

NEW ISSUE—FULL BOOK ENTRY

Moody's: Aa3/VMIG 1
Standard & Poor's: AA-/A-1+
CUSIP No.: 472628 NS1

In the opinion of Bond Counsel, subject to the qualifications described herein under "TAX EXEMPTION," under existing statutes, regulations, rulings and court decisions, interest on the Series 2001-B Warrants will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2001-B Warrants will be exempt from State of Alabama income taxation. For a discussion of other possible tax consequences of receiving interest on the Series 2001-B Warrants, see "TAX EXEMPTION" herein.

\$120,000,000
JEFFERSON COUNTY, ALABAMA
General Obligation Warrants
Series 2001-B

Dated: As of date of initial delivery

Due: April 1, 2021

The Series 2001-B Warrants are issuable as fully registered warrants and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2001-B Warrants will be made so long as Cede & Co. is the registered owner of the Series 2001-B Warrants. Individual purchases of the Series 2001-B Warrants will be made in book-entry form only, and individual purchasers ("Beneficial Owners") of the Series 2001-B Warrants will not receive physical delivery of warrant certificates.

Payments of principal of and interest on the Series 2001-B Warrants will be paid by The Bank of New York, as trustee (the "Trustee"), to DTC or its nominee. So long as DTC or its nominee is the registered owner of the Series 2001-B Warrants, disbursement of such payments to DTC is the responsibility of the Trustee, disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants or indirect Participants as more fully described herein.

The Series 2001-B Warrants will bear interest from their date of issuance at the Daily Rate, until converted to the Weekly Rate or the Term Rate, as set forth herein. The Daily Rate will be determined by SouthTrust Securities, Inc., as Remarketing Agent. At the time of conversion to another interest rate, the Series 2001-B Warrants are subject to mandatory tender for purchase as described herein.

The Series 2001-B Warrants are subject to redemption, mandatory tender and purchase, and optional tender and purchase, all as described herein. Under certain circumstances, the owners of Series 2001-B Warrants will not be entitled to exercise any optional tender rights.

The Series 2001-B Warrants will constitute general obligations of the County for the payment of which its full faith and credit are irrevocably pledged. Payment of the purchase price of Series 2001-B Warrants tendered for purchase pursuant to the optional or mandatory tender provisions of the Indenture will be secured initially by a Standby Warrant Purchase Agreement among the County, the Trustee, Morgan Guaranty Trust Company of New York and Bayerische Landesbank Girozentrale, acting through its New York Branch.

Price of all Series 2001-B Warrants: 100%

The Series 2001-B Warrants are offered when, as and if issued, subject to prior sale, and to the unqualified approval of the legality thereof by Haskell Slaughter Young & Rediker, L.L.C., Birmingham, Alabama, Bond Counsel. Certain legal matters will be passed upon for Morgan Guaranty Trust Company of New York and Bayerische Landesbank Girozentrale by Greenberg Traurig, LLP, Philadelphia, Pennsylvania. It is expected that the Series 2001-B Warrants in definitive form will be available for delivery through DTC in New York, New York, on or about July 19, 2001.

SOUTHTRUST SECURITIES, INC.

The date of this Official Statement is July 19, 2001.

JEFFERSON COUNTY, ALABAMA

JEFFERSON COUNTY COMMISSION

GARY WHITE
President

MARY BUCKELEW
Commissioner

BETTYE FINE COLLINS
Commissioner

JEFF GERMANY
Commissioner

STEVE SMALL, JR.
Commissioner

Director of Finance
STEVE SAYLER

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MORGAN KEEGAN & COMPANY, INC.

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Birmingham, Alabama

No dealer, broker, salesman or any other person has been authorized by Jefferson County, Alabama, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2001-B Warrants by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Jefferson County since the date hereof.

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OFFICIAL STATEMENT

\$120,000,000
JEFFERSON COUNTY, ALABAMA
General Obligation Warrants
Series 2001-B

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is being furnished in connection with the sale by Jefferson County, Alabama (the "County"), of its \$120,000,000 principal amount of General Obligation Warrants, Series 2001-B (the "Series 2001-B Warrants").

The County is a political subdivision of the State of Alabama. The Series 2001-B Warrants will be issued pursuant to a Trust Indenture dated as of July 1, 2001 (the "Indenture"), between the County and The Bank of New York, as Trustee (the "Trustee"). The Series 2001-B Warrants will be issued pursuant to the provisions of Code of Alabama 1975, §§ 11-28-1 *et seq.* (the "Act").

The Series 2001-B Warrants are being issued for the purposes of (i) refunding the County's General Obligation Warrants, Series 1996 (the "Series 1996 Warrants"), currently outstanding in the aggregate principal amount of \$19,000,000, (ii) refunding the County's General Obligation Warrants, Series 1999 (the "Series 1999 Warrants"), currently outstanding in the aggregate principal amount of \$100,000,000, and (iii) paying the costs of issuing the Series 2001-B Warrants. Proceeds of the Series 2001-B Warrants that are being used to refund the Series 1996 Warrants and Series 1999 Warrants will be paid to the respective paying agents for such warrants and applied to purchase such warrants or to redeem such warrants on September 4, 2001.

Payment of the purchase price of Series 2001-B Warrants tendered for purchase pursuant to the optional or mandatory tender provisions of the Indenture will be secured initially by a Standby Warrant Purchase Agreement dated as of July 1, 2001 (the "Standby Purchase Agreement"), among the County, the Trustee and Morgan Guaranty Trust Company of New York and Bayerische Landesbank Girozentrale, acting through its New York Branch (said banks, acting jointly in accordance with the provisions of the Standby Purchase Agreement, being herein together called the "Banks"). See "THE STANDBY PURCHASE AGREEMENT".

The information contained in this Official Statement does not purport to be comprehensive or definitive. All references herein to, or summaries of, the Indenture, the financial statements of the County, the Act or any other contract, indenture, resolution or other document or official act related to the Series 2001-B Warrants are qualified in their entirety by the exact terms of such documents or official acts, which are items of public record available from the County. All references herein to, or summaries of, the Series 2001-B Warrants are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the Indenture. Any capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. For further information during the initial offering period with respect to the Series 2001-B Warrants, contact Steve Sayler, Finance Director, Jefferson County Commission, 716 North 21st Street, Birmingham, Alabama 35263-0002, telephone (205)325-5762.

SOURCE AND USES OF FUNDS

The following table sets forth the estimated source and uses of the moneys to be expended by the County in connection with the issuance of the Series 2001-B Warrants:

Source

Principal proceeds of the Series 2001-B Warrants	\$ 120,000,000
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Uses

Refunding of Series 1996 Warrants	\$ 19,022,320
Refunding of Series 1999 Warrants	100,116,000
Legal fees, underwriting discount and other issuance expenses	550,000
Various capital expenditures	<u>311,680</u>
 Total Uses	 \$ 120,000,000

DESCRIPTION OF THE SERIES 2001-B WARRANTS

General

The Series 2001-B Warrants will be dated as of the date of initial delivery and will mature on April 1, 2021. The Series 2001-B Warrants will be issuable only as fully registered warrants without coupons in Authorized Denominations.

The Series 2001-B Warrants are available initially in book-entry form only. See "BOOK-ENTRY ONLY SYSTEM." So long as Cede & Co. is the registered owner of the Series 2001-B Warrants, as nominee of The Depository Trust Company, New York, New York ("DTC"), references herein to the owners of the Series 2001-B Warrants mean Cede & Co. and not the Beneficial Owners (as defined hereinafter) of the Series 2001-B Warrants.

Interest Rate Modes

Each Series 2001-B Warrant shall bear interest at the Weekly Rate, the Daily Rate or the Term Rate, as described below. The Trustee shall specify on each warrant certificate, in the space provided, which Interest Rate Mode is in effect with respect to such Series 2001-B Warrant. If a Term Rate is in effect with respect to a Series 2001-B Warrant, the Trustee shall also specify on the certificate for such Series 2001-B Warrant the Term Rate and the beginning and end of the Term Rate Period.

When initially issued, all Series 2001-B Warrants shall be in the Daily Rate Mode; however, the Indenture contains a procedure for the conversion of the Series 2001-B Warrants to a different Interest Rate Mode, as described below.

Interest Payment Dates and Computation of Interest Accrual

Interest shall be payable in arrears on the following dates:

(1) with respect to interest on the Series 2001-B Warrants payable at the Weekly Rate, (i) on the first Business Day of each month while the Series 2001-B Warrants are in the Weekly Rate Mode and (ii) on the effective date of conversion from the Weekly Rate Mode to another Interest Rate Mode (each such date being herein called a "Weekly Rate Interest Payment Date");

(2) with respect to interest on the Series 2001-B Warrants payable at the Daily Rate, (i) on the first Business Day of each month while the Series 2001-B Warrants are in the Daily Rate Mode and (ii) on the effective date of conversion from the Daily Rate Mode to another Interest Rate Mode (each such date being herein called a "Daily Rate Interest Payment Date"); and

(3) with respect to any Series 2001-B Warrant payable at the Term Rate, (i) on April 1 and October 1 in each year and (ii) on the last day of each Term Rate Period (each such date being herein called a "Term Rate Interest Payment Date").

Interest at the Weekly Rate or the Daily Rate shall be computed on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed. Interest at the Term Rate shall be computed on the basis of a 360-day year with 12 months of 30 days each.

Record Date for Interest Payments

The interest payable on any Series 2001-B Warrant on any Interest Payment Date will be paid to the person in whose name such Series 2001-B Warrant is registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be the day next preceding any Interest Payment Date for Series 2001-B Warrants in the Weekly Rate Mode or the Daily Rate Mode, or the 15th day (whether or not a Business Day) of the month next preceding any Interest Payment Date for Series 2001-B Warrants in the Term Rate Mode. Any such interest not paid on the regular interest payment date shall cease to be payable to the registered holder on such Regular Record Date, and shall be paid to the person in whose name the Series 2001-B Warrant is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of such special record date being given to holders of the Series 2001-B Warrants not less than 10 days prior to the special record date.

Method of Payment

The Series 2001-B Warrants will be held initially in book-entry only form. See "BOOK-ENTRY ONLY SYSTEM". During any time when the Series 2001-B Warrants are not in book-entry only form, payment of debt service on the Series 2001-B Warrants and payment of the Purchase Price of Series 2001-B Warrants tendered for purchase pursuant to the Optional or Mandatory Tender provisions of the Indenture shall be made as follows:

(1) Series 2001-B Warrants in the Weekly Rate or Daily Rate Mode. Payment of interest due on any Series 2001-B Warrant in the Weekly Rate or Daily Rate Mode shall

be made by check mailed on the applicable Interest Payment Date or, at the request of the holder accompanied by adequate written instructions, by wire transfer to an account maintained at a bank located in the United States ("Wire Transfer"). Payment of principal of any such Series 2001-B Warrant shall be made by check or, at the request of the holder accompanied by adequate written instructions, by Wire Transfer, but under either method only after such Series 2001-B Warrant is presented at the designated office of the Trustee. Payment of the Purchase Price of any such Series 2001-B Warrant shall be made by check or, at the request of the holder accompanied by adequate written instructions, by Wire Transfer, but under either method only after such Series 2001-B Warrant is presented at the designated office of the Tender Agent.

(2) Series 2001-B Warrants in the Term Rate Mode. Payment of interest due on any Series 2001-B Warrant in the Term Rate Mode shall be made by check mailed on the Term Rate Interest Payment Date or, at the request of any holder of Series 2001-B Warrants in an aggregate principal amount of not less than \$1,000,000 accompanied by adequate written instructions, by Wire Transfer. Payment of principal (and redemption premium, if applicable) on any such Series 2001-B Warrant shall be made by check or, at the request of any holder of Series 2001-B Warrants in an aggregate principal amount of not less than \$1,000,000 accompanied by adequate written instructions, by Wire Transfer, but under either method only after such Series 2001-B Warrant is presented at the designated office of the Trustee. Payment of the Purchase Price of any such Series 2001-B Warrant shall be made by check or, at the request of any holder of Series 2001-B Warrants in an aggregate principal amount of not less than \$1,000,000 accompanied by adequate written instructions, by Wire Transfer, but under either method only after such Series 2001-B Warrant is presented at the designated office of the Tender Agent.

Weekly Rate

The Weekly Rate for any Series 2001-B Warrant shall be a fluctuating rate per annum determined periodically by the Remarketing Agent while such Series 2001-B Warrant is in the Weekly Rate Mode, subject to the following terms and conditions:

(1) The Weekly Rate with respect to any Series 2001-B Warrant shall be determined on the date of conversion to the Weekly Rate Mode and on the last Business Day before each Friday while such Series 2001-B Warrant is in the Weekly Rate Mode.

(2) Interest accrual at the Weekly Rate determined on the Conversion Date shall begin on (and shall include) the Conversion Date and shall continue at such Weekly Rate until (but not including) the next Thursday. Thereafter, interest accrual at the Weekly Rate shall begin on each Thursday (based on the Weekly Rate determined on such Thursday or, if such Thursday is not a Business Day, on the Business Day preceding such Thursday) and shall continue at such Rate until (but not including) the next Thursday (or, if sooner, a Conversion Date); provided, however, that if the Remarketing Agent fails to determine the Weekly Rate on any such determination date, the Alternate Rate Index shall be deemed to be the rate determined.

(3) The Weekly Rate with respect to a Series 2001-B Warrant shall be determined by the Remarketing Agent and shall be the lowest interest rate that would, in the opinion of the Remarketing Agent, result in the market value of such Series 2001-B Warrant being 100% of the principal amount thereof on the date of such determination, taking into account relevant market conditions and credit rating factors as they exist on such date; provided, however, that the Weekly Rate may never exceed the Cap Rate.

(4) On each Weekly Rate determination date with respect to a Series 2001-B Warrant the Remarketing Agent shall give telephonic notice to the Trustee of the Weekly Rate so determined. Upon the request of the holder of a Series 2001-B Warrant, the Trustee shall confirm (by telephone and in writing, if so requested) the Weekly Rate then in effect.

Daily Rate

The Daily Rate for any Series 2001-B Warrant shall be a fluctuating rate per annum determined by the Remarketing Agent for each Business Day while a Series 2001-B Warrant is in the Daily Rate Mode, subject to the following terms and conditions:

(1) The Daily Rate with respect to a Series 2001-B Warrant for each Business Day shall be determined by the Remarketing Agent no later than 10:00 a.m. (New York City time) on such Business Day and shall be the lowest interest rate that would, in the opinion of the Remarketing Agent, result in the market value of such Series 2001-B Warrant being 100% of the principal amount thereof on the date of determination, taking into account relevant market conditions and credit rating factors as they exist on such date; provided, however, that the Daily Rate may never exceed the Cap Rate.

(2) For any day which is not a Business Day, the interest rate on the Series 2001-B Warrants shall be the interest rate for the immediately preceding Business Day.

(3) Not less often than weekly, the Remarketing Agent shall give telephonic notice to the Trustee of the various Daily Rates so determined and the date or dates for which each such rate is applicable. Any such telephonic notice shall be confirmed in writing within two Business Days.

(4) If the Remarketing Agent fails to establish a Daily Rate as provided in this subsection for any date, the Daily Rate for such date shall be the Alternate Rate Index.

Term Rate and Term Rate Periods

The Term Rate for any Series 2001-B Warrant shall be a fixed rate per annum determined by the Remarketing Agent for a Term Rate Period specified by the County in the notice of conversion of such Series 2001-B Warrant to the Term Rate Mode, subject to the following terms and conditions:

(1) The duration of a Term Rate Period shall be limited as follows:

(A) A Term Rate Period may be any number of days greater than 270.

(B) A Term Rate Period (other than a Term Rate Period extending to Maturity) must end on a Business Day. If the final day of a Term Rate Period specified by the County is not in fact a Business Day, then such Term Rate Period shall be deemed to extend to the next day that is a Business Day.

(C) If a Term Rate Period is in effect when a Series 2001-B Warrant is to be purchased pursuant to the Mandatory Tender provisions of the Indenture relating to notice of an event of default under the Standby Purchase Agreement, notwithstanding the Term Rate Period previously established with respect to such Series 2001-B Warrant, such Term Rate Period shall end on such Mandatory Tender Date. (Under the initial provisions of the Standby Purchase Agreement, such agreement will not be in effect during a Term Rate Period.)

(2) After receipt of notice that a Term Rate is to be established with respect to any Series 2001-B Warrant, but not later than the last Business Day prior to the proposed Conversion Date, the Remarketing Agent shall determine the interest rate for the Term Rate Period, which shall be the lowest interest rate that would, in the opinion of the Remarketing Agent, result in the market value of such Series 2001-B Warrant being 100% of the principal amount thereof on the date of such determination, taking into account relevant market conditions and credit rating factors as they exist on such date, and assuming that the Term Rate Period began on such date; provided, however, that the Term Rate may not exceed the Cap Rate.

(3) Interest accrual at the Term Rate for any Term Rate Period shall begin on (and shall include) the first day of the Term Rate Period and shall end on (but shall not include) the last day of the Term Rate Period.

(4) The Remarketing Agent shall give telephonic notice to the Trustee of the Term Rate so determined, and shall promptly confirm such notice in writing. Upon the request of the holder of a Series 2001-B Warrant or any Financing Participant, the Trustee shall confirm (by telephone and in writing, if so requested), the Term Rate so determined.

Conversion of Interest Rate Modes

The County may effect a conversion of the Interest Rate Mode on the Series 2001-B Warrants at its option, subject to certain terms and conditions in the Indenture. No such conversion is permitted during a Term Rate Period. Any such conversion to a different Interest Rate Mode shall apply to all Series 2001-B Warrants at the time outstanding. On any Conversion Date, the Series 2001-B Warrants must be purchased pursuant to the Mandatory Tender provisions of the Indenture referred to below. If a notice of Mandatory Tender is given by the Tender Agent in connection with a proposed conversion of the Series 2001-B Warrants to a different Interest Rate Mode, the Series 2001-B Warrants shall be subject to a Mandatory Tender on such date notwithstanding the revocation of the election to effect such conversion or the failure to satisfy the conditions for such conversion.

Optional Tenders

Subject to the exceptions described under "**No Tender Upon Certain Events**", the holder of any Series 2001-B Warrant shall have the right to tender such Series 2001-B Warrant to the Tender Agent for purchase in whole or in part (if in part, only in an Authorized Denomination) on any Business Day while such Series 2001-B Warrant is in the Daily Rate Mode or Weekly Rate Mode (but not while such Series 2001-B Warrant is in the Term Rate Mode) at a Purchase Price equal to 100% of the principal amount of the Series 2001-B Warrant (or portion thereof) tendered plus accrued interest to the specified Optional Tender Date. In order to exercise such option with respect to any Series 2001-B Warrant, the holder thereof must deliver notice thereof to the Trustee, the Tender Agent and the Remarketing Agent, as provided below. In the case of any Series 2001-B Warrant in the Weekly Rate Mode, such notice must be delivered at least 7 days prior to the proposed Optional Tender Date. In the case of any Series 2001-B Warrant in the Daily Rate Mode, such notice must be delivered no later than 10:00 a.m. (New York City time) on the proposed Optional Tender Date.

Any such notice of Optional Tender must be duly executed by the Warrantholder and must specify (i) the name of the registered holder of the Series 2001-B Warrant to be tendered for purchase, (ii) the Optional Tender Date, (iii) the certificate number and principal amount of such Series 2001-B Warrant, and (iv) the principal amount of such Series 2001-B Warrant to be purchased (if such amount is less than the entire principal amount, both the amount to be purchased and the amount remaining must be in an Authorized Denomination). Such notice may be given to the Trustee, the Tender Agent and the Remarketing Agent in writing or by telephone, but no such telephonic notice shall be effective unless confirmed in writing delivered to the Trustee, the Tender Agent and the Remarketing Agent not more than 2 Business Days after such telephonic notice. A form of the Optional Tender Notice may be obtained from the Tender Agent upon request.

If any notice of Optional Tender specifies an Optional Tender Date that is not a Business Day, then such notice shall be deemed to specify the next following Business Day as the Optional Tender Date. Unless a notice of Optional Tender indicates that less than the entire principal amount of the Series 2001-B Warrant is being tendered for purchase, the holder will be deemed to have tendered the Series 2001-B Warrant in its entire principal amount for purchase.

Upon delivery of a written notice of Optional Tender, the election to tender shall be irrevocable and binding upon such holder and may not be withdrawn.

If a written notice of Optional Tender shall have been duly given with respect to any Series 2001-B Warrant, the holder of such Series 2001-B Warrant shall deliver such Series 2001-B Warrant to the office of the Tender Agent on the Optional Tender Date, together with all necessary endorsements for transfer. If only a portion of such Series 2001-B Warrant is to be purchased (as a result of the exercise of the Optional Tender right only with respect to such portion), the County shall execute and the Tender Agent shall authenticate and deliver to the holder of such Series 2001-B Warrant, without service charge, a new Series 2001-B Warrant or Warrants of the same Maturity and interest rate and of any Authorized Denomination or Denominations as requested by such holder in aggregate principal amount equal to and in exchange for the unpurchased portion of the principal amount of the Series 2001-B Warrant surrendered. Any Unsurrendered Series 2001-B Warrant shall nevertheless be deemed to have been tendered by the holder thereof on the Optional Tender Date.

If there has been irrevocably deposited in the Warrant Purchase Fund an amount sufficient to pay the Purchase Price of any Unsurrendered Series 2001-B Warrant, such Unsurrendered Series 2001-B Warrant shall be deemed to have been tendered for purchase and purchased from the holder thereof on such Optional Tender

Date and the holder of such Unsurrendered Series 2001-B Warrant shall not be entitled to receive interest on such Unsurrendered Series 2001-B Warrant for any period on and after the Optional Tender Date.

