 9/30/2002
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 10,385	$ 396	$	$	$ 10,781
Construction in Progress	111,197	29,013		(876)	139,334
General Infrastructure - C.I.P.	10,299	6,233			16,532
Total Capital Assets, Not Being Depreciated	131,881	35,642		(876)	166,647
Capital Assets Being Depreciated:					
Buildings	197,033	(552)	(2)		196,479
Improvements Other than Land/Building	8,434		(26)		8,408
Maintenance Equipment	4,576	127	(7)		4,696
Motor Vehicle (Non Fleet)	17,221	1,938	(275)		18,884
Office Furniture and Fixtures	3,731	242	(348)		3,625
Motor Vehicle Fleet	36,771	4,542	(3,087)		38,226
Miscellaneous Equipment	31,603	2,551	(1,890)	876	33,140
Total Capital Assets Being Depreciated	299,369	8,848	(5,635)	876	303,458
Less Accumulated Depreciation for:					
Buildings	(132,199)	(6,548)	2		(138,745)
Improvements Other than Land/Building	(3,532)	(567)	17		(4,082)
Maintenance Equipment	(3,571)	(530)	7		(4,094)
Motor Vehicle (Non Fleet)	(8,684)	(1,731)	175		(10,240)
Office Furniture and Fixtures	(2,384)	(198)	238		(2,344)
Motor Vehicle Fleet	(26,917)	(4,027)	2,925		(28,019)
Miscellaneous Equipment	(22,431)	(4,109)	1,219		(25,321)
Total Accumulated Depreciation	(199,718)	(17,710)	4,583		(212,845)
Total Capital Assets, Being Depreciated, Net	99,651	(8,862)	(1,052)	876	90,613
Governmental Activities Capital Assets, Net	$ 231,532	$ 26,780	$(1,052)	$	$ 257,260

	(In Thousands)				
	Balance 10/01/2001	Additions	Retirements	Reclassifications	Balance 9/30/2002
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 31,118	$ 3,186	$ (133)	$ 2,717	$ 36,888
Construction In Progress	813,661	359,471		(253,504)	919,628
Total Capital Assets, Not Being Depreciated	844,779	362,657	(133)	(250,787)	956,516
Capital Assets Being Depreciated:					
Buildings	273,328	525	(692)	81,075	354,236
Improvements Other Than Land/Building	624,501	1,957	(5,945)	169,712	790,225
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,947	30	(34)		5,943
Motor Vehicle (Non Fleet)	7,237	141	(885)		6,493
Office Furniture And Equipment	10,193	7	(204)		9,996
Motor Vehicle Fleet	11,342	1,094	(1,141)		11,295
Miscellaneous Equipment	11,135	2,723	(852)		13,006
Total Capital Assets Being Depreciated	2,359,493	6,477	(9,753)	250,787	2,607,004
Less Accumulated Depreciation for:					
Buildings	(123,220)	(9,626)	464		(132,382)
Improvements Other Than Land/Building	(202,626)	(30,325)	1,858		(231,093)
Infrastructure North	(43,951)	(13,333)			(57,284)
Infrastructure South	(78,806)	(22,062)			(100,868)
Maintenance Equipment	(5,118)	(320)	30		(5,408)
Motor Vehicle (Non Fleet)	(3,987)	(654)	795		(3,846)
Office Furniture And Fixtures	(9,663)	(85)	201		(9,547)
Motor Vehicle Fleet	(7,511)	(1,460)	1,006		(7,965)
Miscellaneous Equipment	(8,001)	(1,410)	692		(8,719)
Total Accumulated Depreciation	(482,883)	(79,275)	5,046		(557,112)
Total Capital Assets, Being Depreciated, Net	1,876,610	(72,798)	(4,707)	250,787	2,049,892
Business-Type Activities Capital Assets, Net	$2,721,389	$289,859	$(4,840)	$	$3,006,408

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

	(In Thousands)
Governmental Activities:	
General Government	$ 7,188
Public Safety	3,249
Highway and Roads	4,343
Health and Welfare	129
Total Depreciation Expense - Governmental Activities	$14,909

	(In Thousands)
Business-Type Activities	
Hospital	$ 1,789
Nursing Operations	349
Landfill	2,181
Sanitary Operations	74,943
Parking Services	13
Total Depreciation Expense – Business-Type Activities	$79,275

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 (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, 2002. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35263-0003.

B. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

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

Estimates

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

Investment Valuation and Income Recognition

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

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

Reserves for Contingent Refunds and Retirement and Disability Benefits

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

C. Actuarial Information

For the year ended September 30, 2002, The Commission's annual pension contribution of $8,189,000 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, 2002, the latest actuarial valuation date, were: (a) 7.0 percent investment rate of return on present and future assets, and (b) projected salary increases of 5.5 percent. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2002 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
9/30/2002	$8,189	100%	$0
9/30/2001	$7,543	100%	$0
9/30/2000	$7,752	100%	$0

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]
9/30/2000	$595,364	$517,622	($77,742)	115.0%	$126,520	(61.4%)
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%)

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 297 retirees meet eligibility requirements. The Commission subsidizes a portion of the retirees health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from $197 to $545 per month and total insurance premiums range from $223 to $639. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $384,000 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

The following is a listing of the outstanding contracts entered into and commitments made for the fiscal year ended September 30, 2002:

Nature of Commitment	(In Thousands) Nature of Commitment
Cahaba River Sewer Improvements	$ 69,253
East Village Creek Sewer Improvement	5,821
United Way Grant for Youth Services	2,000
Integrated Tax System	3,239
Lower Valley Creek Sewer Projects	16,172
Professional Healthcare Services	8,161
Safety Buildings Birmingham and Bessemer	6,519
Shades Valley Sewer Improvements	7,409
Turkey Creek Sewer Improvements	4,958
Upper Valley Creek Sewer Improvements	16,032
Valley Creek Sewer Improvements	103,843
Village Creek Sewer Improvements	97,748
Miscellaneous Sewer Contracts	3,506
Totals	$344,661

Note 9 – 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, 2002, 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	$70,661	$70,661
Grant Drawdowns Prior to Meeting All Eligibility Requirements		1,591
Total Deferred/Unearned Revenue for Governmental Funds	$70,661	$72,252

Note 10 – 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, 2002, total costs paid by the Commission were $747,000 for governmental activities and $179,000 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2002, were as follows:

	(In Thousands)	
Fiscal Year Ending	Governmental Activities	Business-Type Activities
September 30, 2003	$ 252	$24
2004	218	14
2005	205	
2006	203	
2007	198	
2008-2012	992	
2013-2015	512	
Totals	$2,580	$38

Note 11 – County Appropriation Agreement

During the 1989 fiscal year, the Birmingham-Jefferson Civic Center Authority (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 12 – Long-Term Debt

The General Obligation Warrants Series 1993 dated August 1, 1993 were issued to refund various General Obligation Warrants.

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 Sewer Revenue Warrants Series 1997-D dated March 1, 1997 were issued for the purpose of funding various sewer improvements.

The Sewer Revenues Warrants Series 1997-C dated February 1, 1997 for the purpose of refunding the 1992 and 1995 A Sewer Revenue Warrants.

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

The Sewer Revenue Warrants Series 1999-A dated March 1, 1999 were issued to for the purpose of funding various sewer improvements.

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 Warrants Series 2002-B dated September 1, 2002 were issued for the purpose of funding various sewer improvements.

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2002:

	(In Thousands)				
	Debt Outstanding October 1, 2001	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2002	Amounts Due Within One Year
Governmental Activities:					
General Obligation Warrants	$ 288,865	$ 20,065	$40,700	$ 268,230	$17,145
Estimated Claims Liability	4,640	1,314	2,916	3,038	
Estimated Liability for Compensated Absences	11,511	3,559		15,070	1,366
Government Activity Long-Term Liabilities	305,016	24,938	43,616	286,338	18,511
Business-Type Activities:					
Revenue Warrants	1,796,250	650,000	8,495	2,437,755	13,300
Estimated Liability for Postclosure Landfill Costs	3,355	273	41	3,587	
Estimated Liability for Compensated Absences	9,101		2,950	6,151	
Business-Type Activity Long-Term Liabilities	$1,808,706	$650,273	$11,486	$2,447,493	$13,300

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, 2003	$ 17,145	$ 12,569
2004	18,025	11,847
2005	21,175	11,078
2006	15,980	10,056
2007	23,725	9,252
2008-2012	61,875	33,191
2013-2017	55,685	19,409
2018-2021	54,620	4,786
Totals	$268,230	$112,188

	(In Thousands)	
	Business-Type Activities	
	Revenue Warrants	
Fiscal Year Ending	Principal	Interest
September 30, 2003	$ 13,300	$ 125,475
2004	2,595	127,272
2005	8,575	127,018
2006	6,490	126,661
2007	3,730	126,427
2008-2012	21,140	629,631
2013-2017	44,245	624,272
2018-2022	187,925	591,348
2023-2027	300,325	524,264
2028-2032	339,080	437,686
2033-2037	438,670	338,094
2038-2042	1,071,680	139,947
Totals	$2,437,755	$3,918,095

Warrant Issuance Costs and Premiums

The Commission reports warrant issuance costs and premiums in the deferred charges account.