Mandatory Tenders

Subject to the exceptions described under "**No Tender Upon Certain Events**", the holder of each Series 2001-B Warrant shall be required to tender such Series 2001-B Warrant to the Tender Agent for purchase on the following dates (each such date being herein called a "Mandatory Tender Date"):

- (1) each Conversion Date with respect to such Series 2001-B Warrant;
- (2) the last day of a Term Rate Period with respect to such Series 2001-B Warrant;
- (3) 20 days after the Tender Agent receives notice from the Banks (i) stating that an event of default, as therein defined, has occurred and is continuing under the Standby Purchase Agreement and (ii) directing that the Series 2001-B Warrants be purchased pursuant to the Mandatory Tender provisions of the Indenture;
- (4) on any date proposed by the County for delivery of a Substitute Standby Purchase Agreement;
- (5) five days prior to the Termination Date of the Standby Purchase Agreement;
and
- (6) on any date when the County proposes to cancel the Standby Purchase Agreement.

If any of such dates is not a Business Day, the Mandatory Tender Date shall be the next succeeding Business Day. An assignment by one of the Banks of its commitment under the initial Standby Purchase Agreement (effected in accordance with the provisions of such agreement) will not be an event that requires or results in a Mandatory Tender.

No notice is required for a Mandatory Tender on the last day of a Term Rate Period. Notice of any other Mandatory Tender shall be given by the Trustee by registered or certified mail, mailed to the Tender Agent and to the holder of each affected Series 2001-B Warrant at the address of such holder appearing on the warrant register not less than 15 days prior to the Mandatory Tender Date. Such notice of Mandatory Tender shall, among other things, specify the Mandatory Tender Date.

Warrantholders will not have the right to retain their Series 2001-B Warrants when a Mandatory Tender occurs. Any Series 2001-B Warrant subject to Mandatory Tender shall be tendered by the holder thereof for purchase on the Mandatory Tender Date by delivering such Series 2001-B Warrant to the office of the Tender Agent, together with all necessary endorsements for transfer. Any Unsurrendered Series 2001-B Warrant shall nevertheless be deemed to have been tendered for purchase by the holder thereof on the Mandatory Tender Date.

If there has been irrevocably deposited in the Warrant Purchase Fund an amount sufficient to pay the Purchase Price of any Unsurrendered Series 2001-B Warrant, such Unsurrendered Series 2001-B Warrant shall be deemed to be tendered for purchase and purchased from the holder thereof on such Mandatory Tender Date and the holder of such Unsurrendered Series 2001-B Warrant shall not be entitled to receive interest on such Unsurrendered Series 2001-B Warrant for any period on and after the relevant Mandatory Tender Date.

After notice of a Mandatory Tender has been given by the Trustee with respect to any Series 2001-B Warrant, such Series 2001-B Warrant shall be subject to Mandatory Tender notwithstanding the fact that the reasons for giving such notice cease to exist or are no longer applicable.

No Tender Upon Certain Events

The initial terms and conditions of the Standby Purchase Agreement provide that upon certain events the obligation of the Banks to purchase Series 2001-B Warrants will be suspended or terminated immediately and without notice. See "STANDBY PURCHASE AGREEMENT". The Indenture provides that the Series 2001-B Warrants will not be subject to Optional Tender or Mandatory Tender upon the occurrence of such an event (or any event under any similar provision of any Substitute Standby Purchase Agreement) until such time, if any, as the obligations of the Banks to purchase Series 2001-B Warrants shall be reinstated or a Substitute Standby Purchase Agreement shall be provided. The Indenture does not obligate the County to take any action to effect the reinstatement of such obligations of the Banks or to provide a Substitute Standby Purchase Agreement.

Redemption Prior to Maturity

The Series 2001-B Warrants will be subject to redemption prior to Maturity as follows:

(1) Optional Redemption. The Series 2001-B Warrants may be redeemed at the option of the County as follows:

(A) On any Interest Payment Date when a Series 2001-B Warrant is in the Weekly Rate or Daily Rate Mode and on any Conversion Date with respect to a Series 2001-B Warrant, such Series 2001-B Warrant may be redeemed in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date of redemption.

(B) Series 2001-B Warrants in the Term Rate Mode are not subject to optional redemption during any Term Rate Period of 5 years or less. During any Term Rate Period of more than 5 years with respect to a Series 2001-B Warrant, such Series 2001-B Warrant may be redeemed in whole or in part on or after the First Optional Call Date (as defined below) at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date of redemption plus a redemption premium (expressed as a percentage of principal amount redeemed) equal to whichever of the following shall be applicable: 2% if the date of redemption is on or after the First Optional Call Date but prior to the first anniversary of the First Optional Call Date; 1% if the date of redemption is on or after the first anniversary of the First Optional Call Date but prior to the second anniversary of the First Optional Call Date; and without premium if the date of redemption is on or after the second anniversary of the First Optional Call Date. For any Term Rate Period of more

than 5 years but not more than 10 years, the First Optional Call Date shall be the fifth anniversary of the beginning of the Term Rate Period. For any Term Rate Period of more than 10 years but not more than 20 years, the First Optional Call Date shall be the anniversary of the beginning of the Term Rate Period that is on or immediately after the midpoint of such Term Rate Period.

(2) Scheduled Mandatory Redemption. The Series 2001-B Warrants shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on April 1 in years and principal amounts (after credit as provided below) as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 9,695,000
2013	10,150,000
2014	10,620,000
2015	11,115,000
2016	11,630,000
2017	12,170,000
2018	12,740,000
2019	13,330,000
2020	13,950,000

\$14,600,000 of the Series 2001-B Warrants
will be retired at Maturity

Not less than 45 or more than 60 days prior to each such scheduled mandatory redemption date, the Trustee shall proceed to select for redemption, by lot, Series 2001-B Warrants or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 2001-B Warrants or portions thereof for redemption on such scheduled mandatory redemption date; provided, however, that the County may, upon direction delivered to the Trustee not less than 60 days prior to such scheduled mandatory redemption date, direct that any or all of the following amounts be credited against the principal amount of Series 2001-B Warrants scheduled for redemption on such date: (i) the principal amount of Series 2001-B Warrants delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Series 2001-B Warrants previously redeemed (other than Series 2001-B Warrants redeemed pursuant to this paragraph) and not previously claimed as a credit.

Partial Redemption

Subject to the provisions of the Indenture requiring the redemption of all Bank Warrants eligible for redemption before any other eligible Series 2001-B Warrants are redeemed, if less than all Series 2001-B Warrants are to be redeemed, the particular Series 2001-B Warrants to be redeemed shall be selected by the Trustee from the outstanding Series 2001-B Warrants then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Series 2001-B Warrants of a denomination larger than the smallest Authorized Denomination.

Upon any partial redemption of any Series 2001-B Warrant, the same shall, except as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Series 2001-B Warrants of the same Maturity and interest rate and in authorized form for the unredeemed portion of principal.

Effect of Redemption

Series 2001-B Warrants (or portions thereof called for redemption) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

Notice of Redemption

Any notice of call for redemption will be given by mailing a copy of the redemption notice at least 30 days prior to the date fixed for redemption by registered or certified mail, postage prepaid, to each registered owner of each Series 2001-B Warrant (or portion thereof) to be redeemed at his address shown on the registration books.

The County and the Trustee shall, to the extent practicable under the circumstances, comply with the standards set forth in Securities and Exchange Commission's Exchange Act Release No. 23856, dated December 3, 1986, regarding redemption notices, provided that the failure to do so shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as described above.

Registration and Exchange

At any time when the book-entry only system is not in effect as to the Series 2001-B Warrants, the Series 2001-B Warrants are transferable only on the warrant register maintained at the designated office of the Trustee, but Series 2001-B Warrants may be surrendered to the Trustee in order to effect a transfer. Upon surrender of a Series 2001-B Warrant to be transferred properly endorsed, a new Series 2001-B Warrant will be issued to the designated transferee.

Subject to the provisions of the Indenture, any Series 2001-B Warrant may be exchanged for other Series 2001-B Warrants of the same Maturity, of any Authorized Denominations and of a like aggregate principal amount, as requested by the holder surrendering the same.

See "BOOK-ENTRY ONLY SYSTEM" for a description of provisions relating to the registration, transfer and exchange of the Series 2001-B Warrants.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2001-B Warrants. The Series 2001-B Warrants will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee. The Series 2001-B Warrants will be issued as a single fully-registered certificate per maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "Banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System,

a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 2001-B Warrants under the DTC system must be made by or through DTC Participants, which will receive a credit for the Series 2001-B Warrants on DTC's records. The ownership interest of each beneficial owner of a Series 2001-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 2001-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 2001-B Warrants, except in the event that use of the book-entry only system for the Series 2001-B Warrants is discontinued.

To facilitate subsequent transfers, all Series 2001-B Warrants deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2001-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 2001-B Warrants. DTC's records reflect only the identity of the DTC Participants to whose accounts such Series 2001-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 2001-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 2001-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 2001-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 2001-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 2001-B WARRANTS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2001-B WARRANTS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2001-B WARRANTS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2001-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: (i) THE SERIES 2001-B WARRANTS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2001-B WARRANTS; (iv) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO SERIES 2001-B WARRANTHOLDERS; (v) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2001-B WARRANTS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS SERIES 2001-B WARRANTHOLDER.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its service with respect to the Series 2001-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 2001-B

Warrants will be discontinued unless a success or securities depository is appointed by the County. In addition, the County may discontinue the book-entry only system for the Series 2001-B Warrants at any time by giving reasonable notice to DTC.

SECURITY FOR THE SERIES 2001-B WARRANTS

The Series 2001-B Warrants will be general obligations of the County, for the payment of which the full faith and credit of the County will be irrevocably pledged.

Revenues available to the County for payment of debt service on the Series 2001-B Warrants include ad valorem taxes, sales, business license and occupational taxes and other general fund revenues. **None of such legally available revenues are, however, specially pledged for payment of debt service on the Series 2001-B Warrants.** Information describing certain taxes and other revenues of the County is set forth in this Official Statement under the captions "COUNTY SALES AND USE TAXES," "SPECIAL COUNTY OCCUPATIONAL TAX" and "AD VALOREM TAXATION".

STANDBY PURCHASE AGREEMENT

Pursuant to the initial terms and conditions of the Standby Purchase Agreement, while the Series 2001-B Warrants are in either the Daily Rate Mode or the Weekly Rate Mode, each Bank agrees to purchase, up to an aggregate amount that shall not exceed its respective Available Commitment (as defined herein and in the Standby Purchase Agreement), any and all Eligible Warrants (as defined in the succeeding sentence) which are optionally tendered by the Holders thereof but not remarketed or which are subject to Mandatory Tender pursuant to the terms of the Indenture. As used herein, the term "Eligible Warrants" means any Series 2001-B Warrants outstanding under and entitled to the benefits of the Indenture which (i) bear interest at the Daily Rate or the Weekly Rate and that are optionally tendered or deemed tendered for purchase pursuant to the Optional Tender provisions of the Indenture (other than any such Series 2001-B Warrant which (a) is purchased by and then held by or for the account of a Bank pursuant to the terms of the Standby Purchase Agreement (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 for the account or for the benefit of a purchaser of such Series 2001-B Warrants pursuant to Section 4.6 of the Indenture); and (ii) any Series 2001-B Warrants outstanding that may be required to be tendered for purchase pursuant to the Mandatory Tender provisions of the Indenture. Each Bank's initial commitment under the Standby Purchase Agreement is for a three-year term expiring July 18, 2004, which term may be extended by each Bank, at the option of such Bank, for an additional period or periods acceptable to such Bank upon the written request of the County in accordance with the terms of the Standby Purchase Agreement. If either Bank elects to extend the term of its commitment, the other Bank may assign its commitment for the period of such extension to another financial institution, so long as (i) such assignment does not adversely affect any rating then applicable to the Series 2001-B Warrants and (ii) the financial institution to which such assignment is made is acceptable to the County and the Trustee. Notice of any such assignment by one Bank of its commitment under the Standby Purchase Agreement shall be mailed to the Holders of the Series 2001-B Warrants at least 10 days prior to the effective date of such assignment. No Mandatory Tender will be required in any such situation. Morgan Guaranty Trust Company of New York shall serve as the liquidity agent under the Standby Purchase Agreement and, in such capacity, shall be referred to herein as the "Liquidity Agent."

The Trustee shall provide the Liquidity Agent with 1½ hours notice of any required purchase of Series 2001-B Warrants pursuant to the Standby Purchase Agreement. Any and all Eligible Warrants purchased pursuant to the Standby Purchase Agreement shall be held in the respective names of the Banks, with the aggregate principal amount of Eligible Warrants registered in each Bank's name being in equal proportion to each Bank's respective pro rata share of the aggregate purchase price paid by the Banks for such Eligible Warrants. All Eligible Warrants so purchased and held by the Banks shall bear interest at the Bank Rate (as defined in the succeeding sentence) until remarketed or redeemed. As used herein, the term "Bank Rate" means for each period specified below, beginning with and including the date funds are advanced under the Standby Purchase Agreement and ending on but excluding the date they are repaid in full with interest thereon as provided for in the Standby Purchase Agreement, the interest rate specified with respect to such period, which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

<u>Period</u>	<u>Rate</u>
Date of advance to the Expiration Date of the Standby Purchase Agreement	Bank's Prime Rate plus 1.00%
On and after Expiration Date of the Standby Purchase Agreement	Bank's Prime Rate plus 3.00%

Bank Warrants shall be subject to mandatory redemption in equal principal installments on a semiannual basis such that Bank Warrants purchased on any Purchase Date will be redeemed fully on the third annual anniversary of such Purchase Date.

If either Bank fails to advance funds to purchase Eligible Warrants as required by the terms of the Standby Purchase Agreement, the other Bank (the "Non-Defaulting Bank") is obligated to advance such shortfall to the extent such advance by the Non-Defaulting Bank does not cause the aggregate amount of the Non-Defaulting Bank's outstanding advances at such time to exceed its Available Commitment.

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

- (a) any principal or interest due on the Series 2001-B Warrants (including Bank Warrants) is not paid by the County when due;
- (b) the County shall default in any payment or payments of amounts payable by it under the Standby Purchase Agreement or any of the other Financing Documents when due and such default shall continue for a period of 10 days;
- (c) nonpayment of any fees payable under the Standby Purchase Agreement within three Business Days after the County has received notice from the Liquidity Agent that the same were not paid when due;
- (d) nonpayment of any other amount when due under the Standby Purchase Agreement (other than those amounts covered by the preceding clause (b) or (c)), if such failure to pay when due shall continue for seven Business Days after written notice thereof to the County by either Bank or the Liquidity Agent;

(e) 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;

(f) 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 the occurrence of any of the similar or comparable events specified in the Standby Purchase Agreement;

(g) the County shall have failed to pay when due any amount (other than the Series 2001-B Warrants) payable under, or in respect of (including, without limitation, premium) (i) any other debt of the County payable generally from the assets of the County aggregating more than \$5,000,000 or (ii) any obligation owed to either Bank that is payable generally from the assets of the County, upon the expiration of any applicable notice or cure period;

(h) 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 Financing Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained in the Standby Purchase Agreement, 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 Financing Documents, any such failure remains unremedied after any applicable grace period specified in such Financing Document;

(i) any of the Financing 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 Warrants;

(j) the County shall have denied that it has any or any further obligation under the Series 2001-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 Financing Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the County under the Series 2001-B Warrants or hereunder 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;

(k) a final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the County 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;

(l) the long-term rating assigned to the Series 2001-B Warrants by Moody's shall be suspended, withdrawn or reduced below "A3" (or its equivalent) and the long-term rating assigned to the Series 2001-B Warrants by S&P shall be suspended, withdrawn or reduced below "A-" (or its equivalent); or

(m) an event of default or default occurs under any of the Financing Documents.

If an Event of Default of the type specified in (a), (f), (g) or (j) above occurs, the obligation of each Bank to purchase Series 2001-B Warrants shall (subject to the exception described in the next sentence) immediately terminate without notice or demand, and thereafter the Banks shall be under no obligation to purchase Series 2001-B Warrants. Upon the occurrence of an Event of Default specified in (a) above, if the Liquidity Agent receives written notice from the Trustee before 4:00 p.m, New York time, on the date the payment to the Warrantholders is due, indicating that the County has paid to the Trustee all principal, if any, and interest then due on the Series 2001-B Warrants, the Available Commitment and obligation of each Bank to purchase Series 2001-B Warrants shall not immediately terminate, but rather be immediately suspended without notice or demand. Thereafter, the Banks shall be under no obligation to purchase pursuant to the Standby Purchase Agreement until such obligation is reinstated as described below. If, within three Business Days of the effective date of any such suspension, the Liquidity Agent is provided with written notice from the Trustee confirming that the Event of Default resulting in such suspension has been cured, then the Banks' obligation to purchase Series 2001-B Warrants pursuant to the Standby Purchase Agreement shall thereupon be reinstated (unless such obligation of the Banks shall otherwise have been terminated as provided in the Standby Purchase Agreement); provided, however, that with respect to a third or more frequent suspension during any consecutive twelve month period, the Banks shall have the right at their election to immediately terminate the Standby Purchase Agreement. If the Banks' obligation to purchase Series 2001-B Warrants is suspended and the Liquidity Agent does not receive, within three Business Days after the effective date of such suspension, notice confirming that the pertinent Event of Default has been cured, then the Banks' obligation to purchase Series 2001-B Warrants shall, unless previously terminated pursuant to any other provision of the Standby Purchase Agreement, at such time terminate without notice or demand.

In the case of an Event of Default of a type other than as specified in (a), (f), (g) or (j) above, each Bank may terminate its commitment to purchase Series 2001-B Warrants by delivering a termination notice to the County, the Trustee and the Remarketing Agent, specifying the date on which its commitment to purchase Series 2001-B Warrants shall terminate, which date shall be not less than 30 days from the date of receipt of such notice by the Trustee.

Substitute Standby Purchase Agreement

The Indenture provides that, under certain circumstances, the County may deliver to the Trustee a standby purchase agreement, letter of credit or other liquidity facility in substitution for the then effective Standby Purchase Agreement. If a Substitute Standby Purchase Agreement is so delivered, the Series 2001-B Warrants will be subject to Mandatory Tender. See "DESCRIPTION OF THE SERIES 2001-B WARRANTS – Mandatory Tender".

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Morgan Guaranty Trust Company of New York ("Morgan Guaranty") is a wholly owned bank subsidiary of J.P. Morgan Chase & Co. (the "Corporation"), a Delaware corporation whose principal office is located in New York, New York. The Corporation resulted from the merger on December 31, 2000, of J.P. Morgan & Co. Incorporated with The Chase Manhattan Corporation. Morgan Guaranty is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of March 31, 2001, Morgan Guaranty and its subsidiaries had total assets of \$214.5 billion, total net loans of \$23.1 billion, total deposits of \$47.2 billion, and stockholder's equity of \$11.0 billion. As of December 31, 2000, Morgan

Guaranty and its subsidiaries had total assets of \$185.8 billion, total net loans of \$24.4 billion, total deposits of \$39.5 billion, and stockholder's equity of \$10.9 billion. The merger of The Chase Manhattan Bank and Morgan Guaranty is currently scheduled to occur in October 2001.

Additional information, including the most recent Form 10-K for the year ended December 31, 2000 of J.P. Morgan Chase & Co. (formerly known as "The Chase Manhattan Corporation"), the 2000 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information in this section relates to and has been obtained from Morgan Guaranty. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of Morgan Guaranty since the date hereof, or that the information regarding Morgan Guaranty contained or referred to in this Official Statement is correct as of any time subsequent to its date. Morgan Guaranty has not provided, and makes no representation whatsoever regarding, any information contained in this Official Statement other than the information in this section.

BAYERISCHE LANDESBANK GIROZENTRALE

Bayerische Landesbank Girozentrale ("BLB") was incorporated as a public law financial institution (Rechtsfähige Anstalt des öffentlichen Rechts) by the Law Establishing Bayerische Landesbank Girozentrale (Gesetz ueber die Errichtung der Bayerischen Landesbank Girozentrale) of June 27, 1972, as amended, as adopted by the Parliament of the Free State of Bavaria, and is subject to the German Federal Banking Act of July 10, 1961, as amended (Gesetz ueber das Kreditwesen) (the "Federal Banking Act"). Its statutes authorize BLB to provide universal financial services including both commercial and investment banking as well as brokerage activities. The Free State of Bavaria owns 50% of BLB's share capital, the other 50% being owned by the Bavarian Savings Bank and Clearing Association (Bayerischer Sparkassen-und Giroverband) (which is the central organization of the Bavarian Savings Banks).

BLB is equipped to provide a full range of domestic and international banking services; with regard to local banking functions, BLB also makes use of the Bavarian Savings Bank's network. In the domestic field, BLB places emphasis on wholesale banking, lending to federal and local authorities and mortgage lending, together with industrial credit. BLB holds the function of a banker of the Free State of Bavaria and its municipalities, and also finances public and private development projects, administers public funds and performs certain treasury functions for the Free State of Bavaria.

The Free State of Bavaria and the Bavarian Savings Bank and Clearing Association are jointly and severally liable for the obligations of BLB if the liabilities cannot be satisfied from BLB's assets (Gewahrraeger). The owners of BLB also have an obligation to maintain BLB in a financial position which enables it to carry out its functions. This liability (Anstaltslast), which is peculiar to German law, obliges the owners to provide funds for BLB that are necessary to enable it to fulfill its functions, to meet its liabilities and to keep its finances sound. As an additional safeguard, it is noted that as a public law institution BLB can only be put into liquidation through a specific law to this effect.

BLB established a Representative Office in New York in October 1979 and obtained a license from the office of the Comptroller of the Currency in October 1981 to operate through a branch located in the City of New York. The New York Branch engages in a diversified banking business, and is a major wholesale lending participant throughout the United States, offering a full range of domestic and international financial services, including loans, foreign exchange and money market operations.