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

	(In Thousands) Deferred Charges
Total Issuance Costs and Premium	$1,006
Balance Issuance Costs and Premium	$ 109

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

	(In Thousands) Deferred Charges
Total Issuance Costs and Premium	$45,024
Balance Issuance Costs and Premium	$39,965

Defeased Debt

On March 28, 2002, Jefferson County Commission issued $20,065,000.00 in General Obligation Warrants, Series 2002-A, for the purpose 1) of refunding outstanding Series 1992 General Obligation Warrants with a variable interest rate and 2) paying the costs of issuing the Series 2002-A warrants. The Series 1992 General Obligation Warrants were called on April 1, 2002; and, therefore, are legally defeased.

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, 2002, the total of $108,315,000 of warrants outstanding are considered defeased.

Note 13 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $2,437,755,000 at September 30, 2002. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 1997-B Taxable Sewer Revenue Refunding Warrants, 3) the 1997-C AWPCA Refunding Warrant, 4) the 1997-D Sewer Revenue Warrants, 5) the 1999-A Sewer Revenue Capital Improvement Warrants, 6) the 2001-A Sewer Revenue Capital Improvement Warrants, 7) the 2002-A Sewer Revenue Capital Improvement Warrants, and 8) 2002-B Sewer Revenue Capital Improvement 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, 2002, exceeded the bond indenture requirements and were as follows:

	(In Thousands)
Sewer Reserve Fund	$54,106
1999 Sewer Reserve Fund	$70,612
Sewer Rate Stabilization Fund	$75,545
Sewer Depreciation Fund	$47,551
2002-B Sewer Reserve Fund	$54,226

Note 14 – Continuing Disclosure

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

Fiscal Year Ending September 30,	2002	2001	2000
Active Accounts	143,038	142,305	142,277
Average Daily Treatment Volume (millions of gallons treated)	116	97	114
Sewer Charges	$84,470,770	$72,129,478	$66,834,206
% Revenues – Largest Customer	2.74%	2.66%	2.57%
% Revenues – Top 10 Customers	11.13%	12.53%	11.99%

2001 Top Ten Customers	Consumption	Amount
University of Alabama – Birmingham	865,776	$2,317,840
Birmingham Housing Authority	579,064	$1,932,577
U S Steel	494,880	$1,290,160
Barber Dairies	130,833	$ 997,964*
Golden Flake	153,314	$ 606,370*
Birmingham Board of Education	178,528	$ 592,021
Buffalo Rock	226,898	$ 518,781*
Brookwood Medical Center	124,574	$ 412,754
SMI Steel	123,197	$ 377,128
Baptist Medical Centers	150,439	$ 358,284

* Includes surcharge on same consumption

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

Note 15 – 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 $3,587,000, as of September 30, 2002. This estimate was based on 98% usage (filled) of the Jefferson County Landfill Number 1, and 71% 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, 2002. 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 16 – 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, 2002, the principal amount outstanding was $42,625,000.

Note 17 – 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	
	2002	2001	2002	2001	2002	2001	2002	2001
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$1,234	$ 685	$383	$ (25)	$3,023	$1,999	$4,640	$2,659
Incurred claims and claim adjustment expenses:								
Provision for insured events of current fiscal Year	168	778	363	412	783	1,072	1,314	2,262
Increases in provision for insured events of prior fiscal years		94		155		1,436		1,685
Total incurred claims and claim adjustment expenses	168	872	363	567	783	2,508	1,314	3,947
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,142	323	42	159	1,732	1,484	2,916	1,966
Claims and claim adjustment expenses attributable to insured events of prior fiscal year								
Totals payments	1,142	323	42	159	1,732	1,484	2,916	1,966
Total unpaid claim and claim adjustment expenses at end of fiscal year	$ 260	$1,234	$704	$383	$2,074	$3,023	$3,038	$4,640

Note 18 – Advances to Other Funds

The amounts due to/from other funds at September 30, 2002, were as follows:

	(In Thousands)
	Advances From Other Funds
	Sanitary Landfill Operations Fund
Advances To Other Funds	
Debt Service Fund	$19,489

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2002, were as follows:

	(In Thousands)			
	Transfers In			
	General Fund	Indigent Care Fund	Road Fund	Debt Service Fund
Transfers Out				
General Fund	$	$745	$15,812	$
Indigent Care Fund				
Road Fund				
Debt Service				
Nonmajor Governmental Funds				30,199
Internal Service	1			
Nonmajor Proprietary Funds				1,258
Totals	$1	$745	$15,812	$31,457

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 19 – Subsequent Events

In October 2002, the Commission issued $839,500,000 in Sewer Revenue Refunding Warrants, Series 2002-C. The proceeds of the Series 2002-C Warrants will be used to advance refund all or a portion of selected maturities of the County's outstanding 1997-D Warrants, Series 1999-D Warrants and Series 2001-A Warrants. In connection with the issuance of the Series 2002-C Warrants, the County has entered into separate swap transactions with JP Morgan Chase Bank, Bank of America, N.A. and Lehman Brothers with an aggregate notional amount equal to the par amount of the Series 2002-C Warrants, an effective date of October 23, 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).

(In Thousands)				
Transfers In				
Cooper Green Hospital	Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds	Totals
$	$3,042	$3,192	$6,157	$ 28,948
38,402				38,402
	176			176
			1,885	1,885
		3,143	45	33,387
	640	215	65	921
				1,258
$38,402	$3,858	$6,550	$8,152	$104,977

In November 2002, the Commission issued $475,000,000 in Sewer Revenue Capital Improvement Warrants, Series 2002-D. In January 2003, the Commission issued $41,820,000 Sewer Revenue Refunding Warrants, Series 2003-A. The proceeds will be used to purchase the Taxable Sewer Revenue Warrants, Series 1997-C for cancellation.

Note 20 – Deficit Cash Balance

As of September 30, 2002, the following funds had deficit cash balances:

	(In Thousands)
Senior Citizens Fund	$ 1,327
Capital Improvements Fund	28,099
Road Construction Fund	2,236
Personnel Board Fund	5,095
Total Governmental Activities	36,757
Cooper Green Hospital	4,309
County Home Fund	1,371
Total Business-Type Activities	$ 5,680

Note 21 – 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 from this tax until the liability is satisfied.

Note 22 – Accounting Changes and Restatements

Changes in Accounting Principles

During the fiscal year 2002, the Commission implemented GASB Statement Number 34, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments***, as amended by GASB Statement Number 37, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus***, and GASB Statement Number 38, ***Certain Financial Statement Note Disclosures***. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statement split the Commission's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business type activities equals fund equity for the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at September 30, 2001 caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balances

GASB Statement Number 34 eliminated the use of expendable trust funds to account for assets held by the County in a trustee capacity for other governmental units.

The impact of the restatements on the fund balances as previously reported is as follows:

	(In Thousands)					
	General Fund	Indigent Care Fund	Road Fund	Debt Service Fund	Non Major Governmental Funds	Total
Fund Balance, September 30, 2001, as Previously Reported	$48,013	$6,409	($2,927)	$172,233	$5,108	$228,836
Restatement for Deferred Revenue	(1,797)		(660)		(1,602)	(4,059)
Fund Balance, September 30, 2001, as Restated	$46,216	$6,409	($3,587)	$172,233	$3,506	$224,777
Capital Assets Beginning Balance						$211,660
Long-Term - Liabilities Beginning Balance						(288,865)
Compensated Absences						(10,193)
Balance Internal Service Funds						37,667
Effect of Internal Service Fund Eliminations						(5,541)
Beginning Balance Deferred Charges						695
Governmental Activities Net Assets September 30, 2001						$170,200

The impact of restatements on the fund equity of enterprise funds is as follows:

	(In Thousands)			
	Cooper Green Hospital	Sanitary Operations	Non-Major Enterprise	Total
Fund Equity, September 30, 2001, as Previously Reported	$15,515	$1,522,674	$40,174	$1,578,363
Restatement for Deferred Revenue		(221)		(221)
Accumulated Depreciation Infrastructure		(122,757)		(122,757)
Fund Equity, September 30, 2001, as Restated	$15,515	$1,399,696	$40,174	$1,455,385

Expendable trust funds were reclassified as agency funds as follows:

	(In Thousands)		
	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Total
Fund Equity, September 30, 2001, as Previously Reported	$1,335	$1,379	$2,714
Reclassification	(1,335)	(1,379)	(2,714)
Fund Equity, September 30, 2001, as Restated	$	$	$

Note 23 – Interest Rate Swap Agreements

Under 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 JP Morgan Chase, as successor to Morgan Guaranty Trust Company of New York are parties to a rate swap that is referable to General Obligation Warrants, Series 2001-B. The notional amount is $120,000,000 effective April 19, 2001 and a termination date of April 1, 2011. The County receives monthly payments calculated using the BMA Municipal Swap Index and makes semiannual payments at the fixed rate of 4.295% per annum. Morgan has the option to cancel the swap on April 1, 2008, or any April 1 or October 1, thereafter.