All banking institutions in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the Federal Banking Supervisory Authority (Bundesaufsichtsamt fuer das Kreditwesen), an independent federal authority with regulatory powers and by the Deutsche Bundesbank (the "German Federal Central Bank") in accordance with the Federal Banking Act. The Federal Banking Act contains major rules for banking supervision and regulates BLB's business activities, capital adequacy and liquidity. In addition to the above-mentioned general banking supervision, the group of Landesbanks is subject to special supervision by their respective federal states.

As reported in BLB's Annual Report for the Fiscal Year ended December 31, 2000, BLB had total assets of EURO ("EUR") 285.5 billion (EUR 305.0 billion on a consolidated basis). Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 8.9% to EUR 304.3 billion from the previous year end. BLB's consolidated lending volume increased by EUR 21.7 billion to EUR 280.9 billion from year end 1998. Total equity of BLB, including, among other items, nominal capital of EUR 0.97 billion, profits participation rights with a nominal value of EUR 2.57 billion and capital contributions of silent partners in an amount of EUR 2.75 billion, totaled EUR 10.3 billion or 3.6 % of the unconsolidated balance sheet. Net income after tax amounted to EUR 493.0 million, an increase of 7.8% compared to year end 1999. EUR 425 million of such amount has been allocated to revenue reserves, raising BLB's published reserve to EUR 3.91 billion. The accounting principles applied in the preparation of BLB's financial statements comply with generally accepted accounting principles in the Federal Republic of Germany and may not conform to generally accepted accounting principles applied by United States banks.

The rate of exchange between the EUR and the dollar is determined by the forces of supply and demand in the foreign exchange markets, which, in turn, are affected by changes in the balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The foregoing information relating to BLB is based upon facts and circumstances present on the dates referenced above. Such facts and circumstances may change from time to time. BLB shall have no obligation to update the foregoing information to reflect any such change.

Copies of BLB's Annual Report for the most recent available fiscal year may be obtained at the New York Branch in person during normal business hours or by mail by writing to the New York Branch at: Bayerische Landesbank Girozentrale, 560 Lexington Avenue, New York, New York 10022, Attention: Corporate Finance.

BLB has supplied the information relating to it in the previous paragraphs. BLB does not accept responsibility for any information contained in this Official Statement other than the information contained in this section relating to BLB.

SUMMARY OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture pursuant to which the Series 2001-B Warrants 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.

Definition of Certain Terms

The following definitions of certain terms used in this summary supplement the terms elsewhere defined in the Official Statement.

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

"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 Rate Index", when used with respect to the Remarketing Agent's failure to determine an interest rate on a required determination date for the Weekly Rate Mode or the Daily Rate Mode, means 85% of the Prime Daily A-1/P-1 (30-day) rate shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of *The Bond Buyer* (or a successor publication) published on the determination date or, if not published on such date, in the most recent published edition.

"Authorized Denominations" means (i) for Series 2001-B Warrants bearing interest at the Weekly Rate or the Daily Rate, \$100,000 or any larger amount that is a multiple of \$5,000, and (ii) for Series 2001-B Warrants bearing interest at a Term Rate, \$5,000 or any multiple thereof.

"Available Commitment" means, as of any day with respect to each Bank, the sum of the Available Principal Commitment of such Bank and the Available Interest Commitment of such Bank, in each case as of such day.

"Available Interest Commitment" means, with respect to each Bank, initially \$575,342.47 and, upon any change in the amount of the Available Principal Commitment of such Bank, an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of such Bank then in effect, computed on the basis of a year of 365 days.

"Available Principal Commitment" means, with respect to each Bank, initially \$60,000,000 and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) upon any reduction in the Available Principal Commitment of such Bank resulting from the redemption or prepayment at maturity of Series 2001-B Warrants, downward by the amount of such reduction;

(b) downward by the principal amount of any Series 2001-B Warrants purchased by such Bank pursuant to the Standby Purchase Agreement; and

(c) upward by the principal amount of any Series 2001-B Warrants previously purchased by such Bank pursuant to the Standby Purchase Agreement that a Bank Warrantholder elects to retain or that are sold or deemed sold by a Bank Warrantholder, in either case in accordance with the applicable provisions of the Standby Purchase Agreement.

Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the event described in such clause.

"Banks" means (a) so long as the Initial Standby Purchase Agreement remains in effect, Morgan Guaranty Trust Company of New York, a New York banking corporation, and its successors and assigns, and Bayerische Landesbank Girozentrale, acting through its New York Branch, and its successors and assigns, acting jointly in accordance with the provisions of the Initial Standby Purchase Agreement, and (b) upon the acceptance by the Trustee of a Substitute Standby Purchase Agreement, the party or parties providing the purchase commitment under such agreement.

"Bank Warrants" means any Series 2001-B Warrants owned by a Bank, or its permitted assigns, after purchase pursuant to the Standby Purchase Agreement.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banking institutions are required or authorized to remain closed in New York, New York, or in any city where the Trustee, the Tender Agent, the Remarketing Agent or each Bank maintains its place of business for performance of its obligations under the Indenture or the Standby Purchase Agreement, or a day on which the New York Stock Exchange is closed.

"Cap Rate" means (i) with respect to Series 2001-B Warrants other than Bank Warrants, 10% per annum, and (ii) with respect to Bank Warrants, 18% per annum.

"Conversion Date" means the day on which conversion from one Interest Rate Mode to a different Interest Rate Mode becomes effective.

"Costs of Issuance" means the expenses incurred by the County in connection with the issuance of the Series 2001-B Warrants, including legal, consulting, accounting, Trustee and underwriting fees.

"County" means Jefferson County, Alabama.

"Daily Rate", when used with respect to any Series 2001-B Warrant in the Daily Rate Mode, means the variable interest rate borne by such Series 2001-B Warrant during a Daily Rate Period.

"Daily Rate Interest Payment Date", when used with respect to any Series 2001-B Warrant in the Daily Rate Mode, means a date on which interest calculated at the Daily Rate is payable on such Series 2001-B Warrant.

"Daily Rate Mode" means the Interest Rate Mode in which a Series 2001-B Warrant bears interest at the Daily Rate.

"Debt Service" means the principal, premium (if any) and interest payable on the Series 2001-B Warrants.

"Debt Service Fund" means the fund by that name established pursuant to the Indenture.

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

"Event of Default" under the Indenture has the meaning stated in Article XII of the Indenture. An Event of Default shall "exist" if an Event of Default shall have occurred and be continuing.

"Favorable Tax Opinion" means an Opinion of Counsel acceptable to the Trustee stating in effect that the proposed action, together with any other changes with respect to the Series 2001-B Warrants made or to be made in connection with such action, will not cause interest on the Series 2001-B Warrants to become Taxable.

"Federal Securities" means noncallable, nonprepayable, direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America.

"Financing Documents" means the Indenture, the Remarketing Agreement, the Tender Agent Agreement and the Standby Purchase Agreement.

"Financing Participants" means the County, the Bank, the Trustee, the Remarketing Agent, the Trustee and the Tender Agent.

"Fiscal Year" means the fiscal year of the County, as established from time to time by requisite action.

"Indenture" means that certain Trust Indenture dated as of July 1, 2001, between the County and the Trustee.

"Interest Payment Date", when used with respect to any installment of interest on a Series 2001-B Warrant, means the date specified in the Indenture as the fixed date on which such installment of interest is due and payable.

"Interest Rate Mode" means the Weekly Rate Mode, the Daily Rate Mode or the Term Rate Mode.

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

"Mandatory Tender" means a required tender of a Series 2001-B Warrant for purchase pursuant to the Indenture.

"Mandatory Tender Date" means a date on which a Series 2001-B Warrant is to be purchased pursuant to a Mandatory Tender.

"Maturity", when used with respect to any Series 2001-B Warrant, means the date specified herein and in such Series 2001-B Warrant as the fixed date on which principal of such Series 2001-B Warrant is due and payable.

"Moody's" means Moody's Investors Service.

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

"Optional Tender" means tender of a Series 2001-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 2001-B Warrant is to be purchased pursuant to an Optional Tender.

"outstanding", when used with respect to Series 2001-B Warrants, means, as of the date of determination, all Series 2001-B Warrants authenticated and delivered under the Indenture, except:

(1) Series 2001-B Warrants cancelled by the Trustee or delivered to the Trustee for cancellation,

(2) Series 2001-B Warrants for whose payment or redemption money in the necessary amount has been deposited with the Trustee in trust for the holders of such Series 2001-B Warrants, provided that, if such Series 2001-B Warrants are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made,

(3) Unsurrendered Series 2001-B Warrants for the purchase of which money in the necessary amount has been deposited in the Warrant Purchase Fund and is held in trust for the holders of such Unsurrendered Series 2001-B Warrants, and

(4) Series 2001-B Warrants in exchange for or in lieu of which other Series 2001-B Warrants have been authenticated and delivered under the Indenture;

provided, however, that in determining whether the holders of the requisite principal amount of Series 2001-B Warrants outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Series 2001-B Warrants owned by the County or any Affiliate of the County shall be disregarded and deemed not to be outstanding. Series 2001-B Warrants owned by the County or any Affiliate of the County which have been pledged in good faith may be regarded as outstanding for such purposes if the pledgee

establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Series 2001-B Warrants.

"Post-Default Rate" means (i) when used with respect to any payment of Debt Service on any Series 2001-B Warrant, the rate specified in such Series 2001-B Warrant for overdue installments of Debt Service on such Series 2001-B Warrant, computed as provided in such Series 2001-B Warrant, and (ii) when used with respect to all other payments due under the Indenture, a variable rate equal to the Trustee's prime rate plus 1%, computed on the basis of a 365 or 366-day year, as the case may be, for actual days elapsed.

"Purchase Price", when used with respect to a Tendered Warrant, means 100% of the principal amount of such Series 2001-B Warrant plus accrued interest to the Tender Date. If the Tender Date for a Series 2001-B Warrant is also an Interest Payment Date for such Series 2001-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 Investments" means:

- (1) Federal Securities;
- (2) a certificate of deposit issued by, or other interest-bearing deposit with, any bank organized under the laws of the United States of America or any state thereof (including, without limitation, the Trustee), provided that (i) such deposit is 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), or (ii) such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such deposit less the amount of such deposit insured by the Federal Deposit Insurance Corporation (or any such successor thereto);
- (3) 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 Securities held in an irrevocable trust, and that are rated not less favorably than AAA by S&P or Aaa by Moody's;
- (4) any share or other investment unit representing a beneficial interest in any common trust fund or other collective investment fund maintained by any bank, trust company or savings and loan association having trust powers or 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 common trust fund, collective investment fund, investment company or investment trust consists exclusively of obligations or securities that would independently qualify as Qualified Investments if directly acquired by the County; and
- (5) to the extent at the time permitted by applicable law, (i) any repurchase agreement or collateralized investment agreement issued, secured 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 (a) the obligations or securities subject to any such agreement shall be of the

kind described in clauses (1), (2) and (3) of this definition, (b) the County or the Trustee shall have a perfected, first priority security interest in such obligations and securities, and all proceeds derived therefrom, through the physical delivery of such obligations and securities to the County, the Trustee or an independent third party, and (c) such obligations and securities shall have a market value of not less than 102% of the amount invested in such agreement, plus accrued interest, marked to market on a weekly basis; and (ii) an 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.

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

"Regular Record Date" means (i) with respect to Series 2001-B Warrants in the Weekly Rate Mode, the day immediately prior to the Weekly Rate Interest Payment Date (whether or not a Business Day), (ii) with respect to Series 2001-B Warrants in the Daily Rate Mode, the day immediately prior to the Daily Rate Interest Payment Date (whether or not a Business Day) and (iii) with respect to Series 2001-B Warrants in the Term Rate Mode, the 15th day (whether or not a Business Day) of the month next preceding the Term Rate Interest Payment Date.

"Remarketing Agent" means SouthTrust Securities, Inc., or a successor Remarketing Agent that shall have become such pursuant to the applicable provisions of the Indenture.

"Remarketing Agreement" means the agreement entered into by the County and the Remarketing Agent pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill.

"Series 2001-B Warrants" means the County's General Obligation Warrants, Series 2001-B, issued pursuant to the Indenture.

"Special Funds" means the Debt Service Fund, the Warrant Purchase Fund, and any other fund or account established pursuant to the Indenture.

"Standby Purchase Agreement" means that certain Standby Warrant Purchase Agreement dated as of July 1, 2001, among the County, the Trustee and the Banks, until a Substitute Standby Purchase Agreement shall have been accepted by the Trustee and be effective, and thereafter "Standby Purchase Agreement" shall mean the instrument evidencing such Substitute Standby Purchase Agreement.

"Substitute Standby Purchase Agreement" means a standby purchase agreement, letter of credit, liquidity facility or other agreement for the purchase of Series 2001-B Warrants that is entered into and accepted by the Trustee in accordance with the provisions of the Indenture.

"Taxable" means that, for purposes of federal income taxation, interest on the Series 2001-B Warrants is includible in the gross income of any holder thereof for any reason. Interest on the Series 2001-B Warrants shall not be deemed "Taxable" because interest is includible in any calculation of income for purposes of an alternative minimum tax, a foreign branch profits tax or any other type of taxation other than the regular tax imposed on gross income.

"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" shall mean such successor.

"Tender Agent Agreement" means the agreement, if any, entered into by the County, the Trustee and the Tender Agent pursuant to the Indenture.

"Tender Date" means an Optional Tender Date or a Mandatory Tender Date, as the case may be.

"Tendered Warrants" means Series 2001-B Warrants tendered for purchase pursuant to the Optional or Mandatory Tender provisions of the Indenture.

"Term Rate", when used with respect to any Series 2001-B Warrant in the Term Rate Mode, means the fixed interest rate borne by such Series 2001-B Warrant during a Term Rate Period.

"Term Rate Interest Payment Date", when used with respect to any Series 2001-B Warrant in the Term Rate Mode, means a date on which interest calculated according to a Term Rate is payable on such Series 2001-B Warrant.

"Term Rate Mode" means the Interest Rate Mode in which the Series 2001-B Warrants bear interest at the Term Rate.

"Term Rate Period", when used with respect to any Series 2001-B Warrant in the Term Rate Mode, means a period established pursuant to the Indenture during which such Series 2001-B Warrant bears interest at a Term Rate established for such Period.

"Termination Date", when used with respect to the Standby Purchase Agreement, means the date on which the Standby Purchase Agreement terminates without default by the County under the Standby Purchase Agreement.

"Trust Estate" has the meaning attributed to that term in the Indenture.

"Trustee" means The Bank of New York, a New York banking corporation.

"Unsurrendered Series 2001-B Warrant" means a Series 2001-B Warrant (or portion thereof) which is deemed purchased pursuant to the Optional or Mandatory Tender provisions hereof, but which has not been presented to the Tender Agent by the holder thereof.

"Warrant Payment Date" means each date (including any date fixed for redemption of Series 2001-B Warrants) on which Debt Service is payable on the Series 2001-B Warrants.

"Warrant Purchase Fund" means the fund by that name established pursuant to the Indenture.

"Warrantholder", when used with respect to any Series 2001-B Warrant, means the person in whose name such Series 2001-B Warrant is registered in the warrant register.

"Weekly Rate", when used with respect to any Series 2001-B Warrant in the Weekly Rate Mode, means the variable interest rate borne by such Series 2001-B Warrant while such Series 2001-B Warrant is in the Weekly Rate Mode.

"Weekly Rate Interest Payment Date", when used with respect to any Series 2001-B Warrant in the Weekly Rate Mode, means a date on which interest calculated at the Weekly Rate is payable on such Series 2001-B Warrant.

"Weekly Rate Mode" means the Interest Rate Mode in which a Series 2001-B Warrant bears interest at the Weekly Rate.

"Wire Transfer" means payment by wire transfer to an account maintained at a bank located in the United States; provided, however, that any person entitled to receive any payment due under the Indenture by wire transfer must deliver adequate written instructions for such payment to the Trustee or Tender Agent, as the case may be.

Certain Provisions

Debt Service Fund. The Indenture establishes a Debt Service Fund, which will be held by the Trustee. The Indenture provides that the County shall make deposits to the Debt Service Fund at times and in amounts as follows:

- (1) on or before each Interest Payment Date, an amount equal to the interest on the Series 2001-B Warrants becoming due and payable on such date;
- (2) on or before April 1, 2021, an amount equal to the principal amount of Series 2001-B Warrants maturing on such date; and
- (3) on or before each date fixed for the redemption of Series 2001-B Warrants, an amount equal to the redemption price of Series 2001-B Warrants to be redeemed on such date.

The County shall receive a credit against the deposits required by the Indenture as follows:

- (1) Investment income and profits from investments made in the Debt Service Fund shall be credited against such deposits as directed by the County.
- (2) Any other money held by the Trustee and available under the terms of the Indenture for the payment of Debt Service on the Series 2001-B Warrants shall be credited against such deposits as directed by the County. Such directions must be consistent with any mandatory provision of the Indenture with respect to the required use of such money.

The County acknowledges that the deposits required by the Indenture are intended to provide funds sufficient for the payment of Debt Service when due on all Series 2001-B Warrants. Nonetheless, if the balance in the Debt Service Fund on any Warrant Payment Date is not sufficient to pay all Debt Service due on such date, the County shall immediately deposit in such fund an amount equal to the deficiency.

On each Warrant Payment Date money on deposit in the Debt Service Fund shall be applied by the Trustee for the payment of Debt Service on the Series 2001-B Warrants becoming due on such Warrant Payment Date. The balance, if any, shall be retained in the Debt Service Fund.

Warrant Purchase Fund. The Indenture establishes a Warrant Purchase Fund, which will be held by the Tender Agent as a repository for the moneys referred to in the next sentence. The Indenture provides that the Tender Agent will deposit in the Warrant Purchase Fund (i) all money received by the Tender Agent from the Bank pursuant to the Standby Purchase Agreement for the purpose of paying the Purchase Price due on any Tender Date with respect to Series 2001-B Warrants, (ii) the proceeds of any remarketing of Series 2001-B Warrants by the Remarketing Agent, (iii) all other money required to be deposited in the Warrant Purchase Fund pursuant to the Indenture, and (iv) any other money received by the Tender Agent with instructions to deposit the same in the Warrant Purchase Fund. Money in the Warrant Purchase Fund shall be used to pay the Purchase Price of Series 2001-B Warrants due on any Tender Date.

Funds for payment of the Purchase Price of Series 2001-B Warrants shall be derived from the following sources in the order of priority indicated:

- (i) first, proceeds from the remarketing of Series 2001-B Warrants,
- (ii) second, money advanced under the Standby Purchase Agreement, and
- (iii) third, any other money on deposit in the Warrant Purchase Fund.

Not later than one hour before the applicable notice deadline under the Standby Purchase Agreement, the Tender Agent shall determine the amount of remarketing proceeds already on deposit in the Warrant Purchase Fund. After such determination, the Tender Agent shall give the notice to the Liquidity Agent required under the Standby Purchase Agreement for the purchase on such Tender Date of Series 2001-B Warrants for which remarketing proceeds are not available. Money received pursuant to the Standby Purchase Agreement is to be segregated in a special account within the Warrant Purchase Fund and used solely for the payment of the Purchase Price of Series 2001-B Warrants.

On each Tender Date, money in the Warrant Purchase Fund remaining after payment of the Purchase Price of Series 2001-B Warrants shall be applied by the Tender Agent first to reimburse the Banks for amounts advanced pursuant to the Standby Purchase Agreement. The balance, if any, shall be paid to the County.

Investment of Special Funds. Money in the Special Funds may be invested or reinvested in Qualified Investments by the custodian of the fund in accordance with the instructions of the County to the extent that such investment is, in the opinion of the fund custodian, feasible and consistent with the purposes for which such fund was created; provided, however, that money in the Debt Service Fund or money in the Warrant Purchase Fund that was derived from the Standby Purchase Agreement shall be invested only in Federal Securities with a maturity not later than the earlier of (i) 30 days after the date of such investment, or (ii) the date such money will be needed for the payment of Debt Service on, or the Purchase Price of, Series 2001-B Warrants. Any investment made with money on deposit in a Special Fund shall be held by the fund custodian and deemed a part of the Special Fund where such money was on deposit, and the interest and profits realized from such investment shall be credited to such fund and any loss resulting from such investment shall be charged to such fund.

Covenants Regarding Arbitrage and Rebate with Respect to Series 2001-B Warrants. In the Indenture, the County covenants that it will make timely rebate payments to the United States Treasury Department with respect to the Series 2001-B Warrants as required by Section 148(f) of the Internal Revenue Code and that it will make no investment of moneys in the trust funds or accounts created under the Indenture that would result in any of the Series 2001-B Warrants being considered "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code.

Events of Default. Any one or more of the following will constitute an event of default under the Indenture:

- (1) failure to pay Debt Service on the Series 2001-B Warrants when due, or failure to pay the Purchase Price of any Series 2001-B Warrant tendered for purchase in accordance with the Optional or Mandatory Tender provisions of the Indenture,
- (2) the occurrence of an Act of Bankruptcy of the County, and
- (3) the County fails to perform or observe any of its other agreements or covenants under the Indenture and such failure is not remedied after 30 days' written notice.

Acceleration. If an event of default described in clause (1) or (2) of the preceding paragraph exists, the Trustee may, and shall if directed to do so by the holders of not less than 25% in principal amount of the Series 2001-B Warrants outstanding, declare the principal of all the Series 2001-B Warrants and the interest accrued thereon to be due and payable immediately, by notice to the County, and upon any such declaration such debt service shall become immediately due and payable.

Indemnity for Costs and Expenses. The Indenture provides that the Trustee is not required, upon the occurrence of an event of default, to exercise any of its rights or powers under the Indenture at the request of any Warranholders, unless such Warranholders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request.