The following rate swaps are referable to selected Sewer Revenue Warrants.

The County and JP Morgan Chase, as successor to Morgan Guaranty Trust Company of New York are parties to two outstanding variable payments swaps: One has a notional amount of $200,000,000 effective February 1, 2001, a termination date of January 1, 2016. The County makes monthly payments calculated using the BMA Municipal Swap Index and receives semiannual payments at the fixed rate of 5.069% per annum. Because of the related Interim Reversal transaction, until February 1, 2004, the only scheduled payments are payments from Morgan to the County determined by applying a net fixed rate of 1.524% to said notional amount. The other swap has a notional amount of $175,000,000 effective February 1, 2002, a termination date of January 1, 2016 and a fixed rate (for determining payments to be made by Morgan) of 5.2251%. Because of the related Interim Reversal transaction, until February 1, 2004, the only scheduled payments are payments from Morgan to the County determined by applying a net fixed rate of 1.4551% to said notional amount. For each transaction, Morgan has the option to cancel on the first calendar day of any month occurring after January 31, 2004. In addition, if Morgan exercises such cancellation option with respect to a transaction, Morgan will then have the option to reinstate such transaction on the first calendar day of any month occurring after January 31, 2009.

A third variable payment swap is between the County and JP Morgan Chase Bank, as successor to The Chase Manhattan Bank. The transaction has a notional amount of $70,000,000, an effective date of February 1, 2002, and a termination date of February 1, 2031, and a fixed rate (for determining payments to be made by Chase) of 5.17%. Chase has the option to cancel 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 Chase to the County determined by applying a net fixed rate of 1.225% to said notional amount (provided that Chase has an option to cancel the Interim Reversal transaction on February 1, 2005, and semiannually thereafter until February 1, 2007.)

In addition, the County has entered into a swap transaction that can be characterized as a fixed payment swap. In connection with the issuance of the Series 2002-A Warrants, the County and Chase entered into a swap transaction with a notional amount of $110,000,000, an effective date of February 15, 2002, and a termination date of February 1, 2042. Under such transactions, the County is obligated to make semiannual payments at a fixed rate of 5.06% and will receive monthly payments calculated using the BMA Municipal Swap Index.

Note 24 – 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, 2002
(In Thousands)

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes	$ 64,978	$ 65,230	$ 65,377
Licenses and Permits	61,684	61,134	60,903
Intergovernmental	22,492	18,738	19,460
Charges for Services	18,472	19,975	20,557
Indirect Cost Recovery	9,191	9,191	9,088
Miscellaneous	133	133	389
Interest	6,384	6,384	8,450
Total Revenues	183,334	180,785	184,224
Expenditures			
Current:			
General Government	69,912	74,641	67,307
Public Safety	51,073	52,859	55,147
Welfare	592	703	703
Culture and Recreation	13,553	14,643	14,684
Education	216	203	200
Capital Outlay	35	2,560	2,316
Indirect Costs	14,194	15,910	15,893
Total Expenditures	149,575	161,519	156,250
Excess (Deficiency) of Revenues Over Expenditures	33,759	19,266	27,974
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	45	69	31
Transfers In		6,215	1
Transfers Out	(97)	(30,508)	(28,948)
Total Other Financing Sources (Uses)	(52)	(24,224)	(28,916)
Change in Net Assets	33,707	(4,958)	(942)
Net Assets Beginning of Year, as Restated (Note 22)	46,217		46,216
Net Assets End of Year	$ 79,924	$ (4,958)	$ 45,274

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Indigent Care Fund For the Year Ended September 30, 2002 (In Thousands)

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes	$ 38,310	$ 38,490	$ 38,436
Miscellaneous	7,874	6,874	6,632
Interest	6	6	4
Total Revenues	46,190	45,370	45,072
Expenditures			
Current:			
General Government	7,954	7,954	7,554
Indirect Costs	13	13	13
Total Expenditures	7,967	7,967	7,567
Excess (Deficiency) of Revenues Over Expenditures	38,223	37,403	37,505
Other Financing Sources (Uses)			
Transfers In		745	745
Transfers Out		(40,623)	(38,402)
Total Other Financing Sources (Uses)		(39,878)	(37,657)
Net Change in Fund Balances	38,223	(2,475)	(152)
Fund Balances at Beginning of Year	6,409	6,409	6,409
Fund Balances at End of Year	$ 44,632	$ 3,934	$ 6,257

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Fund
For the Year Ended September 30, 2002
(In Thousands)

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes	$ 11,829	$ 12,576	$ 12,674
Intergovernmental	7,548	7,678	7,739
Charges for Services	130	160	204
Miscellaneous	18	18	37
Total Revenues	19,525	20,432	20,654
Expenditures			
Current:			
Highways and Roads	34,516	35,119	32,224
Capital Outlay		4,512	4,394
Indirect Costs	3,776	3,776	3,776
Total Expenditures	38,292	43,407	40,394
Excess (Deficiency) of Revenues Over Expenditures	(18,767)	(22,975)	(19,740)
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets		235	231
Transfers In		15,812	15,812
Transfers Out		(176)	(176)
Total Other Financing Sources (Uses)		15,871	15,867
Net Change in Fund Balances	(18,767)	(7,104)	(3,873)
Fund Balances at Beginning of Year, as Restated (Note 22)			(3,587)
Fund Balances at End of Year	$ (18,767)	$ (7,104)	$ (7,460)

Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2002
(In Thousands)

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund
Assets			
Cash and Investments	$	$ 2,184	$ 272
Accounts Receivable, Net			
Loans Receivable, Net			153
Property Taxes Receivable, Net		25,017	
Interest Receivable			10
Due from Other Governments	489	435	1,988
Prepaid Expenses			
Total Assets	489	27,636	2,423
Liabilities and Fund Balances			
Liabilities:			
Cash Deficit	1,327		
Accounts Payable	187		859
Due to Other Governments			
Deferred Revenue		26,678	1,100
Accrued Wages and Benefits Payable	15		27
Estimated Liability for Compensated Absences			
Total Liabilities	1,529	26,678	1,986
Fund Balances:			
Reserved for:			
Petty Cash			
Encumbrances	77		10,865
Prepaid Expenses			
Loans Receivable			153
Unreserved Reported In:			
Special Revenue Funds	(1,117)	958	(10,581)
Capital Projects Funds			
Total Fund Balances	(1,040)	958	437
Total Liabilities and Fund Balances	$ 489	$ 27,636	$ 2,423

CDBG/EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ 1,496	$ 200	$ 815	$	$	$ 4,967
				2	2
2,432	774				3,359
					25,017
					10
	943	163		223	4,241
		2			2
3,928	1,917	980		225	37,598
			28,099	2,236	31,662
	77	31	2,860	452	4,466
6					6
	491				28,269
	1	8			51
		1			1
6	569	40	30,959	2,688	64,455
		1			1
		78	21,708	2,179	34,907
		2			2
2,432	774				3,359
1,490	574	859			(7,817)
			(52,667)	(4,642)	(57,309)
3,922	1,348	940	(30,959)	(2,463)	(26,857)
$ 3,928	$ 1,917	$ 980	$	$ 225	$ 37,598

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2002
(In Thousands)

	Senior Citizens' Activities Fund	Bridge and Public Building Fund	Community Development Fund
Revenues			
Taxes	$	$ 28,808	$
Intergovernmental	4,873	702	13,506
Charges for Services			90
Miscellaneous	189		
Interest	5	200	
Total Revenues	5,067	29,710	13,596
Expenditures			
Current:			
General Government	7,306		1,273
Public Safety			
Highways and Roads			
Welfare			11,991
Capital Outlay	159		403
Indirect Costs	265	34	236
Total Expenditures	7,730	34	13,903
Excess (Deficiency) of Revenues Over Expenditures	(2,663)	29,676	(307)
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets			
Transfers In	1,658		623
Transfers Out		(30,199)	
Total Other Financing Sources (Uses)	1,658	(30,199)	623
Net Change in Fund Balances	(1,005)	(523)	316
Fund Balances at Beginning of Year, as Restated (Note 22)	(35)	1,481	121
Fund Balances at End of Year	$ (1,040)	$ 958	$ 437

CDBG/EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Capital Improvements Fund	Road Construction Fund	Totals
$	$	$	$	$	$ 28,808
	1,110	1,381	1,250		22,822
		336		3,282	3,708
3	97	48			337
106	18	9		6	344
109	1,225	1,774	1,250	3,288	56,019
	85				8,664
		1,189			1,189
			661	669	1,330
19	1,496				13,506
	3	27	24,707	6,233	31,532
32	34	57			658
51	1,618	1,273	25,368	6,902	56,879
58	(393)	501	(24,118)	(3,614)	(860)
		2	24		26
32	507	145	837	56	3,858
			(3,188)		(33,387)
32	507	147	(2,327)	56	(29,503)
90	114	648	(26,445)	(3,558)	(30,363)
3,832	1,234	292	(4,514)	1,095	3,506
$ 3,922	$ 1,348	$ 940	$ (30,959)	$ (2,463)	$ (26,857)

Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2002
(In Thousands)

	County Home Fund	Landfill Operations Fund
Assets		
Current Assets:		
Cash and Investments	$	$ 3
Accounts Receivable, Net	1,469	741
Patient Accounts Receivable, Net	1,785	
Inventories	83	
Prepaid Expenses	1	
Total Current Assets	3,338	744
Noncurrent Assets:		
Deferred Charges		167
Capital Assets, Net Where Applicable	9,285	51,708
Total Noncurrent Assets	9,285	51,875
Total Assets	12,623	52,619
Liabilities		
Current Liabilities:		
Cash Deficit	1,371	
Accounts Payable	140	5
Deposits Payable	30	
Accrued Wages and Benefits Payable	184	51
Accrued Interest Payable		23
Estimated Liability for Compensated Absences	47	42
Total Current Liabilities	1,772	121
Noncurrent Liabilities:		
Advances Due to Other Funds		19,489
Estimated Liability for Landfill Closure/Postclosure Care Costs		3,587
Compensated Absences	477	420
Total Noncurrent Liabilities	477	23,496
Total Liabilities	2,249	23,617
Net Assets		
Invested in Capital Assets Net of Related Debt	9,285	32,219
Unrestricted	1,089	(3,217)
Total Net Assets	$ 10,374	$ 29,002

Parking Deck Fund	Totals
$ 1	$ 4
	2,210
	1,785
	83
	1
1	4,083
	167
7	61,000
7	61,167
8	65,250
	1,371
	145
	30
1	236
	23
	89
1	1,894
	19,489
	3,587
5	902
5	23,978
6	25,872
7	41,511
(5)	(2,133)
$ 2	$ 39,378

Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended September 30, 2002
(In Thousands)

	County Home Fund	Landfill Operations Fund
Operating Revenues		
Charges for Services	$ 9,677	$ 3,715
Other Operating Revenue	63	69
Total Revenues	9,740	3,784
Operating Expenses		
Provision for Bad Debt		25
Salaries	7,203	2,256
Employee Benefits and Payroll Taxes	1,870	600
Materials and Supplies	1,226	337
Utilities	592	221
Outside Services	3,199	494
Office Expense	347	29
Depreciation and Amortization	349	2,181
Closure and Postclosure Care Costs		273
Miscellaneous	20	13
Total Operating Expenses	14,806	6,429
Operating Income (Loss)	(5,066)	(2,645)
Nonoperating Revenues (Expenses)		
Interest Expense		(337)
Interest Revenue	62	9
Miscellaneous	1,407	
Amortization of Bond Issue Costs		(9)
Indirect Costs	(473)	(577)
Gain/(Loss) on Sale of Capital Assets		43
Total Nonoperating Revenues (Expenses)	996	(871)
Operating Transfers		
Transfers In	3,902	4,185
Transfers Out		(1,258)
Total Operating Transfers	3,902	2,927
Changes in Net Assets	(168)	(589)
Total Net Assets - Beginning of Year	10,542	29,591
Total Net Assets - End of Year	$ 10,374	$ 29,002

Parking Deck Fund	Totals
$ 222	$ 13,614
	132
222	13,746
	25
29	9,488
6	2,476
2	1,565
51	864
166	3,859
	376
13	2,543
	273
	33
267	21,502
(45)	(7,756)
	(337)
	71
	1,407
	(9)
(59)	(1,109)
	43
(59)	66
65	8,152
	(1,258)
65	6,894
(39)	(796)
41	40,174
$ 2	$ 39,378

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2002
(In Thousands)

	County Hone Fund	Landfill Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 8,010	$ 3,728
Other Operating Revenues	63	69
Cash Payments to Employees	(9,036)	(2,840)
Cash Payments for Goods and Services	(5,380)	(897)
Net Cash Provided (Used) by Operating Activities	(6,343)	60
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out		(1,258)
Operating Transfers In	3,902	4,185
Increase/(Decrease) in Cash Deficit	1,371	(33)
Received from Auxiliary Services	1,407	
Indirect Cost	(473)	(577)
Net Cash Provided (Used) by Non-Capital Financing Activities	6,207	2,317
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(152)	(2,127)
Proceeds from Sale of Capital Assets	32	59
Interest Paid		(315)
Net Cash Provided (Used) by Capital and Related Financing Activities	(120)	(2,383)
Cash Flows from Investing Activities		
Interest Received	62	9
Net Cash Flows Provided by Investing Activities	62	9
Net Increase/(Decrease) in Cash	(194)	3
Cash and Investments, Beginning of Year	194	
Cash and Investments, End of Year	$	$ 3

Parking Deck Fund	Totals
$ 223	$ 11,961
	132
(35)	(11,911)
(219)	(6,496)
(31)	(6,314)
	(1,258)
65	8,152
	1,338
	1,407
(59)	(1,109)
6	8,530
	(2,279)
	91
	(315)
	(2,503)
	71
	71
(25)	(216)
26	220
$ 1	$ 4

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2002
(In Thousands)

	County Hone Fund	Landfill Operations Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income/(Loss)	$ (5,066)	$ (2,645)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	349	2,181
(Increase)/Decrease in Prepaid Expenses		
(Increase)/Decrease in Accounts Receivable	(1,469)	14
(Increase/Decrease in Patient Receivables	(197)	
(Increase)/Decrease in Inventories	9	
Increase/(Decrease) in Accounts Payable	13	(26)
Increase/(Decrease) in Advances Due to Other Funds		289
Increase/)Decrease) in Deposits Payable	(19)	
Increase/(Decrease) in Accrued Wages and Benefits Payable	36	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	1	13
Increase/(Decrease) in Landfill Closure/Postclosure Care Costs		232
Total Adjustments	(1,277)	2,705
Net Cash Provided (Used) by Operating Activities	$ (6,343)	$ 60

Parking Deck Fund	Totals
$ (45)	$ (7,756)
13	2,543
	(1,455)
	(197)
	9
	(13)
	289
	(19)
	38
1	15
	232
14	1,442
$ (31)	$ (6,314)

Combining Statement of Net Assets
Internal Service Funds
September 30, 2002
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Assets			
Current Assets:			
Cash and Investments	$ 8,311	$	$
Accounts Receivable, Net			
Due from Other Governments		5,561	18
Inventories			
Prepaid Expenses	125		
Total Current Assets	8,436	5,561	18
Noncurrent Assets:			
Capital Assets, Net Where Applicable	126	133	819
Total Noncurrent Assets	126	133	819
Total Assets	8,562	5,694	837
Liabilities			
Current Liabilities:			
Cash Deficit		5,095	
Accounts Payable	42	203	99
Accrued Wages and Benefits Payable	14	60	5
Estimated Liability for Compensated Absences	5	30	3
Estimated Claims Liability	3,038		
Total Current Liabilities	3,099	5,388	107
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	53	306	28
Total Noncurrent Liabilities	53	306	28
Total Liabilities	3,152	5,694	135
Net Assets			
Invested in Capital Assets Net of Related Debt	126	133	819
Unrestricted	5,284	(133)	(117)
Total Net Assets	$ 5,410	$	$ 702

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 1	$ 320	$ 196	$ 99	$ 11,765	$ 20,692
2				77	79
		2		32	5,613
	292	6	149	679	1,126
9				2	136
12	612	204	248	12,555	27,646
4,835	2,102	6,748	41	7,459	22,263
4,835	2,102	6,748	41	7,459	22,263
4,847	2,714	6,952	289	20,014	49,909
					5,095
62	147		43	202	798
90	68	12	7	228	484
40	39	6	3	128	254
					3,038
192	254	18	53	558	9,669
406	396	57	33	1,294	2,573
406	396	57	33	1,294	2,573
598	650	75	86	1,852	12,242
4,835	2,102	6,748	41	7,459	22,263
(586)	(38)	129	162	10,703	15,404
$ 4,249	$ 2,064	$ 6,877	$ 203	$ 18,162	$ 37,667

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended September 30, 2002
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Operating Revenues			
Intergovernmental	$	$ 4,400	$ 549
Charges for Services	1,415		
Total Revenues	1,415	4,400	549
Operating Expenses			
Salaries	534	2,485	628
Employee Benefits and Payroll Taxes	576	584	50
Materials and Supplies	20	72	58
Utilities	1		9
Outside Services	268	2,323	31
Office Expense	101	237	25
Depreciation and Amortization	54	28	41
Miscellaneous	10	41	
Total Operating Expenses	1,564	5,770	842
Operating Income (Loss)	(149)	(1,370)	(293)
Nonoperating Revenues (Expenses)			
Interest Revenue	89		1
Miscellaneous	439		
Indirect Costs		(112)	(107)
Gain/(Loss) on Sale of Capital Assets			
Indirect Cost Recovery		1,119	
Total Nonoperating Revenues (Expenses)	528	1,007	(106)
Operating Transfers			
Transfers In		416	503
Transfers Out	(135)		
Total Operating Transfers	(135)	416	503
Changes in Net Assets	244	53	104
Total Net Assets Beginning of Year	5,166	(53)	598
Total Net Assets End of Year	$ 5,410	$	$ 702