Limitation on Suits by Warranholders. The Indenture provides that no Warranholder shall have any right to institute any proceeding for any remedy under the Indenture unless (i) such Warranholder shall previously have given to the Trustee written notice of a continuing event of default, (ii) the holders of not less than 25% in principal amount of Series 2001-B Warrants outstanding shall have made written request to the Trustee to institute such proceedings and shall have offered to the Trustee reasonable indemnity against costs, expenses and liabilities to be incurred in compliance with such request, (iii) the Trustee shall have failed for a period of 60 days to comply with such request, and (iv) no direction inconsistent with such request shall have been given by the holders of a majority in principal amount of the Series 2001-B Warrants outstanding.

Directions for Pursuit of Remedies. The Indenture provides that whenever the Trustee has a choice of remedies or discretion as to details in the exercise of its powers with respect thereto, it must follow any specific direction given by the holders of a majority in principal amount of the Series 2001-B Warrants outstanding unless the observance of such directions by Warranholders would, in the opinion of the Trustee, unjustly prejudice the Warranholders who have not joined in such directions.

Amendments of Indenture. The Indenture permits the County and the Trustee, without the consent of any Warranholder, to enter into supplemental indentures to add further covenants and agreements on the part

of the County, to cure ambiguities, technical defects or inconsistent provisions, to subject additional security or property to the lien of the Indenture, and to secure or maintain ratings on the Series 2001-B Warrants. The Indenture also permits the County and the Trustee, with the consent of the holders of not less than a majority in principal amount of Series 2001-B Warrants outstanding, to amend or modify the Indenture, except that, without the consent of the holders of each Series 2001-B Warrant affected, the County and the Trustee may not (i) change the due date of principal or interest on any Series 2001-B Warrant or reduce the principal, premium or interest payable thereon, (ii) reduce the percentage of Warrantholders whose consent is required for any waiver or the execution of any supplemental indenture, (iii) permit the creation of any lien on the trust estate prior to, or on a parity with, the Indenture, or (iv) provide for release or cancellation of the Standby Purchase Agreement prior to its expiration or termination unless a Substitute Standby Purchase Agreement is delivered to the Trustee meeting the requirements of the Indenture or the Standby Purchase Agreement is terminated on a Conversion Date in accordance with the terms of the Indenture.

So long as the Standby Purchase Agreement remains in effect, the prior written consent of the Banks will be required for any supplement or amendment to the Indenture.

Defeasance; Satisfaction of Indenture. The Indenture provides that whenever the entire indebtedness secured by the Indenture shall have been fully paid, then the Trustee shall surrender the Standby Purchase Agreement for cancellation and shall cancel and discharge the lien of the Indenture. For purposes of the Indenture, any Series 2001-B Warrant shall be deemed to have been paid if, during any Term Rate Period, a trust for the payment of all remaining debt service on such Series 2001-B Warrant shall have been established with the Trustee and all Series 2001-B Warrants to be retired with funds from such trust either mature or will be called for redemption on or before the day immediately following such Term Rate Period. Such trust may consist of any combination of cash and/or Federal Securities, and the anticipated income from such Federal Securities may be included in the calculation of the required deposit to such trust. If a trust for payment of the Series 2001-B Warrants is established, the Trustee must receive (i) an opinion of counsel experienced in bankruptcy matters stating in effect that upon the occurrence of an Act of Bankruptcy, money and investments in such trust will not be recoverable from the Trustee or Warrantholders under provisions of the Federal Bankruptcy Code, (ii) a Favorable Tax Opinion, and (iii) a report by an independent certified public accountant stating in effect that the expected cash flow from such trust, without reinvestment, will be sufficient to make the required payments of debt service with respect to the Series 2001-B Warrants.

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

Advances by Trustee. The Trustee may, but is not required to, make advances to effect the performance by the County of its covenants and agreements. All sums so expended by the Trustee, together with interest at the rate prescribed in the Indenture, shall be secured by the Indenture and, except with respect to money received pursuant to the Standby Purchase Agreement, shall be entitled to priority of payment over any of the Series 2001-B Warrants.

Resignation or Discharge of Trustee; Successor Trustee. The Trustee may resign and be discharged from the trusts of the Indenture upon written notice to the County. The Trustee may be removed by the holders

of a majority in principal amount of the Series 2001-B Warrants then outstanding or by the County if no event of default exists. If the Trustee resigns, is removed or becomes otherwise incapable of serving, a successor may be appointed by the County (if no event of default exists). Within one year after a successor is so appointed by the County, the holders of a majority in principal amount of the Series 2001-B Warrants then outstanding may appoint an alternate successor.

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 Gary White and Commissioners Mary M. Buckelew, Bettye Fine Collins, and Jeff Germany began on November 10, 1998, and will end in November 2002. On March 29, 2001, Steve Small, Jr. was appointed as Commissioner to fill the unexpired term of Commissioner Chris McNair. This unexpired term also ends in November 2002.

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 2000 fiscal year, the County employed 4,717 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 Community and Economic 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, Gary White, has been assigned the responsibility of the Department of Finance and General Services.

The Department of Community and Economic Development

The Department of Community and Economic Development is responsible for the activities of the County in a number of different areas related to the growth and development of the County. Commissioner Bettye Fine Collins has been assigned the responsibility for this department, which includes the County's offices for land development and inspection services. The department also supervises the Office of Community

Development, which administers federal community development funds for capital improvements in the County, and the Office of Senior Citizens' Activities, which is responsible for the development and implementation of programs to provide services for the elderly residents of the County.

The Department of Health and Human Services

The Department of Health and Human Services, which is the responsibility of Commissioner Jeff Germany, 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 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 Steve Small, Jr. has been assigned the responsibility for this department.

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 Mary M. Buckelew 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.

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, 2000. In addition to the state audit, the Director of Finance of the County prepares internal financial statements which conform to the format of the state audit. A copy of the latest audit for the County is included in Appendix A.

Budget System

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

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

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

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

Accounting System

The 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 Activities 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, 2000, there were 4,816 members of the Pension System (including both present and retired employees).

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

The Pension Act requires periodic review of the Pension System by a reputable actuary. The most recent actuarial valuation of the Pension System was prepared as of September 30, 2000, by Bucks Consultants (the "Actuary"). According to that valuation, the Pension System had as of September 30, 2000, actuarial accrued liabilities of \$517,622,246. The assets of the Pension System as of September 30, 2000, consisted of actuarial value of assets valued at \$595,364,424. On the basis of that valuation and certain actuarial assumptions, the Actuary concluded that the Pension System is actuarially sound.

SUMMARY OF COUNTY REVENUES AND EXPENSES

The principal sources of revenue for the County are property taxes, sales and use taxes, an occupational tax, charges for services provided by the County, certain tax revenues collected by the State and allocated to the County, and federal grants. County moneys are expended to pay the operating expenses of the County, debt service on the County's debt and the costs of capital improvements. A copy of the audited financial statements of the County for the fiscal year that ended September 30, 2000, is attached hereto as Appendix A. Copies of audited financial statements for prior years may be obtained from the Director of Finance of the County.

COUNTY SALES AND USE TAXES

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

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

- (1) The first one-half share of the total tax proceeds is applied as follows:
 - (a) an amount equal to 1-1/2% of the total tax proceeds is paid into the General Fund of the County to pay the costs of administering and enforcing the Tax Act;
 - (b) 9% of the first one-half share is paid directly to the Jefferson County Board of Health; and
 - (c) the balance of such one-half share is paid into the Indigent Care Fund of the County.
- (2) The second one-half share of the total tax proceeds is applied as follows:
 - (a) \$100,000 is paid each month directly to the Birmingham-Jefferson Civic Center Authority (the "Civic Center Authority");
 - (b) in the event that the total of the amounts paid to the Civic Center Authority during the month from the net proceeds of the tobacco tax levied by Act No. 524 enacted at the 1965 Regular Session of the Legislature of Alabama and the lodging tax levied by Act No. 525 enacted at the 1965 Regular Session of the Legislature of Alabama aggregates less than \$100,000, an amount of the second one-half share equal to the difference between \$100,000 and the total amount so paid from the proceeds of such taxes is paid directly to the Civic Center Authority;
 - (c) 22% of the second one-half share is paid directly to the Jefferson County Board of Health;
 - (d) 9% of the second one-half share is payable directly to the Jefferson County Board of Health; and
 - (e) the remaining balance of the second one-half share is paid into the General Fund of the County.

County Sales and Use Tax Revenue

<u>Fiscal Year Ending</u> <u>September 30</u>	<u>Total</u> <u>Amount Collected</u>
1996	\$68,927,809
1997	71,230,520
1998	75,635,599
1999	78,898,175
2000	79,466,508

SPECIAL COUNTY OCCUPATIONAL TAX

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

Special County Occupational Tax Revenue

<u>Fiscal Year Ending</u> <u>September 30</u>	<u>Amount Collected</u>
1996	\$42,672,139
1997	44,370,971
1998	47,143,817
1999	47,945,225
2000	52,715,844

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

AD VALOREM TAXATION

General

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

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

The Property Tax Amendment

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

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

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

Assessment Ratio Adjustments. The Property Tax Amendment provides that with respect to local (as distinguished from state) ad valorem taxes, the governing body of any county, municipality or other local taxing authority may, subject to certain criteria established by legislative act, adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or its current use value (as the case may be), but only if (i) the governing body of such county, municipality or other taxing authority holds a public hearing on the proposed adjustment before authorizing the adjustment, (ii) the Legislature adopts an act approving the adjustment, and (iii) a majority of the electors of such county, municipality or other taxing authority subsequently approve the adjustment in a special election. Any adjustment of assessment ratios is subject to the further requirements that the assessment ratio applicable to each class of taxable property must be uniform within the jurisdiction of each local taxing authority and that no class may be assessed at more than 35% or less than 5% of its fair and reasonable market value or current use value (as the case may be). By virtue of the Property Tax Amendment, the Legislature has no power over the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The County Commission has not heretofore sought to make any

adjustment of the assessment ratio applicable to any class of taxable property in the County, nor has the County Commission any present plans for any such adjustment.

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

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

Class I	2%
Class II	1½%
Class III	1%
Class IV	1¼%

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

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

Homestead Exemption

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

Ad Valorem Tax Rates in the County

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

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

Ad Valorem Tax Assessment and Collection

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

Assessed Valuation

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

<u>Tax Year Ended September 30</u>	<u>Real & Personal Property and Public Utility Property</u>	<u>Motor Vehicles</u>	<u>Total Assessed Values</u>
2000	\$ 4,992,672,194 ^{1/}	\$697,002,840	\$5,689,675,034
1999	5,161,832,273	570,975,326	5,732,807,599
1998	4,191,608,377	530,077,135	4,721,685,512
1997	3,980,460,245	450,545,420	4,431,005,665
1996	3,822,413,791	409,392,840	4,231,806,631

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

Principal Ad Valorem Taxpayers

The principal ad valorem taxpayers in the County, on the basis of total assessed value of property within the County for the tax year ended September 30, 2000, are shown below:

<u>Name of Taxpayer</u>	<u>Total Assessed Value of Property</u>
Alabama Power	\$403,091,460
BellSouth Telecommunication	196,731,500
USX Corporation	97,414,187
Colonial Realty Ltd. Partnership	43,928,600
HEALTHSOUTH Corporation	42,287,249
Alabama Gas	28,021,560
American Telephone & Telegraph, Inc.	27,812,794
SouthTrust Corp.	24,356,672
Hoover Mall Limited LP	24,128,820
American Cast Iron Pipe Co.	21,961,496

Source: Jefferson County Tax Assessor

Ad Valorem Tax Collection

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

Tax Year Ended September 30	Total Net Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collection To Tax Levy
2000	\$ 333,819,916	\$ 330,192,023	98.91%	\$ 3,719,694	\$ 333,911,717	100.02%
1999	284,182,209	283,265,317	99.68	2,793,609	286,058,926	100.66
1998	265,673,868	262,277,245	98.72	4,253,108	266,530,353	100.32
1997	254,823,293	249,806,279	98.03	4,130,970	253,937,249	99.65
1996	247,358,892	239,414,593	96.79	4,853,300	244,267,893	98.75
1995	245,901,867	235,457,220	95.75	4,254,077	239,711,297	97.48
1994	213,803,830	207,038,287	96.84	4,447,531	211,485,818	98.92
1993	207,371,022	193,634,807	93.38	5,821,681	199,456,488	96.18
1992	197,944,712	187,868,741	94.91	4,787,431	192,656,172	97.33
1991	194,873,429	184,307,181	94.58	2,606,376	186,913,557	95.92

COUNTY DEBT

General

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

The County Financial Control Act generally prohibits the issuance of warrants by counties unless at the time of such issuance funds are available for their payment. The statutes pursuant to which the Series 2001-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.

Existing Debt

Following the issuance of the Series 2001-B Warrants and the refunding of the Series 1996 Warrants and Series 1999 Warrants, all indebtedness of the County (including the Series 2001-B Warrants but apart from (i) current liabilities incurred in the regular and ordinary operations of the County and (ii) certain conduit

financings for which the County has no payment obligation or other liability) will consist of the following outstanding warrants of the County:

<u>Obligations Not Subject to Debt Limit</u>	<u>Principal Amount Outstanding as of June 1, 2001</u>
Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, maturing February 1, 2005, through February 1, 2027	\$211,040,000
Sewer Revenue Refunding Warrants, Series 1997-B, dated February 1, 1997, maturing annually February 1, 2002, through February 1, 2003	16,905,000
Sewer Revenue Refunding Warrants, Series 1997-C, dated February 1, 1997, maturing annually February 15, 2002, through February 15, 2015	44,215,000
Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997, maturing February 1, 2017, through February 1, 2027	296,395,000
Sewer Revenue Warrants, Series 1999-A, dated March 1, 1999, maturing February 1, 2028, through February 1, 2039	952,695,000
Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001, maturing February 1, 2007 through February 1, 2041	<u>275,000,000</u>
Total	\$1,796,250,000
<u>Obligations Subject to Debt Limit</u>	
General Obligation Warrants, Series 1992, maturing annually April 1, 2002, through April 1, 2007	\$23,450,211*
General Obligation Warrants, Series 1993 maturing annually April 1, 2002, through April 1, 2010	58,720,000
General Obligation Warrants, Series 2001-A, maturing April 1, 2002 through April 1, 2011	82,000,000
General Obligation Warrants, Series 2001-B, maturing April 1, 2021	<u>120,000,000</u>
Total	\$284,170,211

* Amount shown reflects the Compound Accreted Amounts as of June 1, 2001, of those of the Series 1992 Warrants issued as capital appreciation warrants.

Debt Service Requirements on General Obligation Warrants

The following table contains the debt service requirements on all general obligation warrants of the County that will be outstanding after the issuance of the Series 2001-B Warrants and the refunding of the Series 1996 Warrants and Series 1999 Warrants:

Debt Service Requirements on General Obligation Warrants

Fiscal Year Ending	Series 2001-B Warrants⁽¹⁾	Other Warrants	Total
2001	\$ 1,022,000		\$ 1,022,000
2002	5,399,010	\$24,529,168	29,928,178
2003	5,439,870	24,363,000	29,802,870
2004	5,439,870	24,524,668	29,964,538
2005	5,439,870	26,907,548	32,347,418
2006	5,439,870	20,688,338	26,128,208
2007	5,439,870	27,628,868	33,068,738
2008	5,439,870	17,035,748	22,475,618
2009	5,439,870	17,004,710	22,444,580
2010	5,439,870	13,899,525	19,339,395
2011	5,439,870	10,251,450	15,691,320
2012	15,115,016		15,115,016
2013	15,085,511		15,085,511
2014	15,051,465		15,051,465
2015	15,022,017		15,022,017
2016	14,986,216		14,986,216
2017	14,948,290		14,948,290
2018	14,912,242		14,912,242
2019	14,872,030		14,872,030
2020	14,831,655		14,831,655
2021	<u>14,789,984</u>		<u>14,789,984</u>
Total	\$204,994,267	\$206,833,020	\$411,827,287

(1) Debt service on the Series 2001-B Warrants has been computed to include interest at an assumed rate of 4.30% per annum, a fee for the Standby Purchase Agreement of 0.15% per annum and a remarketing fee of 0.08% per annum.

Outstanding Swap Transaction

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

A default by the County under the Outstanding Swap (or any other transaction between the County and either of the Banks) could constitute an event of default under the Standby Purchase Agreement that would result in an immediate termination of Banks' obligation to purchase Series 2001-B Warrants. See "STANDBY PURCHASE AGREEMENT".

Anticipated Debt

Over the next two fiscal years the County anticipates issuing substantial additional indebtedness payable solely from sewer revenues to meet capital improvement requirements for the County's sewer system.

Debt Ratios

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

	After issuance of Series 2001-B Warrants
Population ⁽¹⁾	662,047
Assessed Value of Taxable Property ⁽²⁾	\$5,785,018,374
General Obligation Debt ⁽³⁾	\$284,170,211
General Obligation Debt Per Capita	\$429.23
Ratio of General Obligation Debt to Assessed Value	4.91%

(1) Based on 2000 census of U.S. Bureau of the Census.

(2) Source: Jefferson County Tax Assessor and Department of Revenue. Includes motor vehicle valuations for May 2000 through April 2001.

(3) After giving effect to the issuance of the Series 2001-B Warrants.

Constitutional Debt Limit

The Alabama Constitution provides that counties may not become indebted in an amount in excess of five percent (5%) of the assessed value of the property situated therein and subject to taxation. The total assessed value of the property in the County as assessed for County taxation (giving effect to all applicable exemptions from such taxation) as of May 1, 2001 was \$5,785,018,374. Consequently, the constitutional debt limitation applicable to the County is \$289,250,919.

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

Excluding obligations which are not chargeable to the constitutional debt limit because advance refunding escrows have been established for their payment and taking into account sinking funds established for obligations not fully refunded, the outstanding debt of the County, after issuance of the Series 2001-B Warrants, will be approximately \$284,170,211. Consequently, the County can incur additional indebtedness in the approximate amount of \$5,080,708 (viz., \$289,250,919 - \$284,170,211) without violating its constitutional debt limit.

Civic Center Financing

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

Jefferson County Economic and Industrial Development Authority Financing

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

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Jefferson County is Alabama's most populous county and is the principal center of finance, trade, manufacturing, transportation, health care and education in the State. Birmingham, the State's largest city, and 38 other municipalities are located within the County's 1,124 square miles. The County, with a population of approximately 662,047 as of the 2000 Census, is the center of the four-county Birmingham Metropolitan Statistical Area (MSA), which covers approximately 3,188 square miles. The Birmingham MSA had a population of approximately 915,077, as of July 1, 1999, and was the 53rd most populated area among the 276 Metropolitan Areas (includes MSAs, Consolidated Statistical Areas and Primary Metropolitan Statistical Areas) in the United States.

Population

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

Population Trends

<u>Year</u>	<u>Jefferson County</u>	<u>Birmingham MSA¹</u>	<u>State of Alabama</u>
2000	662,047	915,077*	4,447,100
1990	651,525	907,810	4,040,389
1980	671,324	884,040	3,893,888
1970	644,991	794,083	3,444,165
1960	634,864	772,044	3,266,740
1950	558,928	708,721	3,061,743

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

*1999 estimate.

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

Employment and Labor Force

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

Jefferson County Employment and Labor Force

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

1 Place of residence basis.

2 Rate computed on unrounded data.

Source: Alabama Department of Industrial Relations.

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

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

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Percent Change 1993-2000</u>
Total Nonagricultural Employment	418.5	430.0	442.9	451.1	463.5	473.2	482.1	495.6	18.4%
Good Producing	75.2	77.4	80.2	80.9	81.7	82.9	82.7	85.2	13.3%
Mining	3.0	3.0	3.3	3.4	3.3	2.9	2.4	2.1	-30.0%
Construction	20.8	22.1	23.3	25.4	26.7	28.2	29.2	31.7	52.4%
Manufacturing	51.4	52.3	53.6	52.2	51.7	51.8	51.1	51.4	0.0%
Durable Goods	32.7	33.4	34.6	33.5	33.5	33.4	32.9	33.1	1.2%
Nondurable Goods	18.7	18.9	19.0	18.6	18.2	18.4	18.2	18.3	-2.1%
Service Producing	343.4	352.6	362.7	370.2	381.8	390.3	399.4	410.4	19.5%
Transportation & Public Utilities	29.9	30.3	30.3	30.3	30.3	30.8	31.2	31.6	5.7%
Wholesale & Retail Trade	101.7	104.5	108.3	109.7	112.1	114.8	118.9	122.5	20.5%
Finance, Insurance & Real Estate	30.2	30.5	31.2	32.7	34.4	35.5	37.9	39.5	30.8%
Services	114.7	119.2	124.8	128.8	136.2	140.8	143.5	146.7	27.9%
Government	66.9	67.9	68.2	68.8	68.9	68.5	68.0	70.0	4.6%

Source: Alabama Department of Industrial Relations

**Birmingham Metropolitan Area
Largest Employers
(As of July 2000)**

<u>Employer</u>	<u>Employees</u>
1. University of Alabama at Birmingham (<i>education, medical research</i>)	15,628
2. U. S. Government (<i>federal government</i>) ¹	9,302
3. State of Alabama (<i>state government</i>)	6,372
4. BellSouth (<i>telecommunications</i>)	6,300
5. Baptist Health System, Inc. (<i>integrated healthcare system</i>)	6,000
6. Bruno's, Inc. (<i>retail grocery store</i>)	5,374
7. Jefferson County Board of Education (<i>education</i>)	5,000
8. Birmingham Public Schools (<i>education</i>)	4,555
9. City of Birmingham (<i>municipal government</i>)	4,500
10. Jefferson County Government (<i>county government</i>)	4,191
11. Wal-Mart (<i>discount department stores</i>)	3,800
12. AmSouth Bank (<i>banking and financial services</i>)	3,624
13. SouthTrust Bank (<i>banking and financial services</i>)	3,094
14. Alabama Power Company (<i>utilities</i>)	3,000
15. Regions Financial (<i>banking services</i>)	3,000
16. Blue Cross-Blue Shield of Alabama (<i>employ�e benefits</i>)	2,700
17. Compass Bank (<i>banking and financial services</i>)	2,666
18. Carraway Methodist Medical Center (<i>healthcare</i>)	2,400
19. Shelby County Board of Education (<i>education</i>)	2,400
20. Children's Health System (<i>healthcare</i>)	2,400
21. American Cast Iron Pipe (<i>iron and steel pipe, steel castings</i>)	2,300
22. Brookwood Medical Center (<i>healthcare</i>)	2,200
23. HEALTHSOUTH Corporation (<i>healthcare and rehabilitation</i>)	2,070
24. Eastern Health System (<i>healthcare</i>)	2,055
25. USX (<i>steel mill</i>)	1,500

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

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

Source: Birmingham Area Chamber of Commerce.