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$	$	$	$	$	$ 4,949
545	1,465	841	720	15,833	20,819
545	1,465	841	720	15,833	25,768
2,928	2,690	482	262	8,716	18,725
660	799	156	68	2,330	5,223
255	1,448	37	315	1,361	3,566
1	116	73		2,984	3,184
3,845	114	109	22	2,091	8,803
165	23	2	9	337	899
1,980	236	19	29	414	2,801
109	15		51	244	470
9,943	5,441	878	756	18,477	43,671
(9,398)	(3,976)	(37)	(36)	(2,644)	(17,903)
	5	2		96	193
	1			964	1,404
(43)		(4)			(266)
	18	(40)		1	(21)
5,188	3,869		75	7,251	17,502
5,145	3,893	(42)	75	8,312	18,812
3,631		1,253		747	6,550
(1)				(785)	(921)
3,630		1,253		(38)	5,629
(623)	(83)	1,174	39	5,630	6,538
4,872	2,147	5,703	164	12,532	31,129
$ 4,249	$ 2,064	$ 6,877	$ 203	$ 18,162	$ 37,667

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2002
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Cash Flows from Operating Activities			
Cash Received for Services	$ 1,416	$	$
Other Operating Revenues		2,057	573
Cash Payments to Employees	(1,100)	(3,053)	(694)
Cash Payments for Goods and Services	(2,394)	(2,852)	(37)
Net Cash Provided (Used) by Operating Activities	(2,078)	(3,848)	(158)
Cash Flows from Non-Capital Financing Activities			
Operating Transfers Out	(135)		
Operating Transfers In		416	503
Received from Auxiliary Services	439		
Increase/(Decrease) in Cash Deficit		2,503	
Indirect Cost		(112)	(107)
Indirect Cost Recovery		1,119	
Net Cash Provided (Used) by Non-Capital Financing Activities	304	3,926	396
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(13)	(78)	(581)
Proceeds from Sale of Capital Assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(13)	(78)	(581)
Cash Flows from Investing Activities			
Interest Received	89		1
Net Cash Flows Provided by Investing Activities	89		1
Net Increase/(Decrease) in Cash	(1,698)		(342)
Cash and Investments, Beginning of Year	10,009		342
Cash and Investments, End of Year	$ 8,311	$	$

	Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
	$ 544	$ 1,465	$ 840	$ 720	$ 15,760	$ 20,745
						2,630
	(3,526)	(3,454)	(634)	(324)	(10,846)	(23,631)
	(4,638)	(1,721)	(235)	(382)	(7,184)	(19,443)
	(7,620)	(3,710)	(29)	14	(2,270)	(19,699)
	(1)				(785)	(921)
	3,631		1,253		747	6,550
		1			964	1,404
						2,503
	(43)		(4)			(266)
	5,188	3,869		75	7,251	17,502
	8,775	3,870	1,249	75	8,177	26,772
	(2,142)	(308)	(1,252)	(6)	(1,866)	(6,246)
	973	54			4	1,031
	(1,169)	(254)	(1,252)	(6)	(1,862)	(5,215)
		5	2		96	193
		5	2		96	193
	(14)	(89)	(30)	83	4,141	2,051
	15	409	226	16	7,624	18,641
	$ 1	$ 320	$ 196	$ 99	$ 11,765	$ 20,692

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2002
(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)	$ (149)	$ (1,370)	$ (293)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	54	28	41
(Increase)/Decrease in Prepaid Expenses	(70)		
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due from Other Governments		(2,343)	24
(Increase)/Decrease in Inventories			
Increase/(Decrease) in Accounts Payable	(321)	(179)	87
Increase/(Decrease) in Accrued Wages and Benefits Payable	4	10	
Increase/(Decrease) in Estimated Liability for Compensated Absences	6	6	(17)
(Decrease) in Estimated Claims Liability	(1,602)		
Total Adjustments	(1,929)	(2,478)	135
Net Cash Provided (Used) by Operating Activities	$ (2,078)	$ (3,848)	$ (158)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ (9,398)	$ (3,976)	$ (37)	$ (36)	$ (2,644)	$ (17,903)
1,980	236	19	29	414	2,801
10				(2)	(62)
(1)				(70)	(71)
		1		(3)	(2,321)
	2	5	15	(15)	7
(272)	(8)	(20)		(150)	(863)
33	13	3	2	55	120
28	23		4	145	195
					(1,602)
1,778	266	8	50	374	(1,796)
$ (7,620)	$ (3,710)	$ (29)	$ 14	$ (2,270)	$ (19,699)

Combining Statement of Fiduciary Net Assets
All Agency Funds
September 30, 2002
(In Thousands)

	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals
Assets			
Cash and Investments	$ 2,228	$ 884	$ 3,112
Loans Receivable, Net		465	465
Total Assets	2,228	1,349	3,577
Liabilities			
Due to External Organizations	2,228		2,228
Due to Other Governments		1,349	1,349
Total Liabilities	$ 2,228	$ 1,349	$ 3,577

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended September 30, 2002
(In Thousands)

	Balance October 1, 2001	Additions	Deductions	Balance September 30, 2002
Storm Water Management Authority Fund				
Assets				
Cash and Investments	$ 1,301	$ 2,773	$ 1,846	$ 2,228
Total Assets	1,301	2,773	1,846	2,228
Liabilities				
Due to External Organizations	1,301	2,773	1,846	2,228
Total Liabilities	1,301	2,773	1,846	2,228
City of Birmingham Revolving Loan Fund				
Assets				
Cash and Investments	743	197	56	884
Loans Receivable, Net	636		171	465
Total Assets	1,379	197	227	1,349
Liabilities				
Due to Other Governments	1,379	26	56	1,349
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Investments	2,044	2,970	1,902	3,112
Loans Receivable, Net	636		171	465
Total Assets	2,680	2,970	2,073	3,577
Liabilities				
Due to External Organizations	1,301	2,773	1,846	2,228
Due to Other Governments	1,379	26	56	1,349
Total Liabilities	$ 2,680	$ 2,799	$ 1,902	$ 3,577

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Housing and Urban Development Direct Programs		
Community Development Block Grants/Entitlement Grants	14.218	B95-UC-01-0001
	14.218	B96-UC-01-0001
	14.218	B98-UC-01-0001
	14.218	B99-UC-01-0001
	14.218	B00-UC-01-0001
	14.218	B01-UC-01-0001
Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants (M)		
HOME Investment Partnerships Program	14.239	M96-UC-01-0202
	14.239	M97-UC-01-0202
	14.239	M98-UC-01-0202
	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
	14.239	M01-UC-01-0202
Sub-Total HOME Program (M)		
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	ALLAGOO65-97
Emergency Shelter Grants Program	14.231	S-00-UC-01-0006
	14.231	S-01-UC-01-0006
Sub-Total Emergency Shelter Grants Program (Direct Programs)		
U. S. Department of Housing and Urban Development Passed Through Alabama Department of Economic and Community Affairs		
Emergency Shelter Grants Program	14.231	ESG-00-036
	14.231	ESG-01-036
Sub-Total Emergency Shelter Grants Program (Passed Through)		
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		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10-01-95 to 09-30-02	$ 3,219,000	$ 3,219,000	$	$ 7,891
10-01-96 to 09-30-02	3,118,000	3,118,000		9,113
10-01-98 to 09-30-02	2,729,000	2,729,000	4,919	217,552
10-01-99 to 09-30-02	2,745,000	2,745,000	764,491	414,247
10-01-00 to 09-30-02	2,724,000	2,724,000	1,350,297	524,181
10-01-01 to 09-30-02	2,809,000	2,809,000	533,831	1,480,555
10-01-01 to 09-30-02				2,597,337
	17,344,000	17,344,000	2,653,538	5,250,876
10-01-96 to 09-30-02	1,145,000	916,000	45,963	45,963
10-01-97 to 09-30-02	1,118,750	895,000	85,409	85,409
10-01-98 to 09-30-02	1,176,250	941,000	156,298	156,298
10-01-99 to 09-30-02	1,272,500	1,018,000	585,764	585,764
10-01-00 to 09-30-02	1,240,675	1,023,000	175,975	175,975
10-01-00 to 09-30-02	1,274,331	1,051,000	59,682	59,682
	7,227,506	5,844,000	1,109,091	1,109,091
06-18-97 to 09-30-02	1,116,255	1,014,778	2,400	2,400
10-01-00 to 09-30-02	97,000	97,000	446	446
10-01-01 to 09-30-02	97,000	97,000	86,035	86,035
	194,000	194,000	86,481	86,481
06-02-00 to 06-02-02	250,000	125,000	4,130	4,130
06-04-01 to 06-04-03	216,500	111,500	89,835	89,835
	466,500	236,500	93,965	93,965
	660,500	430,500	180,446	180,446
10-04-99 to 12-31-02	2,611,653	1,500,000	330,666	330,666
	28,959,914	26,133,278	4,276,142	6,873,479
	$ 28,959,914	$ 26,133,278	$ 4,276,142	$ 6,873,479

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Agriculture		
Passed Through State Department of Education		
Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Nutrition Cluster		
Food Donation (N)	10.550	
Sub-Total Passed Through Alabama Department of Education		
Passed Through Alabama Commission on Aging		
Nutrition Services Incentive	10.570	
Total U. S. Department of Agriculture		
U. S. Department of Health and Human Services		
Direct Programs:		
Health Care and Other Facilities (M)	93.887	1C76HF00096-01
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	6H76HA00098-09-01
Passed Through Alabama Department of Senior Services		
Aging Cluster:		
Special Programs for the Aging		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administrative	93.044	03-01-01-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-01-03a
Sub-Total Title III, Part B		
Title III, Part C - Congregate Nutrition Services	93.045	03-01-01-03a
Title III, Part C - In Home Nutrition Services	93.045	03-01-01-03a
Sub-Total Title III, Part C		
Total Aging Cluster		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 28,959,914	$ 26,133,278	$ 4,276,142	$ 6,873,479
10-01-01 to 09-30-02	39,343	39,343	39,343	39,343
10-01-01 to 09-30-02	72,585	72,585	72,585	72,585
	111,928	111,928	111,928	111,928
10-01-01 to 09-30-02	4,017	4,017	4,017	4,017
	115,945	115,945	115,945	115,945
10-01-01 to 09-30-02	251,334	251,334	251,334	251,334
	367,279	367,279	367,279	367,279
10-01-01 to 09-30-02	2,111,440	2,111,440	2,111,440	2,111,440
01-01-02 to 12-31-02	940,955	940,955	940,955	940,955
10-01-01 to 09-30-02	114,084	114,084	114,084	114,084
10-01-01 to 09-30-02	497,644	497,644	467,304	467,304
	611,728	611,728	581,388	581,388
10-01-01 to 09-30-02	582,311	582,311	628,931	628,931
10-01-01 to 09-30-02	495,780	495,780	375,942	375,942
	1,078,091	1,078,091	1,004,873	1,004,873
	1,689,819	1,689,819	1,586,261	1,586,261
	$ 34,069,407	$ 31,242,771	$ 9,282,076	$ 11,879,414

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
National Family Caregiver Support	93.052	03-01-01-03a
Center for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	03-01-01-03a
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-01-03a
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
Sub-Total Passed Through Alabama Department of Senior Services		
Total U. S. Department of Health and Human Services		
U. S. Department of Labor		
Direct Programs:		
Homeless Veterans Reintegration Project	17.805	E-9-5-0-0039
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60
Senior Community Service Employment Program	17.235	AD-11706-01-55
Passed Through Alabama Department of Senior Services		
Senior Community Service Employment Program	17.235	03-01-02-03a
Sub-Total Senior Community Service Employment Program		
Passed Through Alabama Department of Economic and Community Affairs		
Welfare-to-Work Grants to States and Localities (M)	17.253	84WtW
Workforce Investment Act		
Employment Service	17.207	6N308303
Employment and Training Assistance - Dislocated Worker (M)	17.246	92
Job Training Partnership Act (M)	17.250	92
Workforce Investment Act (M)	17.255	02
WIA Cluster:		
WIA Adult Program	17.258	12
WIA Youth Activities	17.259	12
WIA Dislocated Workers	17.260	12
Total WIA Cluster (M)		
Total U. S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 34,069,407	$ 31,242,771	$ 9,282,076	$ 11,879,414
10-01-01 to 09-30-02	272,996	272,996	278,461	278,461
10-01-01 to 09-30-02	18,532	18,532	9,728	9,728
10-01-01 to 09-30-02	40,790	40,790	47,418	47,418
10-01-01 to 09-30-02	10,635	10,635	10,728	10,728
10-01-01 to 09-30-02	25,305	25,305	25,527	25,527
	2,058,077	2,058,077	1,958,122	1,958,122
	5,110,472	5,110,472	5,010,517	5,010,517
04-01-00 to 09-30-02	718,750	715,750	276,103	276,103
03-20-00 to 06-30-03	10,000,000	10,000,000	4,648,325	4,648,325
07-01-01 to 06-30-02	350,706	350,706	356,367	356,367
07-01-01 to 06-30-02	171,284	171,284	167,261	167,261
	521,990	521,990	523,628	523,628
07-01-00 to 06-30-03	2,291,268	2,291,268	1,546,426	1,546,426
05-01-02 to 06-30-02	250,475	250,475	250,475	250,475
07-01-00 to 06-30-02	236,404	236,404	201,486	201,486
07-01-00 to 06-30-02	164,363	164,363	135,096	135,096
07-01-00 to 06-30-02	2,093,112	2,093,112	676,430	676,430
07-01-01 to 06-30-03	921,195	921,195	416,813	416,813
07-01-01 to 06-30-03	981,391	981,391	281,578	281,578
07-01-01 to 06-30-03	660,622	660,622	191,415	191,415
	2,563,208	2,563,208	889,806	889,806
	18,839,570	18,836,570	9,147,774	9,147,775
	$ 53,277,235	$ 50,447,599	$ 18,801,712	$ 21,399,051

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Federal Emergency Management Agency Passed Through State Emergency Management Agency		
Hazard Mitigation Grant Program	83.548	HMGP1250-0020
Hazard Mitigation Grant Program	83.548	HMGP1214-0023
Hazard Mitigation Grant Program	83.548	HMGP1208-0025
Hazard Mitigation Grant Program	83.548	FMA-PJ-04AL-2000001
Sub-Total Hazard Mitigation Grant Program (M)		
Total Emergency Management Agency		
U. S. Department of Justice Direct Programs		
Public Safety Partnership and Community Policing Grants	16.710	1999SHWX0529
Public Safety Partnership and Community Policing Grants	16.710	1999 CLWX0262
Sub-Total Public Safety Partnership and Community Policing Grants		
Bulletproof Vest Partnership Program	16.607	2009175
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2001-DD-BX-00016
Passed Through Alabama Department of Economic and Community Affairs		
Part E - State Challenge Activities	16.549	00-JE-JH-002
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 53,277,235	$ 50,447,599	$ 18,801,712	$ 21,399,051
12-18-00 to 03-30-03	1,942,191	1,463,791	553,548	553,548
12-18-00 to 03-30-03	344,091	259,755	259,755	259,755
12-18-00 to 03-30-03	349,189	263,353	41,555	41,555
01-14-02 to 09-30-03	33,866	25,400	2,500	2,500
	2,669,337	2,012,299	857,358	857,358
	2,669,337	2,012,299	857,358	857,358
09-01-99 to 08-31-02	1,035,670	1,035,670	293,130	293,130
04-01-99 to 06-30-02	2,001,925	1,801,732	1,250,403	1,250,403
	3,037,595	2,837,402	1,543,533	1,543,533
03-01-99 to 02-28-03	995	995	995	995
01-01-01 to 06-30-02	150,000	150,000	150,000	150,000
06-01-01 to 05-31-02	70,628	70,628	70,628	70,628
	3,259,218	3,059,025	1,765,156	1,765,156
	$ 59,205,790	$ 55,518,923	$ 21,424,227	$ 24,021,565

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Education		
Passed Through Alabama Department of		
Economic and Community Affairs		
Safe and Drug-Free Schools and Communities - State Grants	84.186	01-GV-DR-027
		01-GV-DR-039
		01-GV-DR-040
		01-GV-DR-041
		01-GV-DR-042
		01-GV-DR-043
		01-GV-DR-044
		01-GV-DR-045
		01-GV-DR-046
		01-GV-DR-047
		01-GV-DR-048
		01-GV-DR-049
		01-GV-DR-050
Total U. S. Department of Education		
U. S. Department of Treasury		
Direct Program:		
Gang Resistance Education and Training	21.053	ATC010100
Gang Resistance Education and Training	21.053	ATC020090
Total U. S. Department of Treasury		
U. S. Department of Commerce		
Direct Program:		
Economic Development-Technical Assistance	11.303	04-39-03391.02
Total U. S. Department of Commerce		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 59,205,790	$ 55,518,923	$ 21,424,227	$ 24,021,565
10-01-01 to 09-30-02	2,500	2,500	1,932	1,932
10-01-01 to 09-30-02	2,500	2,500	2,468	2,468
10-01-01 to 09-30-02	2,500	2,500	2,365	2,365
10-01-01 to 09-30-02	2,500	2,500	2,406	2,406
10-01-01 to 09-30-02	1,170	1,170	1,170	1,170
10-01-01 to 09-30-02	2,500	2,500	2,461	2,461
10-01-01 to 09-30-02	1,760	1,760	1,760	1,760
10-01-01 to 09-30-02	1,380	1,380	1,380	1,380
10-01-01 to 09-30-02	2,213	2,213	2,213	2,213
10-01-01 to 09-30-02	2,500	2,500	2,388	2,388
10-01-01 to 09-30-02	2,335	2,335	2,335	2,335
10-01-01 to 09-30-02	2,500	2,500	2,443	2,443
10-01-01 to 09-30-02	1,813	1,813	1,813	1,813
	28,171	28,171	27,134	27,134
01-16-01 to 01-15-02	33,370	33,370	24,494	24,494
01-16-02 to 01-15-03	49,525	49,525	27,700	27,700
	82,895	82,895	52,194	52,194
07-25-86 to 09-30-02				541,310
				541,310
	$ 59,316,856	$ 55,629,989	$ 21,503,555	$ 24,642,203