Per Capita Personal Income

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

PER CAPITA PERSONAL INCOME

	<u>Jefferson County</u>		<u>Birmingham MSA</u>		<u>Alabama</u>		<u>United States</u>	
	Income	% of National Average	Income	% of National Average	Income	% of National Average	Income	% of National Average
1998	\$27,272	100%	\$26,582	98%	\$22,054	81%	\$27,203	100%
1997	26,292	101%	25,383	99%	21,260	82%	25,924	100%
1996	25,356	103%	24,547	100%	20,329	82%	24,651	100%
1995	24,381	103%	23,566	100%	19,683	84%	23,562	100%
1994	23,262	103%	22,430	99%	18,860	84%	22,581	100%
1993	21,914	101%	21,196	98%	17,991	83%	21,718	100%
1989	17,946	97%	17,488	94%	14,899	80%	18,566	100%
1979	8,827	96%	8,541	93%	7,199	78%	9,230	100%
1969	3,394	88%	3,298	86%	2,748	71%	3,846	100%

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

Median Family Income

Median Family Income is defined by the U.S. Census as the amount which divides the income distribution of families into two equal groups, half having incomes above the median, half having incomes below the median. Between 1994 and 1999, the rise in median family income in the Birmingham MSA has outpaced the rise in median family income in the nation as a whole. In 1999, the median family income in the Birmingham MSA was \$100 greater than the median family income of the United States.

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

**NATIONAL, STATE AND BIRMINGHAM MSA
MEDIAN FAMILY INCOME**

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

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

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

Housing and Construction

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

BUILDING PERMITS - BIRMINGHAM MSA

Total Number of New Privately Owned Housing Units

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

Valuation of New Privately Owned Housing Units

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

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

Education

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

The largest institution is the University of Alabama at Birmingham (UAB), which includes University College, the Graduate School and the UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 15,921. The UAB Medical Center consists of the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health. UAB has an annual payroll exceeding \$530 million and is the largest employer in the County.

**Universities and Colleges
in Jefferson County**

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

**Junior and Technical Colleges
in Jefferson County**

<u>Name</u>	<u>Type</u>
Jefferson State Community College	State Supported
Bessemer State Technical College	State Supported
Lawson State Community College	State Supported

The Jefferson County School System consists of 62 schools with an enrollment exceeding 41,000. The City of Birmingham has 79 schools within its system and approximately 40,000 students. There are eight other public school systems in the County encompassing over 40 schools and more than 30,000 students. In addition, the Birmingham MSA has over 50 private and denominational schools with grades ranging from kindergarten through high school.

Bank Deposits

Banking is a significant industry in the Birmingham metropolitan area and in the County, with four of the top 25 largest employers being in banking and financial services. The growth in this area may be reflected by the rise in deposits in FDIC-insured banks in the State of Alabama, the County and Birmingham between 1993 and 1998. The following table illustrates this growth.

DEPOSITS IN FDIC-INSURED COMMERCIAL BANKS (1993-1998)

	(In thousands)					
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Alabama	\$35,559,642	\$37,684,319	\$40,056,228	\$42,770,388	\$47,150,219	\$50,095,056
Jefferson County	8,870,667	9,058,787	9,352,728	9,742,676	10,901,236	13,028,619
Birmingham	5,831	5,752	5,894	6,163	6,628	N/A

N/A - Not available

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

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

**JEFFERSON COUNTY, ALABAMA
STATISTICAL COMPARISON TO CITY OF BIRMINGHAM,
BIRMINGHAM MSA AND STATE OF ALABAMA**

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

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

(1) Population as projected by Sales & Marketing Management

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

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

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

Transportation

Commercial airline service is available through Birmingham's airport, which is served by six major carriers (American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Southwest Airlines and US Airways), and three commuter carriers (Comair, Continental Express, and US Airways Express). During the 12-month period ended October 31, 2000, the Birmingham International Airport served over 3 million arriving and departing passengers.

In 2000, the Birmingham Airport Authority completed the addition of 2,000 parking spaces to its parking deck, resulting in a total of approximately 6,000 spaces. Additional airport construction projects that are currently pending, or already begun include: a 2,000 foot extension of the airport's main runway, extending it to 12,000 feet; construction of a new cargo apron, a new air freight building and a new air cargo complex; rehabilitation of the air carrier apron around the terminal; completion of the final phase of the infield service road; and development of a new parking facility and rental car hub. In addition, the Federal Aviation Administration plans to commission the newly constructed 211-foot control tower in Spring of 2001.

Almost 100 truck lines have terminals in the area. Additionally, Birmingham is served by four major railroads -- Norfolk Southern, CSX Corporation, Canadian National Railway Company (through an alliance with Kansas City Southern Railway) and Burlington Northern and Santa Fe Railway Company. Amtrak passenger service is also available.

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

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

Health Care

The County is a major center for health care and biomedical research. Altogether, 21 hospitals with a total of 4,484 beds are located in the County. U.S. News ranked The University of Alabama Hospital at Birmingham among the top 50 hospitals in the country for its specialities in cancer, hormonal disorders, gynecology, kidney disease, orthopedics, ear, nose and throat and rheumatology. Other major medical centers in the County include Baptist Medical Centers, Carraway Methodist Medical Centers, Medical Center East, St. Vincent's Hospital, HEALTHSOUTH Medical Center and Brookwood Medical Center. Southern Research Institute (SRI) is one of the oldest independent not-for-profit contract research organizations in the South. In addition to its pharmaceutical and biotechnical research, SRI also conducts research in the areas of utilities and manufacturing.

LITIGATION

There is no litigation pending or, to the knowledge of the County, threatened, attacking or questioning the validity of the Series 2001-B Warrants or the issuance and sale thereof, and there is no litigation pending or, to the knowledge of the County, threatened, relating to the organization or boundaries of the County or the incumbency of any of its officers. Simultaneously with the delivery of the Series 2001-B Warrants, the County will deliver a certificate to the effect that no such litigation is pending or, to the knowledge of the County, threatened.

Special County Occupational Tax Litigation

The Richards action. The County levies and collects the Special County Occupational Tax at the rate of ½ of 1% of the gross receipts of each person following a vocation, occupation, calling or profession within the County. On April 12, 1992, a class action was filed in Jefferson County Circuit Court by two sets of plaintiffs, one of which consists of federal employees who are subject to the Special County Occupational Tax and the other of which consists of all employees who are subject to the Special County Occupational Tax. The gravamen of the case, styled *Richards v. Jefferson County*, CV-92-3191 (the "*Richards* action"), is that the Special County Occupational Tax violates the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution with respect to all plaintiffs because of exemptions required by the authorizing statute to be given to persons who engage in a regulated profession and pay a license tax to the State of Alabama. In addition, those plaintiffs who are federal employees claim that the Special County Occupational Tax violates their rights under that provision of the Public Salary Tax Act (4 U.S.C. § 111) which allows state and local taxation of compensation of federal officers and employees if such taxation does not discriminate against such federal officers and employees because of the source of compensation. The plaintiffs seek damages in the amount of occupational taxes collected since January 1, 1988, costs, interest and attorneys' fees and an injunction against the collection of the Special County Occupational Tax in its current form with respect to all taxpayers.

The County moved for summary judgment on the grounds that (i) the plaintiffs' claims were barred by the doctrine of res judicata because the validity of the Special County Occupational Tax had been previously litigated in the 1998 case of *Bedingfield v. Jefferson County* and (ii) the exemptions from the tax did not violate the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution. After various appeals, the United States Supreme Court held that the plaintiffs' claims were not barred by the doctrine of res judicata and remanded the case for further proceedings with respect to whether the license tax violated the equal protection guarantees of the Fourteenth Amendment. The case was tried on October 21-23, 1997, before Judge John E. Rochester, Circuit Judge of Clay County, Alabama, sitting by special designation in this Jefferson County case.

On November 12, 1998, Judge Rochester entered a judgment holding the Special County Occupational Tax to be in violation of the equal protection clause of the Fourteenth Amendment of the United States Constitution. Upon appeal to the Alabama Supreme Court, the *Richards* action was consolidated with the appeal of a judgment, rendered in a separate action, that held invalid a 1999 act of the Alabama Legislature (the "1999 Act") that provided for the levy of a tax to replace the Special County Occupational Tax. The Alabama Supreme Court released its opinion with respect to the consolidated appeals on June 22, 2001. In its opinion, the Alabama Supreme Court reversed the judgment entered by Judge Rochester and held that the levy and collection of the Special County Occupational Tax do not violate the equal protection clause of the United States Constitution. Counsel for the *Richards* plaintiffs have indicated in public statements that they

will seek to have this recent decision of the Alabama Supreme Court reviewed by the United States Supreme Court.

The *Employees Association* action. In late November 1999, the Alabama Legislature passed an act which purported to repeal the enabling act for the Special County Occupational Tax, effective April 1, 2000. The Jefferson County Employees' Association filed a lawsuit claiming that the Legislature's repeal of the tax was unconstitutional. The trial court agreed with the Employees' Association and entered an order declaring the repealing act to be invalid.

The *Izzi* action. On March 29, 2000, the Legislature passed Alabama Act 2000-215 (the "2000 Act") which, like the 1999 Act, attempted to address the Equal Protection concerns by levying a replacement tax that would not include the exemptions granted to certain professions by the Special County Occupational Tax. The 2000 Act also distributed a large portion of the tax proceeds to various non-governmental entities. On April 19, 2000, Richard Izzi and Robert B. Sanford, Jr., filed a lawsuit claiming that the 2000 Act was also unconstitutional. On September 7, 2000, Judge Thomas A. Woodall granted the plaintiffs' motion for summary judgment and held the 2000 Act to be invalid. An appeal of that judgment is pending before the Alabama Supreme Court.

At this time, it is impossible to predict with certainty the final outcome of the litigation referred to herein. If plaintiffs are ultimately successful in having the Special County Occupational Tax declared unconstitutional, and if the Alabama Legislature fails to enact a replacement tax which is deemed to cure the constitutional defects of the existing tax and which is not otherwise constitutionally defective itself, the County would suffer a significant decrease in revenues. Under the worst conceivable circumstances, it is possible that the County could suffer a monetary judgment equal to the amount of the Special County Occupational Tax revenues collected since January 1, 1988 (over \$511 million), plus interest.

General

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 liability insurance and 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, its applicability to causes of action under Section 1983 of Title 42 of the United States Code has not been determined. 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.

LEGAL MATTERS

The Series 2001-B Warrants will be issued subject to the approving opinion of Haskell Slaughter Young & Rediker, L.L.C., Birmingham, Alabama, Bond Counsel. It is anticipated that the approving opinion of Bond Counsel will be in substantially the form attached to this Official Statement as Appendix B. Certain legal matters will be passed upon for the Banks by their counsel, Greenberg Traurig, LLP, Philadelphia, Pennsylvania.

The various legal opinions to be delivered concurrently with the delivery of the Series 2001-B Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In the opinion of Haskell Slaughter Young & Rediker, L.L.C., Birmingham, Alabama, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2001-B Warrants will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, interest on the Series 2001-B Warrants will be exempt from income taxation by the State of Alabama under existing statutes.

Prospective purchasers of the Series 2001-B Warrants should be aware of the provision included in the Internal Revenue Code of 1986, as amended (the "Code"), which will require that interest on the Series 2001-B Warrants received by a corporation (as defined for federal income tax purposes) be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. Also, in the case of United States branches of foreign corporations, the interest on the Series 2001-B Warrants will be subject to the branch profits tax imposed by the Code. Prospective purchasers of the Series 2001-B Warrants should also be aware of the provision included in the Code, which will require property and casualty insurance companies owning Series 2001-B Warrants to reduce their loss reserve deduction by 15% of the interest received or accrued on the Series 2001-B Warrants.

Furthermore, prospective purchasers of the Series 2001-B Warrants should recognize that interest on the Series 2001-B Warrants may become includable in gross income for purposes of federal income taxation from the date of issuance in the event that the County fails to satisfy certain requirements imposed by the Code respecting (i) limitations on the use of Series 2001-B Warrant proceeds in the trade or business of, or to make or finance loans to, persons other than governmental units, (ii) restrictions on investment earnings on proceeds of the Series 2001-B Warrants and (iii) the rebate to the federal government of certain arbitrage profits. The County has covenanted that it will not take, or omit to take, any action lawful and within its power to take, if such action or omission would cause interest on any Series 2001-B Warrant to become subject to federal income taxes in addition to those federal income taxes to which interest on such Series 2001-B Warrant is subject on the date of original issuance thereof.

Prior to enactment of the Code, financial institutions (including commercial banks) generally were permitted to invest deposited funds in tax-exempt obligations, while continuing to deduct interest paid to depositors. In general, the Code denies financial institutions 100% of interest deductions that are allocable to tax-exempt obligations acquired on or after August 8, 1986.

Although interest on the Series 2001-B Warrants will be excluded from gross income for federal income tax purposes as discussed in the preceding paragraphs, the Social Security Amendments of 1983 provide that, under certain circumstances, receipt of such tax-exempt interest could subject to federal income taxation a portion of Social Security or railroad retirement benefits received by a warrant holder that would not otherwise be taxable. A prospective purchaser of the Series 2001-B Warrants should consult his personal tax advisor in this regard in connection with his decision to purchase any of the Series 2001-B Warrants.

RATINGS

The Series 2001-B Warrants have been rated Aa3/VMIG 1 by Moody's Investors Service, Inc. and AA-/A-1+ by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. Any explanation of the significance of such ratings may be obtained only from the appropriate rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2001-B Warrants, and any such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Series 2001-B Warrants. Neither the County nor the Underwriter has undertaken any responsibility either to bring to the attention of the Series 2001-B Warrant holders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

FINANCIAL ADVISOR

Morgan Keegan & Company, Inc., is serving as Financial Advisor to the County with respect to the sale of the Series 2001-B Warrants. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2001-B Warrants and provided other advice.

Morgan Keegan & Company, Inc., is an investment banking firm regularly engaged in the business of providing financial and advisory services. Said firm will not participate in underwriting any of the Series 2001-B Warrants.

UNDERWRITING

The Series 2001-B Warrants are being purchased from the County by SouthTrust Securities, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2001-B Warrants for an aggregate purchase price of \$119,760,000 (which represents the face amount of the Series 2001-B Warrants less underwriter's discount of \$240,000) plus accrued interest. The initial public offering price set forth on the cover page may be changed by the Underwriter, and the Underwriter may offer and sell the Series 2001-B Warrants to certain dealers (including dealers depositing the Series 2001-B Warrants into investment trusts)

and others at prices lower than the offering price set forth on the cover page. The Underwriter will purchase all the Series 2001-B Warrants if any are purchased.

MISCELLANEOUS

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

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

The distribution of this Official Statement and its use in the offering and sale of the Series 2001-B Warrants have been approved by the Commission.

JEFFERSON COUNTY, ALABAMA

By _____ /s/ Gary White
President of the County Commission

APPENDIX A

Financial Statements of the County for Fiscal Year 1999-2000

Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 1999 Through September 30, 2000

Filed: March 30, 2001



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Ronald L. Jones, Chief Examiner

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State of Alabama
Department of
Examiners of Public Accounts

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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Jefferson County Commission for the period October 1, 1999 through September 30, 2000.

SCOPE AND OBJECTIVES

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

CONTENTS OF REPORT

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Financial Section** – includes basic financial statements (Exhibits 1 through 6); Notes to the Financial Statements; required supplementary information (Exhibit 7); combining financial statements (Exhibits 8 through 19); a Schedule of Expenditures of Federal Awards (Exhibit 20), which details federal assistance received and expended during the audit period; Notes to the Schedule of Expenditures of Federal Awards; and the *Independent Auditor's Report*, which reports on whether the included financial information constitutes a fair presentation of the financial position and results of financial operations.

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

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 22) – a report on internal control related to the financial statements and a report on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

Report On Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 23) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

Schedule of Findings and Questioned Costs (Exhibit 24) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

Auditee Response/Corrective Action Plan (Exhibit 25) – a response by the Commission on the results of the audit and corrective action plan for federal audit findings.

AUDIT COMMENTS

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

The Birmingham Water Works Board (BWWB) and the City of Bessemer, Alabama – Water Service Department (Bessemer Water Service) bill and collect sewer service charges for the Jefferson County Commission (Commission). For the fiscal year ended September 30, 2000, neither BWWB nor Bessemer Water Service engaged an auditor to provide a report on each entity's internal controls that may be relevant to the Commission's internal controls.

AUDIT FINDINGS

- ◆ The Alabama Competitive Bid Law requires that items be purchased for the bid price. Chargers for two-way radios were purchased from the vendor who was awarded the bid, but were not purchased for the price stated in that vendor’s bid.
- ◆ The *Code of Alabama 1975*, Section 39-2-2(e), states “in case of an emergency affecting public health, safety, or convenience, ...contracts may be let to the extent necessary to meet the emergency without public advertisement.” This *Code* section relieves the County from the requirements of public advertising, but does not relieve the County from bidding. Jefferson County Commission did not bid emergency repairs that were in excess of \$50,000.

STATUS OF PRIOR AUDIT FINDINGS

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

- ◆ Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- ◆ At September 30, 2000, the following fund had a deficit fund balance:

Road Fund	\$2,890,000
-----------	-------------

- ◆ The Alabama Competitive Bid Law requires that entities obtain competitive bids for purchases of goods and services costing \$7,500.00 or more. The Commission bid gasoline and fuel for a period of three years and awarded the bid to a local vendor. However, the Commission made purchases of gasoline totaling \$20,852.71 from another vendor.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

The Commission appears 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.

RECOMMENDATIONS

- ◆ The Commission should purchase bid items from the vendor awarded the bid at the bid price.
- ◆ The Commission should comply with the provisions of the Alabama Public Works Law.
- ◆ Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.

- ◆ The Commission should eliminate the deficit fund balance.
- ◆ The Commission should comply with the provisions of the Alabama Competitive Bid Law.

Sworn to and subscribed before me this
the 15th day of March, 2001.

Delann E. Dollyhigh
Notary Public

Respectfully submitted,

Elizabeth Crowson

Elizabeth Crowson
Examiner of Public Accounts

Sworn to and subscribed before me this
the 15th day of March, 2001.

Delann E. Dollyhigh
Notary Public

Roderick Edwards

Roderick Edwards
Examiner of Public Accounts

Sworn to and subscribed before me this
the 15th day of March, 2001.

Delann E. Dollyhigh
Notary Public

Cherie Raffle

Cherie Raffle
Examiner of Public Accounts

Sworn to and subscribed before me this
the 15th day of March, 2001.