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Appalachian Regional Commission		
Direct Program:		
Appalachian Area Development	23.002	
Total Appalachian Regional Commission		
Corporation for National and Community Service		
Direct Programs:		
Volunteers in Service to America	94.013	1636001579 A5
AmeriCorps	94.006	00ASFAL0011401
Total Corporation for National and Community Service		
Total Expenditures of Federal Awards		

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

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 59,316,856	$ 55,629,989	$ 21,503,555	$ 24,642,203
10-20-99 to 09-30-02	400,000	200,000	180,000	180,000
	400,000	200,000	180,000	180,000
07-01-01 to 06-30-02	5,000	5,000	1,657	1,657
10-01-01 to 09-30-02	340,180	340,180	178,328	178,328
	345,180	345,180	179,985	179,985
	$ 60,062,036	$ 56,175,169	$ 21,863,540	$ 25,002,188

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2002

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
Welfare-to-Work Grants to States and Localities	17.253	$1,714,628
Employment Service	17.207	$ 250,475
Workforce Investment Act:		
Employment and Training Assistance - Dislocated Worker	17.246	
Job Training Partnership Act	17.250	
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		$1,457,263
Youth Opportunity Grant	17.263	$4,600,968
Community Development Block Grant – Entitlement Grants	14.218	$1,976,266
Emergency Shelter Grants Program	14.231	$ 170,597
Homeless Veterans Reintegration Project	17.805	$ 273,179

Note 3 – Workforce Investment Act

Pursuant to instructions from the pass-through entity, CFDA Number 17.246, 17.250 and 17.255 are being separately displayed in the schedule. These programs have been consolidated into the WIA Cluster (CFDA Number 17.258, 17.259 and 17.260). The WIA Cluster, including the funds expended under CFDA Number 17.246, 17.250 and 17.255, are being considered a major program for compliance testing. The compliance requirements of the WIA Cluster (CFDA Number 17.258, 17.259 and 17.260) were used for compliance testing.

Note 4 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2002:

	CFDA Number	Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Community Development Block Grants/Entitlement Grants	14.218	$2,734,071	$(121,587)	$2,612,484
Economic Development Technical Assistance	11.303	$ 329,857	$ (29,710)	$ 300,147
HOME Investment Partnership Program	14.239	$ 774,345		$ 774,345

Additional Information

Commission Members and Administrative Personnel
October 1, 2001 through September 30, 2002

Commission Members		**Term Expires**
Hon. Gary White, President	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Bettye Fine Collins, Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Jeff Germany, Member	927 Brandy Lane Birmingham, AL 35214	2002
Hon. Mary M. Buckelew, Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	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, 2002, and have issued our report thereon dated February 21, 2003. 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 2001-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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

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

February 21, 2003

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, 2002. 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, 2002.

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

February 21, 2003

Section I - Summary of Examiner's Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Reportable condition(s) identified that are not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of opinion issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______ Yes	__X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
93.887	Health Care and Other Facilities
17.263	Youth Opportunity Grants
17.253	Welfare-to-Work Grants to States and Localities
17.246	Employment and Training Assistance – Dislocated Worker
17.250	Job Training Partnership Act
17.255	Workforce Investment Act
17.258, 17.259 and 17.260	WIA Cluster
83.548	Hazard Mitigation Grant Program

Dollar threshold used to distinguish Between Type A and Type B programs:	$672,146	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
99-1	Internal Control	**Finding:** Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services. **Recommendation:** Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.	
2001-1	Internal Control	**Finding:** Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial statements. **Recommendation:** Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	

Summary Schedule of Prior Audit Findings

JEFFERSON COUNTY COMMISSION

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

LARRY P. LANGFORD–COMMISSIONER
Finance and General Services

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

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2002

As required by the Office of Management and Budget (OMB) Circular No. A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Jefferson County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2002.

Finding Ref. No.	Status of Prior Audit Finding
2001-2	Corrective action was taken.

Steve Sayler

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

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Birmingham, Alabama 35203
Telephone (205) 325-5762

Corrective Action Plan
For the Year Ended September 30, 2002

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, 2002.

Finding #1999-1: Procedures were not in place to ensure compliance with all provisions between the Commission and Bessemer Water Service for sewer billing services.

Response: The County test checks various transactions with the Water Service. Although we cannot force them to improve their operations, we feel these compensating controls will help uncover most material problems with the Water Service.

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

Response: The Finance Department and Sewer Department are working to institute proper procedures. Sewer Department records are vastly improved for 2002. Roads and Transportation will be complete during 2003.

Other Matters in Report to the Chief Examiner
For the Year

Finding: At September 30, 2002, the following funds had deficit fund balances:

Road Fund	$ 7,460,000
Senior Citizen's Activities Fund	$ 1,040,000
Capital Improvements Fund	$30,959,000
Road Construction Fund	$ 2,463,000

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

Finding: It appears that manhole adjustment and installation projects were split in such a manner that cash project would be less than the fifty thousand dollar ($50,000) threshold established under the Alabama Public Works Law.

Response: All $50,000 manhole projects have been stopped and the Commission plans to never enter into any other such projects. Investigations are ongoing for all old previous $50,000 manhole projects. We will reveal all investigation results to you at the appropriate time.

Finding: It appears that the County is not complying with the Alabama Public Works Law by contracting with a vendor to provide professional services and then allowing the vendor to engage in the repair and maintenance of the public works.

Response: The Commission is now bidding all contracts that have joint professional and maintenance provisions. The Commission's independent consultant is also reviewing all old contracts to determine the old contracts' efficacy.

Finding: The ***Code of Alabama 1975***, Section 39-2-2 (b) (Alabama Public Works Law) states that "an awarding authority may let contracts for public works." During the audit period, there was an emergency sewer repair project that exceeded the $50,000 public works threshold and was required to be bid. The Jefferson County Department of Environmental Services, and not the Jefferson County Commission (the awarding authority), awarded the bid.

Response: The one emergency award that was improperly awarded is an isolated situation, but the Commission has implemented procedures to insure that another occurrence never happens.

Larry Langford, President of County Commission

APPENDIX C

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

$1,155,765,000
JEFFERSON COUNTY, ALABAMA
Sewer Revenue Refunding Warrants
Series 2003-B

(said warrants being herein called the "Series 2003-B 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 2003-B Warrants, we have assumed the genuineness of all signatures, 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 2003-B Warrants have been issued under a Trust Indenture dated as of February 1, 1997, as supplemented and amended by a First Supplemental Indenture dated as of March 1, 1997, by a Second Supplemental Indenture dated as of March 1, 1999, by a Third Supplemental Indenture dated as of March 1, 2001, by a Fourth Supplemental Indenture dated as of February 1, 2002, by a Fifth Supplemental Indenture dated as of September 1, 2002, by a Sixth Supplemental Indenture dated as of October 1, 2002 by a Seventh Supplemental Indenture dated as of November 1, 2002, by an Eighth Supplemental Indenture dated as of January 1, 2003, and by a Ninth Supplemental Indenture dated as of April 1, 2003 (said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the County and The Bank of New York (as successor to AmSouth Bank of Alabama), 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, certain revenues (herein called the "Pledged Revenues") derived by the County from the operation of its sanitary sewer system (herein called the "System") that remain after payment of the expenses of operating and maintaining the System;

(b) the County has heretofore issued under the Indenture (i) $211,040,000 aggregate principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A, (ii) $48,020,000 aggregate principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B, (iii) $52,880,000 aggregate principal amount of its Taxable

Sewer Revenue Refunding Warrants, Series 1997-C, (iv) $296,395,000 aggregate principal amount of its Sewer Revenue Warrants, Series 1997-D, (v) $952,695,000 aggregate principal amount of its Sewer Revenue Capital Improvement Warrants, Series 1999-A, (vi) $275,000,000 aggregate principal amount of its Sewer Revenue Capital Improvement Warrants, Series 2001-A, (vii) $110,000,000 aggregate principal amount of its Sewer Revenue Capital Improvement Warrants, Series 2002-A, (viii) $540,000,000 aggregate principal amount of its Sewer Revenue Capital Improvement Warrants, Series 2002-B (ix) $839,500,000 aggregate principal amount of its Sewer Revenue Refunding Warrants, Series 2002-C, (x) $475,000,000 aggregate principal amount of its Sewer Revenue Capital Improvement Warrants, Series 2002-D and (xi) its $41,820,000 principal amount Sewer Revenue Refunding Warrant, Series 2003-A (those of said warrants which are now outstanding being herein together called the "Outstanding Parity Securities");

(c) the Series 2003-B Warrants have been issued on a parity with the Outstanding Parity Securities with respect to the pledge of the Pledged Revenues contained in the Indenture; and

(d) in the Indenture the County has reserved (i) 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 Outstanding Parity Securities and the Series 2003-B Warrants, but only upon compliance with the conditions set forth in the Indenture, and (ii) the right to secure the payment of certain contractual obligations incurred by the County and referable to warrants issued under the Indenture with a pledge of the Pledged Revenues, which security may, in certain circumstances, be on a parity with the pledge of the Pledged Revenues made in the Indenture (all such contractual obligations that are so secured being herein called "Secured Related Obligations").

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 2003-B Warrants and to enter into the Indenture.

(2) The Series 2003-B 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 valid special obligations of the County payable, as to principal, interest and premium (if any), solely from (i) the Pledged Revenues, and (ii) certain other moneys provided under the Indenture.

(3) Under the Indenture the payment of the principal of and the interest and premium (if any) on the Series 2003-B Warrants is secured, pro rata and without preference or priority of one over another or of any of the Series 2003-B Warrants over any of the Outstanding Parity Securities, any Additional Parity Securities that may be issued hereafter or any Secured Related Obligations heretofore or hereafter incurred, 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 or 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 sewer charges and rentals which are required to be levied and collected by the Indenture and which constitute part of the Pledged Revenues.

(6) 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 2003-B Warrants.

(7) Under existing statutes, the interest income on the Series 2003-B Warrants is exempt from income taxation in the State of Alabama.

(8) Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2003-B 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 2003-B 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 2003-B Warrants to be so included in gross income retroactive to the date of issuance of the Series 2003-B 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 2003-B Warrants.

The Indenture provides that the interest rate on the Series 2003-B Warrants, or a portion thereof, may not be converted to a different interest rate mode and certain other changes may not be made to the terms of the Series 2003-B Warrants or the related documents or to the security for the Series 2003-B Warrants unless the Trustee receives an opinion of nationally recognized bond counsel stating in effect that such conversion or change will not cause the interest on the Series 2003-B Warrants to be included in gross income for purposes of federal income taxation. We express no opinion herein about the effect of any such future events.

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 Indenture does not, however, establish a mortgage lien on the System that will be subject to foreclosure. We have not examined the title of the County to the System as it presently exists, and we therefore express no opinion thereon.

The opinions hereinabove expressed respecting the Series 2003-B 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 2003-B 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 2003-B Warrants, to the legal security for their payment, to the exclusion of the interest on the Series 2003-B Warrants from gross income for federal income tax purposes, to the exemption of the interest on the Series 2003-B 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 2003-B 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

APPENDIX D

Auction Procedures

APPENDIX D

AUCTION PROCEDURES

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, 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, 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 in accordance with the provisions of 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 Company has delivered on behalf of the Authority 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 Market 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 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, 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 Thursday 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 2003-B 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 the procedures contained 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 2003-B Warrants pursuant to the Indenture, which shall not exceed the Maximum Auction Rate.

"Auction Rate Period" means any period during which the Series 2003-B 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 any Series 2003-B Warrants or subseries of Series 2003-B Warrants that bear interest at an Auction Rate.

"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 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 Existing Holders and Potential Holders".

"Bidder" shall have the meaning set forth herein under the caption "Orders by Existing Holders and Potential Holders".

"Bond Insurer" means for purposes of this appendix Financial Guaranty Insurance Company and any successor thereto.

"Broker-Dealer" means any broker-dealer (as such term is defined in the Securities Exchange Act of 1934), 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 2003-B 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 the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or any city in which is located the principal corporate trust office of the Trustee or the office of the Bond Insurer at which demands for payment under the Insurance Policy will be made.

"Change in the Interest Rate Mode" means any change in the type of interest rate borne by the Series 2003-B Warrants pursuant to certain provisions of the Indenture.

"Closing Date" means the date on which the Series 2003-B Warrants are paid for and delivered to the Underwriters.

"Commercial Paper Dealers" means J.P. Morgan Securities, Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated or their respective affiliates or successors, provided that any such entity is a commercial paper dealer and, if not, as replaced by the Substitute Commercial Paper Dealer.

"Commercial Paper/Treasury Rate" means, on any date of determination, (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 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 Existing Holders and Potential Holders".

"Failure to Deposit" means any failure to deposit into the Debt Service Fund on or before an Interest Payment Date for Auction Rate Warrants an amount sufficient to pay in full the interest and principal (if any) becoming due and payable on such warrants on such date.

"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.

"Insurance Policy" means the insurance policy issued by the Bond Insurer on the Closing Date insuring the regularly scheduled payment of principal of and interest on the Series 2003-B Warrants as provided therein.

"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 Thursday after the first day of such Auction Period or the next Business Day if such Thursday is not a Business Day and (b) the Business Day immediately succeeding such Auction Period.

"Maximum Allowed Rate" means, as of any date, 15% per annum; provided, however, that such Maximum Allowed Rate shall not exceed the maximum rate, if any, permitted by applicable law.

"Maximum Auction Rate" means on any date of determination the lesser of the Maximum Allowed Rate and 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, Inc., and its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or if Moody's shall be replaced, subject to the definition of "prevailing rating" in the definition of Applicable Percentage, by some other nationally recognized rating agency by the County, "Moody's" shall be deemed to refer to such other nationally recognized rating agency designated by the County.

"Order" shall have the meaning set forth herein under the caption "Orders by Existing Holders and Potential Holders".

"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 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 its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or if S&P shall be replaced, subject to the definition of "prevailing rating" in the definition of Applicable Percentage, by some other nationally recognized rating agency by the County, "S&P" shall be deemed to refer to such other nationally recognized rating agency designated by the County.

"Securities Depository" means The Depository Trust Company and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Series 2003-B Warrants or (ii) the County discontinues use of the then Securities Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a Securities Depository in connection with the Series 2003-B Warrants and which is selected by the County, with the consent of the Trustee, the Auction Agent and the Remarketing Agent pursuant to the Indenture.

"Sell Order" shall have the meaning set forth herein under the caption "Orders by Existing Holders and Potential Holders".

"Standard Auction Period" initially shall mean an Auction Period of 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 Thursday following such Auction Date.

"Stated Maturity" means February 1, 2042.

"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 Lehman Brothers Inc., or its affiliates or successors, if such person is a commercial paper dealer, provided that no such person nor any of their affiliates or successors shall be the same entity as either of the initial Commercial Paper Dealers.

"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" on any date means (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.

"Trustee" shall mean The Bank of New York, a corporation organized and existing under the laws of the State of New York, in its capacity as trustee under the Indenture and any surviving, resulting or transferee corporation as provided in the Indenture. References to the principal office of the Trustee shall mean the principal corporate trust office of the Trustee.

"U.S. Government Securities Dealers" means J.P. Morgan Securities, Inc. 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 "Detemination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rates".

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 Existing Holders and Potential Holders

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."

Orders may be submitted only in principal amounts of $25,000 or any integral multiple thereof.

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 in clause (iv) of the second paragraph 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 in clause (iii) of the third paragraph 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 clause (iii) of the third paragraph 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 (v) of the second paragraph 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

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);

(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.

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%.

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.

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.

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 clause (i) of this paragraph and valid Bids referred to in clause (ii) of this paragraph.

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.

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.

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

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

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 in the next paragraph 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 the sixth and seventh paragraphs 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 paragraph, 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 clauses (ii), (iii) and (iv) of this paragraph 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 the sixth paragraph 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 clause (ii) of this paragraph 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 certain provisions of 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 paragraphs (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 paragraph (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 amounts differ, 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 Insurance Policies

Exhibit A

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association, or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

Endorsement

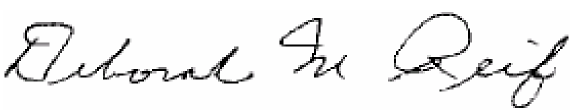
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term “Nonpayment” in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

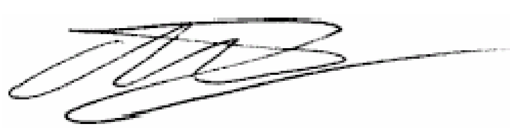
In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:



Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 478-3400

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [ ]

Policy No: [ ]

BONDS: [ ]

Effective Date: [ ]

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a 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, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration;

and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XCLA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. 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 Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

Name:	Name:
Title:	Title:

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022
(212) 826-0100