Delann E. Dollyhigh
Notary Public

Jenelle Smith

Jenelle Smith
Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying primary government financial statements of the Jefferson County Commission, as of and for the year ended September 30, 2000, as listed in the table of contents as Exhibits 1 through 6. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government, the Jefferson County Commission, as of September 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Jefferson County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Jefferson County, as of September 30, 2000, and the results of its operations and cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 23, 2001 on our consideration of the Jefferson County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of the Jefferson County Commission, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 20) as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the combining financial statements (Exhibits 8 through 19) are presented for purposes of additional analysis and are not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

The Schedule of Funding Progress (Exhibit 7) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 23, 2001

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Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2000
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and Investments	\$ 34,039	\$ 2,789	\$ 89,713	\$ 14,682
Accounts Receivable, Net	26			
Loans Receivable, Net		3,473		
Patient Accounts Receivable, Net				
Interest Receivable		11		
Contributions Receivable				
Due from Other Governments	10,756	5,734		295
Inventories	197	1,814		
Prepaid Expenses	465	16		
Fixed Assets, Net Where Applicable				
Amount Available in Debt Service Fund				
Accreted Interest				
Warrant Issuance Cost				
Deferred Loss on Early Debt Retirement				
Amount to Be Provided for Payment of General Long-Term Debt				
Amount to Be Provided for Payment of Compensated Absences				
TOTAL ASSETS	\$ 45,483	\$ 13,837	\$ 89,713	\$ 14,977

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) Current Year
\$ 689,608	\$ 12,699	\$ 685,747	\$	\$	\$ 1,529,277
12,795	26				12,847
		610			4,083
7,741					7,741
		5,670			5,681
		572			572
1,514	2,520				20,819
1,590	1,021				4,622
607	141				1,229
1,082,532	14,122	199	359,944		1,456,797
				87,230	87,230
				5,482	5,482
23,058					23,058
3,230					3,230
				113,498	113,498
				9,673	9,673
\$ 1,822,675	\$ 30,529	\$ 692,798	\$ 359,944	\$ 215,883	\$ 3,285,839

Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2000
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Cash Deficit	\$		\$ 702	\$
Accounts Payable	654	756		3,610
Deposits Payable	4			
Due to Other Governments	89	4,370		
Deferred Revenues		92		
Other Payables	2	1		
Accrued Payroll and Taxes	4,932	351		
Accrued Interest Payable			2,483	
Retainage Payable				
Arbitrage Rebate Payable				
Estimated Liability for Compensated Absences	761	443		
Estimated Claims Liability				
Warrants Payable				
Estimated Liability for Closure/Postclosure Care Costs				
TOTAL LIABILITIES	6,442	6,715	2,483	3,610
<u>FUND EQUITY</u>				
Retained Earnings				
Investment in General Fixed Assets				
Fund Balances:				
Reserved for Inventory	197	1,814		
Reserved for Petty Cash	66	2		
Reserved for Mapping and Appraisal	691			
Reserved for E-911	(1,406)			
Reserved for CGH Foundation		668		
Reserved for Loan Receivable		3,473		
Reserved for Debt Service			87,230	
Reserved for Trust Requirements				
Reserved for Encumbrances	2,689	15,304		27,595
Reserved for Contingent Refunds				
Reserved for Retirement/Disability Benefits				
Unreserved	36,804	(14,139)		(16,228)
TOTAL FUND EQUITY	39,041	7,122	87,230	11,367
TOTAL LIABILITIES AND FUND EQUITY	\$ 45,483	\$ 13,837	\$ 89,713	\$ 14,977

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) Current Year
\$	\$	\$	\$	\$	\$
28,553	2,145	513			2,847
36	796				34,882
					40
					4,459
					92
249	16	1			269
1,123	339	14			6,759
13,762					16,245
6,115					6,115
3,461					3,461
6,059	2,456	119		9,673	19,511
	2,659				2,659
1,558,885				206,210	1,765,095
3,262					3,262
1,621,505	8,411	647		215,883	1,865,696
201,170	22,118		359,944		223,288
					359,944
					2,011
					68
					691
					(1,406)
					668
		610			4,083
					87,230
		1,051			1,051
		466			46,054
		61,773			61,773
		628,251			628,251
					6,437
201,170	22,118	692,151	359,944		1,420,143
\$ 1,822,675	\$ 30,529	\$ 692,798	\$ 359,944	\$ 215,883	\$ 3,285,839

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended September 30, 2000 (In Thousands)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Taxes	\$ 61,050	\$ 75,138	\$
Licenses and Permits	58,606		
Intergovernmental	14,427	17,466	726
Charges for Services	18,242	482	8
Indirect Cost Recovery	7,392		
Investment Income	6,606	576	3,292
Miscellaneous	259	2,663	
TOTAL REVENUES	166,582	96,325	4,026
EXPENDITURES			
Current:			
General Government	52,128	11,752	
Public Safety	47,298	678	
Highways and Roads		29,779	
Health and Welfare	702	2,632	
Culture and Recreation	12,677		
Education	185		
Capital Outlay	3,584	2,253	
Debt Service:			
Principal Retirement			15,252
Interest and Fiscal Charges			8,657
Indirect Cost	14,446	4,474	44
TOTAL EXPENDITURES	131,020	51,568	23,953
Excess of revenues over (under) expenditures	35,562	44,757	(19,927)
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Transaction			107,125
Payment to Bond Agent			(57,896)
Bond Discount and Issuance Costs			(425)
Operating Transfers In	2	20,200	31,295
Proceeds from Sale of Fixed Assets	49	180	
Operating Transfers Out	(84,160)	(64,796)	
TOTAL OTHER FINANCING SOURCES (USES)	(84,109)	(44,416)	80,099
Excess of revenues and other sources over (under) expenditures and other uses	(48,547)	341	60,172
Fund balances at beginning of year	87,588	6,781	27,058
Fund balances at end of year	\$ 39,041	\$ 7,122	\$ 87,230

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

Capital Projects	Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only) Current Year
\$	\$	\$
		136,188
		58,606
4,733	2,220	39,572
873		19,605
		7,392
332	23	10,829
220	96	3,238
<u>6,158</u>	<u>2,339</u>	<u>275,430</u>
	1,312	65,192
		47,976
6,952		36,731
		3,334
		12,677
		185
31,993	108	37,938
		15,252
		8,657
	19	18,983
<u>38,945</u>	<u>1,439</u>	<u>246,925</u>
<u>(32,787)</u>	<u>900</u>	<u>28,505</u>
		107,125
		(57,896)
		(425)
32,812		84,309
95	(3)	321
<u>(4,487)</u>		<u>(153,443)</u>
<u>28,420</u>	<u>(3)</u>	<u>(20,009)</u>
(4,367)	897	8,496
15,734	1,230	138,391
<u>\$ 11,367</u>	<u>\$ 2,127</u>	<u>\$ 146,887</u>

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types For the Year Ended September 30, 2000 (In Thousands)

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 60,026	\$ 61,050	\$ 1,024
Licenses and Permits	57,574	58,606	1,032
Intergovernmental	14,930	14,427	(503)
Charges for Services	18,268	18,242	(26)
Indirect Cost Recovery	7,045	7,392	347
Investment Income	6,907	6,606	(301)
Miscellaneous	295	259	(37)
TOTAL REVENUES	165,045	166,582	1,536
EXPENDITURES			
Current:			
General Government	55,083	52,128	2,955
Public Safety	46,061	47,298	(1,237)
Highways and Roads			
Health and Welfare	702	702	
Culture and Recreation	12,677	12,677	
Education	186	185	1
Capital Outlay	5,541	3,584	1,957
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Indirect Cost	14,485	14,446	39
TOTAL EXPENDITURES	134,735	131,020	3,715
Excess of revenues over (under) expenditures	30,310	35,562	5,252
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Transaction			
Payment to Bond Agent			
Operating Transfers In	2	2	
Process from Sale of Fixed Assets	100	49	(51)
Bond Discount and Issuance Costs			
Operating Transfers Out	(97,019)	(84,160)	12,859
TOTAL OTHER FINANCING SOURCES (USES)	(96,917)	(84,109)	12,808
Excess of revenues and other sources over (under) expenditures and other uses	(66,607)	(48,547)	18,060
Fund balances at beginning of year	87,589	87,588	(1)
Fund Balances at end of year	\$ 20,982	\$ 39,041	\$ 18,059

Special Revenue			
Budget	Actual	Variance Favorable (Unfavorable)	
\$ 74,678	\$ 75,138	\$ 460	
38,062	17,466	(20,596)	
461	482	21	
510	576	66	
2,080	2,663	581	
<u>115,791</u>	<u>96,325</u>	<u>(19,468)</u>	
17,381	11,752	5,629	
808	678	130	
32,094	29,779	2,315	
5,012	2,632	2,379	
2,570	2,253	317	
4,417	4,474	(57)	
<u>62,282</u>	<u>51,568</u>	<u>10,713</u>	
<u>53,509</u>	<u>44,757</u>	<u>(8,755)</u>	
29,647	20,200	(9,446)	
	180	180	
<u>(25,890)</u>	<u>(64,796)</u>	<u>(38,906)</u>	
<u>3,757</u>	<u>(44,416)</u>	<u>(48,173)</u>	
57,266	341	(56,925)	
6,781	6,781		
<u>\$ 64,047</u>	<u>\$ 7,122</u>	<u>\$ (56,925)</u>	

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types For the Year Ended September 30, 2000 (In Thousands)

	Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Taxes	\$	\$	\$
Licenses and Permits			
Intergovernmental	720	726	6
Charges for Services	11	8	(3)
Indirect Cost Recovery			
Investment Income	2,981	3,292	311
Miscellaneous			
TOTAL REVENUES	3,712	4,026	314
<u>EXPENDITURES</u>			
Current:			
General Government			
Public Safety			
Highways and Roads			
Health and Welfare			
Culture and Recreation			
Education			
Capital Outlay			
Debt Service:			
Principal Retirement	12,622	15,252	(2,630)
Interest and Fiscal Charges	11,723	8,657	3,066
Indirect Cost	44	44	
TOTAL EXPENDITURES	24,389	23,953	436
Excess of revenues over (under) expenditures	(20,677)	(19,927)	750
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction	107,125	107,125	
Payment to Bond Agent	(57,896)	(57,896)	
Operating Transfers In	31,295	31,295	
Process from Sale of Fixed Assets			
Bond Discount and Issuance Costs	(333)	(425)	(92)
Operating Transfers Out			
TOTAL OTHER FINANCING SOURCES (USES)	80,191	80,099	(92)
Excess of revenues and other sources over (under) expenditures and other uses	59,514	60,172	658
Fund balances at beginning of year	27,058	27,058	
Fund Balances at end of year	\$ 86,572	\$ 87,230	\$ 658

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

Capital Projects			Variance
Budget	Actual	Favorable (Unfavorable)	
\$	\$	\$	
6,096	4,733	(1,363)	
1,280	873	(407)	
385	332	(53)	
220	220		
<u>7,981</u>	<u>6,158</u>	<u>(1,823)</u>	
22,096		22,096	
7,430	6,952	478	
12,141	31,993	(19,852)	
<u>41,667</u>	<u>38,945</u>	<u>2,722</u>	
<u>(33,686)</u>	<u>(32,787)</u>	<u>899</u>	
5,044	32,812	27,768	
27,769	95	(27,674)	
<u>(2,240)</u>	<u>(4,487)</u>	<u>(2,247)</u>	
<u>30,573</u>	<u>28,420</u>	<u>(2,153)</u>	
(3,113)	(4,367)	(1,254)	
15,733	15,734	1	
<u>\$ 12,620</u>	<u>\$ 11,367</u>	<u>\$ (1,253)</u>	

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***Combined Statement of Revenues, Expenses and Changes in Fund
Equity - All Proprietary Fund Types
For the Year Ended September 30, 2000
(In Thousands)***

	Proprietary Fund Types		Totals
	Enterprise Funds	Internal Service Funds	(Memorandum Only) Current Year
<u>Operating Revenues</u>			
Taxes	\$ 4,487	\$	\$ 4,487
Intergovernmental		2,568	2,568
Charges for Services	80,021	17,996	98,017
Patient Revenue	30,636		30,636
Medicaid Disproportionate Share	3,294		3,294
Other Operating Revenue	4,480		4,480
Total Operating Revenues	122,918	20,564	143,482
<u>Operating Expenses</u>			
Provisions for Bad Debt	2,666		2,666
Salaries	54,141	15,969	70,110
Employee Benefits and Payroll Taxes	11,716	4,009	15,725
Utilities	6,441	3,384	9,825
Supplies	11,359	3,557	14,916
Depreciation and Amortization	36,388	2,070	38,458
Outside Services	11,363	2,780	14,143
Services from other Hospitals	4,262		4,262
Jefferson Clinic	12,538		12,538
Office Expense	2,088	432	2,520
Closure and Postclosure Care Cost	220		2,088
Miscellaneous	2,682	3,627	6,309
Total Operating Expenses	155,864	35,828	191,692
Operating Income/(Loss)	\$ (32,946)	\$ (15,264)	\$ (48,210)

***Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types
For the Year Ended September 30, 2000
(In Thousands)***

	Proprietary Fund Types		Totals
	Enterprise Funds	Internal Service Funds	(Memorandum Only) Current Year
<u>Nonoperating Revenues (Expenses)</u>			
Arbitrage Rebates	\$ (2,858)	\$	\$ (2,858)
Interest Revenue	46,681	119	46,800
Miscellaneous Revenue	1,171	394	1,565
Interest Expense	(83,949)		(83,949)
Indirect Cost	(4,067)	(323)	(4,390)
Gain (Loss) on Sale of Fixed Assets	(328)	(43)	(371)
Indirect Cost Recovery		15,979	15,979
Total Nonoperating Revenues (Expenses)	<u>(43,350)</u>	<u>16,126</u>	<u>(27,224)</u>
Income/(Loss) Before Operating Transfers	<u>(76,296)</u>	<u>862</u>	<u>(75,434)</u>
<u>Operating Transfers</u>			
Operating Transfers In	68,667	5,982	74,649
Operating Transfers Out	(5,509)	(6)	(5,515)
Total Operating Transfers	<u>63,158</u>	<u>5,976</u>	<u>69,134</u>
Net Income/(Loss)	(13,138)	6,838	(6,300)
Fund Equity at beginning of year	<u>214,308</u>	<u>15,280</u>	<u>229,588</u>
Fund Equity at end of year	<u>\$ 201,170</u>	<u>\$ 22,118</u>	<u>\$ 223,288</u>

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

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2000
(In Thousands)

	Proprietary Fund Types		Totals
	Enterprise Funds	Internal Service Funds	(Memorandum Only) Current Year
<u>Cash Flows from Operating Activities</u>			
Operating Income (Loss)	\$ (32,946)	\$ (15,264)	\$ (48,210)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation	36,388	2,070	38,458
Provision for Bad Debts	1,871		1,871
(Increase)/Decrease in Accounts Receivable	(679)	(10)	(689)
(Increase)/Decrease in Patients Receivable	200		200
(Increase)/Decrease in Prepaid Items	(384)	(84)	(468)
(Increase)/Decrease in Due from Governmental Units	52	148	200
(Increase)/Decrease in Due from Other Funds		5	5
(Increase)/Decrease in Inventory	(205)	43	(162)
Increase/(Decrease) in Accounts Payable	1,537	334	1,871
Increase/(Decrease) in Other Accounts Payable	(566)	(94)	(660)
Increase/(Decrease) in Accrued Payroll and Taxes	(1,889)	(552)	(2,441)
Increase/(Decrease) in Deposits Payable	(4)		(4)
Increase/(Decrease) in Retainage Payable	2,430		2,430
Increase/(Decrease) in Interest Payable	(102)		(102)
Increase/(Decrease) in Arbitrage Rebate Payable	2,858		2,858
Increase/(Decrease) in Compensated Absences Payable	462	217	679
Increase/(Decrease) in Estimated Claims Liability		(378)	(378)
Increase/(Decrease) in Estimated Liability for Landfill Postclosure Costs	168		168
Total Adjustments	<u>42,137</u>	<u>1,699</u>	<u>43,836</u>
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	<u>\$ 9,191</u>	<u>\$ (13,565)</u>	<u>\$ (4,374)</u>

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2000
(In Thousands)

	Proprietary Fund Types		Totals
	Enterprise Funds	Internal Service Funds	(Memorandum Only) Current Year
Net Cash Provided/(Used) by Operating Activities			
Brought Forward	\$ 9,191	\$ (13,565)	\$ (4,374)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers In	68,667	5,982	74,649
Operating Transfers Out	(5,509)	(6)	(5,515)
Increase/(Decrease) in Cash Deficit	(12,608)	37	(12,571)
Received from Auxiliary Services	1,171	394	1,565
Indirect Cost Recovery		15,978	15,978
Indirect Cost	(4,067)	(322)	(4,389)
Net Cash Provided/(Used) by Non-Capital Financing Activities	47,654	22,063	69,717
<u>Cash Flows from Capital and Related Financing Activities</u>			
Interest Paid	(83,949)		(83,949)
Acquisition of Fixed Assets	(289,435)	(4,483)	(293,918)
Principal Payments	(13,090)		(13,090)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(386,474)	(4,483)	(390,957)
<u>Cash Flows from Investing Activities</u>			
Interest and Dividend Income	46,681	119	46,800
Net Cash Provided/(Used) by Investing Activities	46,681	119	46,800
Net Increase/(Decrease) in Cash and Cash Equivalents	(282,948)	4,134	(278,814)
Cash and Investments, Beginning of Year	972,556	8,565	981,121
Cash and Investments, End of Year	\$ 689,608	\$ 12,699	\$ 702,307

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

***Statement of Changes in Plan Net Assets
Pension Trust Fund
For the Year Ended September 30, 2000
(In Thousands)***

	Pension Trust Fund
<u>Additions</u>	
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 72,959
Investments	20,760
Dividends	2,828
Total Investment Income	<u>96,547</u>
Less: Investment Manager Fees	<u>1,524</u>
Sub-Total	<u>95,023</u>
Contributions	
Members	7,751
Employer	7,752
Total Contributions	<u>15,503</u>
Other	
Pistol Permits	234
Other Income	66
Sub-Total	<u>300</u>
Total Additions	<u>110,826</u>
<u>Deductions</u>	
Participant expenses	
Benefits paid to participants and beneficiaries	14,110
Refunds of member contributions	1,539
Interest paid on refunds of member contributions	122
Sub-Total	<u>15,771</u>
Administrative expenses	
Office Expenses	205
Other Expenses	43
Sub-Total	<u>248</u>
Total Deductions	<u>16,019</u>
Change in Net Assets	<u>94,807</u>
<u>Net Assets Held in Trust for Pension Benefits</u>	
Beginning of Year	<u>595,217</u>
End of Year	<u>\$ 690,024</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Fund Accounting

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

The Commission used the following special revenue funds:

- ◆ **Indigent Care Fund** – This fund is used to account for the expenditure of beverage and sales taxes designated for indigent county residents.
- ◆ **Road Fund** – This fund is used to account for the County's share of the following taxes: 7-cent and 4-cent per gallon gasoline tax, the 5-cent per gallon supplemental excise tax, the 2-cent per gallon inspection fee, motor vehicle and truck license taxes and fees, and driver's license revenue. Revenues are earmarked for building and maintaining county roads and bridges.
- ◆ **Senior Citizens' Activities Fund** – This fund is used to account for the expenditure of federal and county funds to provide social, nutritional, transportation, and other services to elderly residents of Jefferson County.
- ◆ **Bridge and Public Building Fund** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.

Notes to the Financial Statements

For the Year Ended September 30, 2000

- ◆ **Community Development Fund** – This fund is used to account for the expenditure of federal block grant funds.
- ◆ **CDBG/EDA Revolving Loan Fund** – This fund is used to account for the Commission’s administration of various loan programs for rental housing rehabilitation and economic development.
- ◆ **Home Grant Fund** – This fund is used to account for the expenditure of funds received from the U.S. Department of Housing and Urban Development.
- ◆ **Emergency Management Fund** – This fund is used to account for the expenditure of funds received for disaster assistance programs.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, the Commission's general long-term debt principal and interest. During the fiscal year ended September 30, 2000, the Commission had one debt service fund.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). During the fiscal year ended September 30, 2000, the Commission had the following capital projects funds:

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

Proprietary Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

Enterprise Funds

These funds are used to account for activities where the intent of the Commission is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Commission decided that periodic income determination is appropriate for capital maintenance, public policy, management control accountability or other purposes.

The Commission operates the following enterprises:

- ◆ **Cooper Green Hospital Fund** – The fund is used to account for the operations of the Cooper Green Hospital. Operating revenues are derived from net patient charges and reimbursements from third parties including Medicare and Medicaid.
- ◆ **County Home Fund** – This fund is used to account for the operations of in-patient nursing facilities. Net revenues are received from patient charges and reimbursements from third parties, principally Medicaid.
- ◆ **Landfill Operations Fund** – This fund is used to account for the operations of the County's landfill systems. Revenues are generated primarily through user charges.
- ◆ **Sanitary Operations Fund** – This fund is used to account for the operations of the County's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated ad valorem taxes.
- ◆ **Parking Deck Fund** – This fund is used to account for the operations of the County parking deck. Revenues are generated through user charges.

Internal Service Funds

These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis and for a governmental entity's risk financing activities. During the fiscal year ended September 30, 2000, the Commission had the following internal service funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

- ◆ **Elections Fund** – This fund is used to account for resources for holding County elections.
- ◆ **Information Services Fund** – This fund is used to account for resources for providing data processing, microfilming and related services to the various County departments.
- ◆ **Fleet Management Fund** – This fund is used to account for resources for providing and maintaining vehicles to County departments.
- ◆ **Central Laundry Fund** – This fund is used to account for resources for providing laundry services to County departments.
- ◆ **Printing Fund** – This fund is used to account for resources for providing printing, postage and related services to County departments.
- ◆ **Building Services Fund** – This fund is used to account for resources for providing building maintenance and other related services for the County.

Fiduciary Fund Types

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

Expendable Trust Fund

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

Pension Trust Fund

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

ACCOUNT GROUPS

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

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

C. Basis of Accounting

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

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

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

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

D. Budgets

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

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

E. Cash, Cash Equivalents and Investments

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2000

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

F. Inventories

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2000, are recorded as prepaid items.

H. Fixed Assets

Governmental Funds -- General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

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

	Years
Buildings	28-50
Improvements	28
Equipment	5-30

Notes to the Financial Statements
For the Year Ended September 30, 2000

I. Other Debits

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

J. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2000

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, 2000, the liability for accrued vacation and compensatory leave is approximately \$12,126,000. The amounts applicable to the proprietary funds of \$5,189,000 have been recorded in those funds. Only the current portion of \$1,128,000 has been reported as a liability in the governmental funds and fiduciary funds. The remainder of \$5,809,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

As of September 30, 2000, the liability for accrued sick leave is approximately \$7,385,000. The amounts applicable to the proprietary funds of \$3,326,000 have been recorded in those funds. Only the current portion of \$195,000 has been reported as a liability in the governmental funds and fiduciary funds. The remainder of \$3,864,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

K. Long-Term Obligations

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

L. Fund Equity

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

Notes to the Financial Statements
For the Year Ended September 30, 2000

M. Bond Discounts/Issuance Costs

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

Bond discount/issue cost of the Series 1999-A Sewer Revenue Warrants contain deferred costs of \$8,003,000 that are being amortized over 40 years. At September 30, 2000, the unamortized deferred cost of the 1999-A issue was \$7,686,000.

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, 2000, the unamortized deferred cost of the 1997-A issue was \$8,739,000.

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, 2000, the unamortized deferred cost of the 1997-B issue was \$198,000.

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, 2000, the unamortized deferred cost of the 1997-C issue was \$753,000.

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, 2000, the unamortized deferred cost of the 1997-D issue was \$5,565,000.

Bond discount/issue cost of the Series 1996 Landfill Warrants contain deferred costs of \$212,000 that are being amortized over 10 years. At September 30, 2000, the unamortized deferred cost of this issue was \$117,000.

N. Interfund Transactions

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

O. Memorandum Only - Total Columns

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

P. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Q. Property Taxes

Millage rates are levied at the first regular meeting of the Commission in February of each year.

Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable October 1 and are delinquent after December 31.

R. Policy re: FASB Pronouncements for Proprietary Activities

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

Note 2 – Budgets and Appropriations

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

Notes to the Financial Statements

For the Year Ended September 30, 2000

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

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

Note 3 – Deposits and Investments

The Commission’s deposits at year-end were entirely covered by federal depository insurance or by collateral held by the pledging financial institution’s trust department in the Commission’s name.

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			Recorded Amount	Fair Value
	1	2	3		
U.S. Government Securities	\$ 485,067	\$	\$	\$ 485,067	\$ 485,067
Repurchase Agreements	542,230			542,230	542,230
Corporate Obligations*	148,267			148,267	148,267
Common Stocks*	301,094			310,094	310,094
Total Investments	\$1,476,658	\$	\$	\$1,476,658	\$1,476,658

*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 \$6,114,742.32 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.

Notes to the Financial Statements
For the Year Ended September 30, 2000

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

Note 4 – Due From Other Governments

Amounts due from other governments included on the accompanying financial statements as of September 30, 2000, are as follows:

	(In Thousands)					Totals
	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise Funds	Internal Service Funds	
Federal	\$ 5	\$1,336	\$	\$	\$	\$ 1,341
State	835	63		1,023	28	1,949
County	9,388	4,252		56	312	14,008
Municipal	528	83	295	435	2,180	3,521
Total	\$10,756	\$5,734	\$295	\$1,514	\$2,520	\$20,819

Note 5 – Receivables

Accounts Receivables

Amounts recorded as accounts receivable for governmental fund types and proprietary fund types consist primarily of amounts due from individuals less an allowance account for amounts estimated to be uncollectible. The balances for accounts receivable at September 30, 2000, are listed as follows:

	(In Thousands)				
	Governmental Fund Type	Proprietary Fund Types		Grand Total	
	General	Enterprise	Internal Service		
Accounts Receivable		\$26	\$16,360	\$26	\$16,412
Allowance Account			(3,565)		(3,565)
Net Accounts Receivable		\$26	\$12,795	\$26	\$12,847

Notes to the Financial Statements
For the Year Ended September 30, 2000

Patient Receivables

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

	(In Thousands)
	Enterprise Funds
Patient Receivables	\$15,847
Allowance Account	(8,106)
Net Patient Receivables	<u>\$ 7,741</u>

Loan Receivables

Jefferson County issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans (net an allowance account) totaled \$3,473,000 at September 30, 2000.

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, 2000, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled \$610,000.

Notes to the Financial Statements
For the Year Ended September 30, 2000

Note 6 – Changes in Fixed Assets

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

	(In Thousands)			Balance 9/30/2000
	Balance 10/01/1999	Additions	Reductions	
Land	\$ 10,729	\$ 323	\$2,028	\$ 9,024
Buildings	182,689	6,677		189,366
Improvements Other Than Land/Buildings	7,819		34	7,785
Equipment and Furniture	74,438	8,367	4,773	78,032
Construction in Progress	50,484	25,440	187	75,737
Total	\$326,159	\$40,807	\$7,022	\$359,944

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

	(In Thousands)			Balance 9/30/2000
	Balance 10/01/1999	Additions	Reductions	
Equipment and Furniture	\$229	\$127	\$	\$356
Less: Accumulated Depreciation	(99)	(58)		(157)
Total	\$130	\$ 69	\$	\$199

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

Enterprise Funds

	(In Thousands)			Balance 9/30/2000
	Balance 10/01/1999	Additions	Reductions	
Land	\$ 15,516	\$ 4,797	\$	\$ 20,313
Buildings	246,439	20,830	705	266,564
Improvements Other Than Land/Buildings	454,082	109,078	309	562,851
Equipment and Furniture	42,633	3,082	544	45,171
Construction in Progress	366,118	280,407	133,440	513,085
Sub-Total	1,124,788	418,194	134,998	1,407,984
Less: Accumulated Depreciation	(291,601)	(35,517)	1,666	(325,452)
Total	\$ 833,187	\$382,677	\$133,332	\$1,082,532

Notes to the Financial Statements
For the Year Ended September 30, 2000

Internal Service Funds

	(In Thousands)			Balance 9/30/2000
	Balance 10/01/1999	Additions	Reductions	
Land	\$ 76	\$	\$	\$ 76
Buildings	6,640	79		6,719
Improvements Other Than Land/Buildings	542	6		548
Equipment and Furniture	10,723	4,386	1,129	13,980
Construction in Progress	624			624
Sub-Total	18,605	4,471	1,129	21,947
Less: Accumulated Depreciation	(6,855)	(2,095)	1,125	(7,825)
Total	\$11,750	\$ 2,376	\$ 4	\$14,122

Note 7 – Operating Leases

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Commission's account groups. During the fiscal year ended September 30, 2000, the Commission paid a total of \$1,323,000 for operating leases.

The following is a schedule by fiscal years of future minimum rental payments required under operating leases for facilities that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2000:

	(In Thousands)
	Facilities and Equipment
2000-01	\$ 244
2001-02	244
2002-03	244
2003-04	196
2004-05	196
Thereafter	1,901
Total Minimum Payments Required	\$3,025

Notes to the Financial Statements

For the Year Ended September 30, 2000

Note 8 – 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 9 – 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.

Notes to the Financial Statements

For the Year Ended September 30, 2000

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	
	2000	1999	2000	1999	2000	1999	2000	1999
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$551	\$108	\$200	\$120	\$2,286	\$1,612	\$3,037	\$1,840
Incurring claims and claim adjustment expenses:								
Provision for insured events of current fiscal Year	404	378	90	125	591	699	1,085	1,202
Increases in provision for insured events of prior fiscal years		313		73		1,186		1,572
Total incurred claims and claim adjustment expenses	404	691	90	198	591	1,885	1,085	2,774
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	270	248	315	118	878	1,211	1,463	1,577
Claims and claim adjustment expenses attributable to insured events of prior fiscal year								
Totals payments	270	248	315	118	878	1,211	1,463	1,577
Total unpaid claim and claim adjustment expenses at end of fiscal year	\$685	\$551	\$(25)	\$200	\$1,999	\$2,286	\$2,659	\$3,037

Note 10 – Litigation

On April 12, 1992, a class action was filed in Jefferson County Circuit Court by two sets of plaintiffs that are subject to the Special County License (Occupational) Tax. They contend that this tax violates the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution because of exemptions allowed to certain occupations. In addition, those plaintiffs who are federal employees claim that the Special County License Tax violates their rights under provision of the Buck Act which allows state and local taxation of compensation of federal officers and employees because of the source of compensation. The plaintiffs seek damages in the amount of taxes collected since January 1, 1988, costs, interest and attorney's fees and an injunction against the collection of the Special County License Tax in its current form with respect to all taxpayers. The County estimates a possible liability of \$500 million in refunds plus the additional loss of future revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2000

State legislators repealed the Special County License (Occupational) Tax effective April 1, 2000, and a new occupational tax was implemented by Act Number 2000-215, Acts of Alabama. The trial court enjoined the County from implementing the tax, therefore, the tax was never collected. The case is presently on appeal to the Alabama Supreme Court.

Note 11 – Changes in Long-Term Debt

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2000:

	(In Thousands)			
	Debt Outstanding October 1, 1999	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2000
General Obligation Warrants	\$171,370	\$107,125	\$72,285	\$206,210
Estimated Liability for Compensated Absences	9,403	270		9,673
Total	\$180,773	\$107,395	\$72,285	\$215,883

The following is a summary of proprietary long-term debt transactions for the Commission for the year ended September 30, 2000:

	(In Thousands)			
	Debt Outstanding October 1, 1999	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2000
Warrants Payable	\$1,571,975	\$	\$13,090	\$1,558,885
Estimated Liability for Postclosure Landfill Costs	3,094	209	41	3,262
Estimated Claims Liability	3,037	1,085	1,463	2,659
Estimated Liability for Compensated Absences	7,837	678		8,515
Total	\$1,585,943	\$1,972	\$14,594	\$1,573,321

Notes to the Financial Statements
For the Year Ended September 30, 2000

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

Fiscal Year Ended	(In Thousands)				Total Principal and Interest Requirements
	General Obligation Warrants		Revenue Warrants		
	Principal	Interest	Principal	Interest	
September 30, 2001	\$ 15,220	\$10,697	\$ 15,653	\$ 82,164	\$ 123,716
2002	13,635	9,516	8,495	81,439	113,085
2003	13,995	8,821	13,300	80,782	116,898
2004	21,570	8,204	2,595	80,320	112,689
2005	117,140	2,743	8,575	80,213	208,671
2006	15,460	1,857	6,490	79,808	103,615
2007	15,810	1,344	2,935	79,494	99,583
2008	5,815	815	3,055	79,373	89,058
2009	6,145	510	3,180	79,246	89,081
2010	3,420	184	3,310	79,115	86,029
2011			3,450	78,978	82,428
2012			3,590	78,835	82,425
2013				78,687	82,427
2014			3,895	78,533	82,428
2015			4,055	78,372	82,427
2016				78,289	78,289
2017			26,770	77,690	104,460
2018			29,745	76,135	105,880
2019			32,945	74,408	107,353
2020			36,480	72,499	108,979
2021			36,775	70,484	107,259
2022			44,555	68,242	112,797
2023			46,755	65,729	112,484
2024			51,840	63,068	114,908
2025			57,565	60,123	117,688
2026			63,765	56,863	120,628
2027			70,695	53,257	123,952
2028			58,820	48,806	107,626
2029			61,915	45,712	107,627
2030			65,125	42,497	107,622
2031			68,465	39,158	107,623
2032			71,980	35,646	107,626
2033			75,670	31,955	107,625
2034			79,705	27,921	107,626
2035			84,105	23,519	107,624
2036			88,750	18,874	107,624
2037			93,835	13,791	107,626
2038			99,390	8,235	107,625
2039			104,935	2,689	107,624
Totals	\$228,210	\$44,691	\$1,536,885	\$2,350,949	\$4,160,735

Notes to the Financial Statements
For the Year Ended September 30, 2000

Note 12 – Warrants Payable-Enterprise Funds

The Landfill Operations Fund has bonds and warrants payable of \$22,000,000 at September 30, 2000, which represents the General Obligation Warrants, Series 1996. In accordance with the bond indenture, the County uses a debt service fund to which it deposits principal and interest amounts due.

The Sanitary Operations Fund has bonds and warrants payable of \$1,536,885,000 at September 30, 2000. 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, and 5) the 1999-A 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, and 5) a redemption fund into which the trustee deposits certain insurance or disposition proceeds.

The balances as of September 30, 2000, exceeded the bond indenture requirements and were as follows:

(In Thousands)	
Sewer Reserve Fund	\$54,097
1999 Sewer Reserve Fund	70,340
Sewer Rate Stabilization Fund	54,852
Sewer Depreciation Fund	\$33,172

Notes to the Financial Statements
For the Year Ended September 30, 2000

Note 13 – Continuing Disclosure

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

Fiscal Year Ending September 30,	2000	1999	1998	1997	1996	1995
Active Accounts	142,277	142,042	141,606	140,324	140,146	140,361
Average Daily Treatment Volume (millions of gallons treated)	112	119	132	127	130	123
Sewer Charges	\$66,834,206	\$57,020,426	\$49,531,824	\$46,950,835	\$44,387,013	\$39,587,914
% Revenues - Largest Customer	2.57%	2.93%	2.91%	2.92%	3.08%	2.87%
% Revenues - Top 10 Customers	11.99%	11.62%	12.35%	10.37%	13.10%	10.37%

2000 Top Ten Customers	Consumption	Amount
University of Alabama - Birmingham	882,586	\$1,768,999
Birmingham Housing Authority	692,196	1,749,754
US Steel	563,439	1,266,550
Barber Dairies	164,914	828,239
Golden Flake	154,562	492,675
Baptist Medical Centers	211,688	431,577
Buffalo Rock	220,411	424,205
Birmingham Board of Education	155,059	370,192
Brookwood Medical Center	145,944	349,326
PEMCO	139,457	\$ 332,648

Effective March 1, 1999 and January 1, 2000, 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 14 – Defeased Debt

On October 1, 1999, the Jefferson County Commission issued \$100,000,000 in General Obligation Warrants, Series 1999, with a variable interest rate for the purposes of 1) refunding \$50,000,000 of outstanding Series 1998-A General Obligation Warrants with an interest rate of 3.45% and 2) to pay the costs of various capital improvements to County buildings and facilities. Of the net proceeds (\$99,675,000 after payment of \$325,000 in bond discount and issuance costs), \$50,862,500 was used to retire the Series 1998-A Warrants and pay interest due. As a result, the 1998-A Warrants are considered to be legally defeased and the liability for those warrants has been removed from the general long-term debt account group.

Notes to the Financial Statements
For the Year Ended September 30, 2000

On September 27, 2000, the Commission issued \$7,125,000 in General Obligation Warrants, Series 2000, with a variable interest rate for the purpose of refunding \$6,895,000 of outstanding Series 1990 General Obligation Warrants with an interest rate of 6.75%. The net proceeds (\$7,032,900 after payment of \$92,100 in bond discount and issuance costs) were used to call for redemption those Series 1990 G.O. Warrants on October 1, 2000. As a result, the 1990 Warrants are considered to be defeased and the liability for those warrants has been removed from the general long-term debt account group.

Note 15 – Prior Year Defeasance of Debt

As of September 30, 2000, the following warrants outstanding are considered defeased:

	(In Thousands)
Sewer Revenue Warrants, Series 1988	\$ 27,990
Sewer Revenue Warrants, Series 1992	47,095
Sewer Revenue Warrants, Series 1993	30,525
Sewer Construction Warrants, Series 1977	1,795
Sanitary Sewer Refunding Warrants, Series 1978	10,925
General Obligation Warrants, Series 1990	27,660
Total Warrants Defeased	<u>\$145,990</u>

Note 16 – Conduit Debt

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

As of September 30, 2000, the principal amount outstanding was \$45,210,000.00, the original amount of the issue.

Notes to the Financial Statements
For the Year Ended September 30, 2000

Note 17 – Segment Information for Enterprise Funds

The Commission operates enterprise funds, which provide medical, inpatient nursing care, landfill, sewer and parking services. These funds are intended to be self-supporting through user fees charged to the public for services. Financial segment information as of and for the year ended September 30, 2000, is presented below:

	(In Thousands)					
	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Total Enterprise Funds
Operating Revenues	\$30,520	\$7,889	\$ 4,755	\$ 79,531	\$221	\$ 122,916
Depreciation, Depletion and Amortization Expense	2,298	326	2,248	31,503	13	36,388
Operating Income or (Loss)	(37,367)	(6,088)	(1,529)	11,984	53	(32,947)
Operating Grants, Entitlements and Shared Revenues	7,687	87				7,774
Operating Transfers:						
In	39,662	6,388	22,617			68,667
(Out)		(2)	(5,450)	(58)		(5,510)
Tax Revenues				4,487		4,487
Net Income or (Loss)	2,032	(130)	14,325	(29,389)	24	(13,138)
Property, Plant & Equipment:						
Additions	1,198	392	2,375	275,004		278,969
Deletions	990			1,556		2,546
Net Working Capital	8,008	1,016	632,335	650,826	77	1,292,262
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenue	2,273	473	25,684	1,539,772	4	1,568,206
Total Equity	<u>\$19,475</u>	<u>\$9,652</u>	<u>\$ 28,875</u>	<u>\$ 143,063</u>	<u>\$105</u>	<u>\$ 201,170</u>

Note 18 – Construction and Other Significant Commitments

The following is a listing of the outstanding contracts entered into and commitments made for the fiscal year ending September 30, 2000:

Nature of Commitment	(In Thousands)
	Amount
Cahaba Sewer Improvement Project	\$ 33,298
Correctional Facilities Project	1,521
Courthouse Building Renovation Project	18,998
Five Mile Creek Sewer Improvement Project	9,382
Miscellaneous Sewer Improvements—System-Wide	8,717
Highway Improvements	3,471
Home Buyer Assistance Program	3,312
Valley Creek Sewer Improvement Project	131,624
Village Creek Sewer Improvement Project	149,418
Voting Machine Purchase	831
Totals	<u>\$360,572</u>

Notes to the Financial Statements
For the Year Ended September 30, 2000

Note 19 – 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, 2000. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2000

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, 2000, the Commission's annual pension contribution of \$7,752,354 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, 2000, 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, 2000 was 19 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2000	\$7,752,354	100%	\$0
9/30/1999	\$7,055,584	100%	\$0
9/30/1998	\$6,615,917	100%	\$0

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

Notes to the Financial Statements
For the Year Ended September 30, 2000

Note 20 – Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 19, 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 262 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 \$32 to \$397 per month and total insurance premiums range from \$143 to \$480. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$393,432 were recognized for post-retirement health benefits.

Note 21 – Deficit Fund Balances

At September 30, 2000, the following special revenue fund had a deficit fund balance:

(In Thousands)	
Road Fund	\$2,890

Notes to the Financial Statements

For the Year Ended September 30, 2000

Note 22 – Landfill Closure and Postclosure Care Costs

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

The estimated liability for landfill closure and postclosure care costs had a balance of \$3,262,000, as of September 30, 2000. This estimate was based on 86% usage (filled) of the Jefferson County Landfill Number 1, and 47% 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, 2000. 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 23 – 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 of Alabama, has received an unfavorable ruling, the several counties of this State may have to refund all the franchise taxes they have received over a period of years or forego the receipt of revenues from this tax until the liability is satisfied.

Required Supplementary Information

Schedule of Funding Progress
For the Year Ended September 30, 2000

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10-01-1998	\$484,496	\$413,789	\$(70,707)	117.1%	\$115,959	(61.0%)
10-01-1999	\$534,063	\$445,237	\$(88,826)	120.0%	\$120,691	(73.6%)
10-01-2000	\$595,364	\$517,622	\$(77,742)	115.0%	\$126,520	(61.4%)

Combining Financial Statements

***Combining Balance Sheet
All Special Revenue Funds
September 30, 2000
(In Thousands)***

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
<u>ASSETS</u>			
Cash and Investments	\$	\$	5 \$
Accounts Receivable, Net			
Loans Receivable, Net			
Interest Receivable			
Due from Other Funds			
Due from Other Governments	2,955	849	450
Inventories		1,814	
Prepaid Expenses		9	
TOTAL ASSETS	2,955	2,677	450
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit	56		264
Accounts Payable		448	113
Due to Other Governments		4,370	
Deferred Revenues			20
Other Payables		1	
Accrued Payroll and Taxes		319	9
Estimated Liability for Compensated Absences		429	10
TOTAL LIABILITIES	56	5,567	416
<u>FUND EQUITY</u>			
Fund Balances:			
Reserved for Inventory		1,814	
Reserved for Petty Cash		1	
Reserved for CGH Foundation	668		
Reserved for Loan Receivable			
Reserved for Encumbrances	141	2,877	404
Unreserved	2,090	(7,582)	(370)
TOTAL FUND EQUITY	2,899	(2,890)	34
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,955	\$ 2,677	\$ 450

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals Current Year
\$ 1,137	\$	\$ 1,553	\$	\$ 94	\$ 2,789
	166	2,491	816		3,473
	11				11
406	603		429	42	5,734
					1,814
				7	16
1,543	780	4,044	1,245	143	13,837
	342		40		702
	176		9	10	756
					4,370
			72		92
					1
	17		1	5	351
	5			(1)	443
	540		122	14	6,715
					1,814
				1	2
					668
	166	2,491	816		3,473
	7,887		3,449	546	15,304
1,543	(7,813)	1,553	(3,142)	(418)	(14,139)
1,543	240	4,044	1,123	129	7,122
\$ 1,543	\$ 780	\$ 4,044	\$ 1,245	\$ 143	\$ 13,837

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds
For the Year Ended September 30, 2000
(In Thousands)***

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
<u>REVENUES</u>			
Taxes	\$ 37,228	\$ 11,397	\$
Intergovernmental		8,043	4,333
Charges for Services		171	
Investment Income	86		11
Miscellaneous	2,384	21	136
TOTAL REVENUES	39,698	19,632	4,480
<u>EXPENDITURES</u>			
Current:			
General Government	4,338		5,764
Public Safety			
Highways and Roads		29,779	
Health and Welfare			
Capital Outlay		2,127	7
Indirect Cost	8	3,977	162
TOTAL EXPENDITURES	4,346	35,883	5,933
Excess of revenues over (under) expenditures	35,352	(16,251)	(1,453)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	2,352	16,241	928
Proceeds from Sale of Fixed Assets		166	
Operating Transfers Out	(38,906)	(44)	
TOTAL OTHER FINANCING SOURCES (USES)	(36,554)	16,363	928
Excess of revenues and other sources over (under) expenditures and other uses	(1,202)	112	(525)
Fund Balances at beginning of year	4,101	(3,002)	559
Fund Balances at end of year	\$ 2,899	\$ (2,890)	\$ 34

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals Current Year
\$ 26,513	\$ 2,986	\$ 137	\$ 1,671	\$ 296	\$ 75,138
				311	17,466
220		159	99	1	482
		(50)	148	24	576
26,733	2,986	246	1,918	632	2,663
					96,325
	1,041		609		11,752
				678	678
					29,779
	2,137	227	268		2,632
	2			117	2,253
8	233	14	15	57	4,474
8	3,413	241	892	852	51,568
26,725	(427)	5	1,026	(220)	44,757
	459	14	97	109	20,200
	1			13	180
(25,845)				(1)	(64,796)
(25,845)	460	14	97	121	(44,416)
880	33	19	1,123	(99)	341
663	207	4,025		228	6,781
\$ 1,543	\$ 240	\$ 4,044	\$ 1,123	\$ 129	\$ 7,122

***Combining Balance Sheet
All Capital Projects Funds
September 30, 2000
(In Thousands)***

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
<u>ASSETS</u>			
Cash and Investments	\$ 10,821	\$ 3,861	\$ 14,682
Accounts Receivable			
Due from Other Governments		295	295
TOTAL ASSETS	10,821	4,156	14,977
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit			
Accounts Payable	2,952	658	3,610
Retainage Payable			
TOTAL LIABILITIES	2,952	658	3,610
<u>FUND EQUITY</u>			
Fund Balances:			
Reserved for Encumbrances	23,203	4,392	27,595
Unreserved	(15,334)	(894)	(16,228)
TOTAL FUND EQUITY	7,869	3,498	11,367
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,821	\$ 4,156	\$ 14,977

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Capital Projects Funds
For the Year Ended September 30, 2000
(In Thousands)***

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
<u>REVENUES</u>			
Intergovernmental	\$	\$ 4,733	\$ 4,733
Charges for Services		873	873
Investment Income	268	64	332
Miscellaneous		220	220
TOTAL REVENUES	268	5,890	6,158
<u>EXPENDITURES</u>			
Current:			
Highways and Roads		6,952	6,952
Capital Outlay	31,993		31,993
TOTAL EXPENDITURES	31,993	6,952	38,945
Excess of revenues over (under) expenditures	(31,725)	(1,062)	(32,787)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	27,769	5,043	32,812
Proceeds form Sale of Fixed Assets	95		95
Operating Transfers Out	(4,487)		(4,487)
TOTAL OTHER FINANCING SOURCES (USES)	23,377	5,043	28,420
Excess of revenues and other sources over (under) expenditures and other uses	(8,348)	3,981	(4,367)
Fund Balances at beginning of year	16,217	(483)	15,734
Fund Balances at end of year	\$ 7,869	\$ 3,498	\$ 11,367

Combining Balance Sheet
All Enterprise Funds
September 30, 2000
(In Thousands)

	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund
<u>ASSETS</u>			
Cash and Investments	\$ 1,036	\$ 94	\$
Accounts Receivable, Net	40		747
Patient Accounts Receivable, Net	6,330	1,411	
Due from Other Funds			
Due from Other Governments	1,024		
Inventories	987	56	
Prepaid Expenses	607		
Fixed Assets, Net Where Applicable	13,740	9,110	53,811
Warrant Issuance Cost			116
Deferred Loss on Early Debt Retirement			
TOTAL ASSETS	23,764	10,671	54,674
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit			
Accounts Payable	1,225	373	2
Deposits Payable		36	
Other Payables	245	1	
Accrued Payroll and Taxes	546	136	46
Accrued Interest Payable			67
Retainage Payable			
Arbitrage Rebate Payable			
Estimated Liability for Compensated Absences	2,273	473	422
Warrants Payable			22,000
Estimated Liability for Closure/Postclosure Care Costs			3,262
TOTAL LIABILITIES	4,289	1,019	25,799
<u>FUND EQUITY</u>			
Unreserved Retained Earnings	19,475	9,652	28,875
TOTAL FUND EQUITY	19,475	9,652	28,875
TOTAL LIABILITIES AND FUND EQUITY	\$ 23,764	\$ 10,671	\$ 54,674

Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$ 688,401	\$ 77	\$ 689,608
12,008		12,795
		7,741
490		1,514
547		1,590
		607
1,005,838	33	1,082,532
22,942		23,058
3,230		3,230
<u>1,733,456</u>	<u>110</u>	<u>1,822,675</u>
26,953		28,553
		36
3		249
394	1	1,123
13,695		13,762
6,115		6,115
3,461		3,461
2,887	4	6,059
1,536,885		1,558,885
		3,262
<u>1,590,393</u>	<u>5</u>	<u>1,621,505</u>
143,063	105	201,170
143,063	105	201,170
<u>\$ 1,733,456</u>	<u>\$ 110</u>	<u>\$ 1,822,675</u>

***Combining Statement of Revenues, Expenses and Changes in Fund
Equity - All Enterprise Funds
For the Year Ended September 30, 2000
(In Thousands)***

	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund
<u>Operating Revenues</u>			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			4,755
Patient Revenue	22,834	7,802	
Medicaid Disproportionate Share	3,294		
Other Operating Revenue	4,393	87	
Total Operating Revenues	<u>30,521</u>	<u>7,889</u>	<u>4,755</u>
<u>Operating Expenses</u>			
Provisions for Bad Debt	795		
Salaries	27,158	6,728	2,123
Employee Benefits and Payroll Taxes	5,368	1,588	490
Utilities	1,239	617	233
Supplies	8,585	734	392
Depreciation and Amortization	2,298	326	2,248
Outside Services	3,946	3,137	491
Services from other Hospitals	4,262		
Jefferson Clinic	12,538		
Office Expense	594	847	45
Closure and Postclosure Care Cost			220
Miscellaneous	1,105		42
Total Operating Expenses	<u>67,888</u>	<u>13,977</u>	<u>6,284</u>
Operating Income (Loss)	<u>(37,367)</u>	<u>(6,088)</u>	<u>(1,529)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Arbitrage Rebates			
Interest Revenue	116		
Miscellaneous Revenue	876	58	81
Interest Expense	(7)		(1,038)
Indirect Cost	(1,225)	(487)	(353)
Gain/(Loss) On Sale of Fixed Assets	(23)		(3)
Total Nonoperating Revenues (Expenses)	<u>(263)</u>	<u>(429)</u>	<u>(1,313)</u>
Income (Loss) Before Operating Transfers	<u>(37,630)</u>	<u>(6,517)</u>	<u>(2,842)</u>
<u>Operating Transfers</u>			
Operating Transfers In	39,662	6,388	22,617
Operating Transfers Out		(1)	(5,450)
Total Operating Transfers	<u>39,662</u>	<u>6,387</u>	<u>17,167</u>
Net Income (Loss)	2,032	(130)	14,325
Fund Equity at beginning of year	17,443	9,782	14,550
Fund Equity at end of year	<u>\$ 19,475</u>	<u>\$ 9,652</u>	<u>\$ 28,875</u>

Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$ 4,487	\$	\$ 4,487
75,045	221	80,021
		30,636
		3,294
		4,480
<u>79,532</u>	<u>221</u>	<u>122,918</u>
1,871		2,666
18,105	27	54,141
4,265	5	11,716
4,347	5	6,441
1,646	2	11,359
31,503	13	36,388
3,783	6	11,363
		4,262
		12,538
603	(1)	2,088
		220
1,424	111	2,682
<u>67,547</u>	<u>168</u>	<u>155,864</u>
11,985	53	(32,946)
(2,858)		(2,858)
46,564	1	46,681
156		1,171
(82,904)		(83,949)
(1,972)	(30)	(4,067)
(302)		(328)
<u>(41,316)</u>	<u>(29)</u>	<u>(43,350)</u>
(29,331)	24	(76,296)
		68,667
(58)		(5,509)
<u>(58)</u>		<u>63,158</u>
(29,389)	24	(13,138)
172,452	81	214,308
<u>\$ 143,063</u>	<u>\$ 105</u>	<u>\$ 201,170</u>

Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended September 30, 2000
(In Thousands)

	Cooper Green Hospital Fund	County Nursing Home Fund	Landfill Operations Fund
<u>Cash Flows from Operating Activities</u>			
Operating Income (Loss)	\$ (37,367)	\$ (6,088)	\$ (1,529)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation and Amortization	2,298	326	2,248
Provision for Doubtful Accounts			
(Increase)/Decrease in Accounts Receivable	(34)		299
(Increase)/Decrease in Patients Receivable	(76)	276	
(Increase)/Decrease in Prepaid Items	(384)		
(Increase)/Decrease in Due From Governmental Units	77		
(Increase)/Decrease in Due From Other Funds			
(Increase)/Decrease in Inventory	(213)	20	
Increase/(Decrease) in Accounts Payable	(73)	142	(7)
Increase/(Decrease) in Other Accounts Payable	(554)	(13)	
Increase/(Decrease) in Accrued Payroll and Taxes	(966)	(248)	(91)
Increase/(Decrease) in Deposits Payable		(4)	
Increase/(Decrease) in Retainage Payable			
Increase/(Decrease) in Interest Payable			3
Increase/(Decrease) in Arbitrage Rebate Payable			
Increase/(Decrease) in Compensated Absences Payable	110	30	38
Increase/(Decrease) in Estimated Liability for Landfill Postclosure Costs			168
Total Adjustments	185	529	2,658
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	\$ (37,182)	\$ (5,559)	\$ 1,129

Sanitary Operations Fund	Parking Deck Fund	<u>Totals</u> <u>Current Year</u>
\$ 11,985	\$ 53	\$ (32,946)
31,503	13	36,388
1,871		1,871
(944)		(679)
		200
		(384)
(25)		52
(12)		(205)
1,475		1,537
1		(566)
(584)		(1,889)
		(4)
2,430		2,430
(105)		(102)
2,858		2,858
283	1	462
		168
<u>38,751</u>	<u>14</u>	<u>42,137</u>
\$ 50,736	\$ 67	\$ 9,191

Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended September 30, 2000
(In Thousands)

	Cooper Green Hospital Fund	County Nursing Home Fund	Landfill Operations Fund
Net Cash Provided/(Used) by Operating Activities Brought Forward	\$ (37,182)	\$ (5,559)	\$ 1,129
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers In	39,662	6,388	22,617
Operating Transfers Out		(1)	(5,450)
Increase/(Decrease) in Cash Deficit Received From Auxiliary Services	876	58	81
Indirect Cost	(1,225)	(487)	(353)
Net Cash Provided/(Used) by Non-Capital Financing Activities	39,313	5,958	4,287
<u>Cash Flows from Capital and Related Financing Activities</u>			
Interest Paid	(7)		(1,038)
Acquisition of Fixed Assets	(1,223)	(392)	(2,378)
Principal Payments			(2,000)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(1,230)	(392)	(5,416)
<u>Cash Flows from Investing Activities</u>			
Interest and Dividend Income	116		
Net Cash Provided/(Used) by Investing Activities	116		
Net Increase/(Decrease) in Cash and Cash Equivalents	1,017	7	
Cash and Investments, Beginning of Year	19	87	
Cash and Investments, End of Year	\$ 1,036	\$ 94	\$

Sanitary Operations Fund	Parking Deck Fund	<u>Totals</u> Current Year
\$ 50,736	\$ 52,847	\$ 9,191
		68,667
(58)		(5,509)
		(12,608)
156		1,171
(1,972)	(30)	(4,067)
(1,874)	(30)	47,654
		(82,904)
(82,904)		(83,949)
(285,442)		(289,435)
(11,090)		(13,090)
(379,436)		(386,474)
46,564	1	46,681
46,564	1	46,681
(284,010)	38	(282,948)
972,411	39	972,556
\$ 688,401	\$ 77	\$ 689,608

***Combining Balance Sheet
All Internal Service Funds
September 30, 2000
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>ASSETS</u>			
Cash and Investments	\$ 8,616	\$	\$
Accounts Receivable, Net			
Due From Other Governments		2,417	68
Inventories			
Prepaid Expenses	56		
Fixed Assets, Net Where Applicable	208	140	101
TOTAL ASSETS	8,880	2,557	169
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit		2,145	
Accounts Payable	108	70	2
Other Payables			
Accrued Payroll and Taxes	10	45	5
Estimated Liability for Compensated Absences	41	297	44
Estimated Claims Liability	2,659		
TOTAL LIABILITIES	2,818	2,557	51
<u>FUND EQUITY</u>			
Unreserved Retained Earnings	6,062		118
TOTAL FUND EQUITY	6,062		118
TOTAL LIABILITIES AND FUND EQUITY	\$ 8,880	\$ 2,557	\$ 169

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ 1	\$ 116	\$ 141	\$ 19	\$ 3,806	\$ 12,699
6				20	26
(1)	9			27	2,520
	281	15	127	598	1,021
15				70	141
4,986	2,204	207	106	6,170	14,122
5,007	2,610	363	252	10,691	30,529
					2,145
113	58	2	63	380	796
			9	7	16
51	53	9	5	161	339
384	382	66	22	1,220	2,456
					2,659
548	493	77	99	1,768	8,411
4,459	2,117	286	153	8,923	22,118
4,459	2,117	286	153	8,923	22,118
\$ 5,007	\$ 2,610	\$ 363	\$ 252	\$ 10,691	\$ 30,529

***Combining Statement of Revenues, Expenses and Changes in Fund Equity - All Internal Service Funds
For the Year Ended September 30, 2000
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Operating Revenues</u>			
Intergovernmental	\$	\$ 2,708	\$ (142)
Charges for Services	1,940		
Total Operating Revenues	<u>1,940</u>	<u>2,708</u>	<u>(142)</u>
<u>Operating Expenses</u>			
Salaries	459	2,101	720
Employee Benefits and Payroll Taxes	499	457	50
Utilities	8	15	13
Supplies	12	73	33
Depreciation and Amortization	60	68	38
Outside Services	717	736	6
Office Expense	17	148	10
Miscellaneous		228	25
Total Operating Expenses	<u>1,772</u>	<u>3,826</u>	<u>895</u>
Operating Income	<u>168</u>	<u>(1,118)</u>	<u>(1,037)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Revenue	106		
Miscellaneous Revenue	303		
Indirect Cost		(87)	(124)
Gain (Loss) on Sale of Fixed Assets		(1)	
Indirect Cost Recovery		936	
Total Nonoperating Revenues (Expenses)	<u>409</u>	<u>848</u>	<u>(124)</u>
Income (Loss) Before Operating Transfers	<u>577</u>	<u>(270)</u>	<u>(1,161)</u>
<u>Operating Transfers</u>			
Operating Transfers In		270	809
Operating Transfers Out			
Total Operating Transfers		<u>270</u>	<u>809</u>
Net Income	577		(352)
Fund Equity at beginning of year	<u>5,485</u>		<u>470</u>
Fund Equity at end of year	<u>\$ 6,062</u>	<u>\$</u>	<u>\$ 118</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$	\$	\$	\$	\$	\$
485	1,494	1,030	534	2	2,568
485	1,494	1,030	534	12,513	17,996
				12,515	20,564
2,292	2,457	461	239	7,240	15,969
470	622	127	59	1,725	4,009
47	134	194	1	2,972	3,384
160	1,778	20	225	1,256	3,557
1,180	252	44	55	373	2,070
739	37	146	36	363	2,780
194	13	1	5	44	432
1,064	28	36	69	2,177	3,627
6,146	5,321	1,029	689	16,150	35,828
(5,661)	(3,827)	1	(155)	(3,635)	(15,264)
		1		12	119
	3	1	80	7	394
(112)					(323)
(49)	5			2	(43)
3,505	3,982	13	120	7,423	15,979
3,344	3,990	15	200	7,444	16,126
(2,317)	163	16	45	3,809	862
4,843				60	5,982
	(2)			(4)	(6)
4,843	(2)			56	5,976
2,526	161	16	45	3,865	6,838
1,933	1,956	270	108	5,058	15,280
\$ 4,459	\$ 2,117	\$ 286	\$ 153	\$ 8,923	\$ 22,118

Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended September 30, 2000
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Cash Flows from Operating Activities</u>			
Operating Income (Loss)	\$ 168	\$ (1,118)	\$ (1,037)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation	60	68	38
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Prepaid Items			
(Increase)/Decrease in Due From Governmental Units		(222)	250
(Increase)/Decrease in Due From Other Funds		4	
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	40	69	2
Increase/(Decrease) in Other Accounts Payable		(1)	
Payroll and Taxes	(16)	(81)	(11)
Increase/(Decrease) in Compensated Absences Payable	(4)	19	(3)
Increase/(Decrease) in Estimated Claims Liability	(378)		
Total Adjustments	(298)	(144)	276
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	\$ (130)	\$ (1,262)	\$ (761)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ (5,661)	\$ (3,827)	\$ 1	\$ (155)	\$ (3,635)	\$ (15,264)
1,180	252	44	55	373	2,070
(6)				(4)	(10)
(15)				(69)	(84)
1	(2)		11	110	148
	19	(11)	10	1	5
43	(152)	1	47	25	43
(1)			(11)	284	334
(53)	(86)	(18)	(9)	(81)	(94)
72	37	(2)	(3)	(278)	(552)
				101	217
					(378)
1,221	68	14	100	462	1,699
\$ (4,440)	\$ (3,759)	\$ 15	\$ (55)	\$ (3,173)	\$ (13,565)

Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended September 30, 2000
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Net Cash Provided/(Used) by Operating Activities			
Brought Forward	\$ (130)	\$ (1,262)	\$ (761)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers In		270	809
Operating Transfers Out			
Increase/(Decrease) in Cash Deficit		142	
Received from Auxiliary Services	303		
Indirect Cost Recovery		936	
Indirect Cost		(86)	(124)
Net Cash Provided/(Used) by Non-Capital Financing Activities	303	1,262	685
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Fixed Assets	(11)		
Net Cash Provided/(Used) by Capital and Related Financing Activities	(11)		
<u>Cash Flows from Investing Activities</u>			
Interest and Dividend Income	106		
Net Cash Provided/(Used) by Investing Activities	106		
Net Increase/(Decrease) in Cash and Cash Equivalents	268		(76)
Cash and Investments, Beginning of Year	8,348		76
Cash and Investments, End of Year	\$ 8,616	\$	\$

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ (4,440)	\$ (3,759)	\$ 15	\$ (55)	\$ (3,173)	\$ (13,565)
4,843	(2)		(105)	60	5,982
	3	1	80	(4)	(6)
3,505	3,982	13	119	7	394
(112)				7,423	15,978
8,236	3,983	14	94		(322)
				7,486	22,063
(3,795)	(109)	(6)	(20)	(542)	(4,483)
(3,795)	(109)	(6)	(20)	(542)	(4,483)
		1		12	119
		1		12	119
1	115	24	19	3,783	4,134
	1	117		23	8,565
\$ 1	\$ 116	\$ 141	\$ 19	\$ 3,806	\$ 12,699

Combining Balance Sheet
All Fiduciary Fund Types
September 30, 2000
(In Thousands)

	<u>Expendable Trust Funds</u>	
	Stormwater Management Authority Fund	City of Birmingham Revolving Loan Fund
<u>ASSETS</u>		
Cash and Investments	\$ 812	\$ 643
Loans Receivable, Net		610
Interest Receivable		
Contributions Receivable		
Fixed Assets, Net Where Applicable	199	
TOTAL ASSETS	1,011	1,253
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	3	
Other Payables	1	
Due to Other Funds		
Accrued Payroll and Taxes	14	
Estimated Liability for Compensated Absences	119	
TOTAL LIABILITIES	137	
<u>FUND EQUITY</u>		
Fund Balances:		
Reserved for:		
Loans Receivable		610
Trust Requirements	408	643
Reserved for Encumbrances	466	
Contingent Refunds		
Retirement/Disability Benefits		
TOTAL FUND EQUITY	874	1,253
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,011	\$ 1,253

Pension Trust Fund		Totals	
General Retirement System		Current Year	
\$	684,292	\$	685,747
			610
	5,670		5,670
	572		572
			199
	<u>690,534</u>		<u>692,798</u>

	510		513
			1
			14
			119
	<u>510</u>		<u>647</u>

			610
			1,051
			466
	61,773		61,773
	<u>628,251</u>		<u>628,251</u>
	690,024		692,151
\$	<u>690,534</u>	\$	<u>692,798</u>

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Expendable Trust Funds
For the Year Ended September 30, 2000
(In Thousands)***

	Stormwater Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals Current Year
<u>REVENUES</u>			
Intergovernmental	\$ 2,220	\$	\$ 2,220
Investment Income	23		23
Miscellaneous	44	52	96
TOTAL REVENUES	2,287	52	2,339
<u>EXPENDITURES</u>			
General Government	1,312		1,312
Capital Outlay	108		108
Indirect Cost	19		19
TOTAL EXPENDITURES	1,439		1,439
Excess of Revenues over (under) expenditures	848	52	900
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Fixed Assets	(3)		(3)
TOTAL OTHER FINANCING SOURCES (USES)	(3)		(3)
Excess of revenues and other sources over (under) expenditures and other uses	845	52	897
Fund balances at beginning of year	29	1,201	1,230
Fund balances at end of year	\$ 874	\$ 1,253	\$ 2,127

APPENDIX B

Form of Opinion of Bond Counsel

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Jefferson County Commission
Birmingham, Alabama

Dear Sirs:

We have examined certified copies of proceedings of the governing body of JEFFERSON COUNTY, ALABAMA (herein called the "County"), pertaining to the authorization, sale and issuance of

\$120,000,000

JEFFERSON COUNTY, ALABAMA

**General Obligation Warrants
Series 2001-B**

(the said warrants being herein called the "Warrants"). The statements herein made and the opinions herein expressed are based upon our examination of the said proceedings and various certificates and other documents, including, without limitation, the Trust Indenture dated as of July 1, 2001 (herein called the "Indenture"), between the County and The Bank of New York, as trustee (herein called the "Trustee"), pursuant to which the Warrants have been issued. In our examination of all documents pertaining to the issuance of the 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.

Based upon the foregoing, we are of the following opinion: that the Warrants have been validly authorized, executed and issued pursuant to the applicable provisions of the constitution and laws of the State of Alabama, are in due and legal form and constitute valid orders on the Treasurer of the County for payment thereof as therein provided; that the indebtedness ordered paid by the Warrants is a valid general obligation of the County for the payment of the principal of and the interest on which the County has validly and irrevocably pledged its full faith and credit; that the Indenture has been duly authorized, executed and delivered on behalf of the County and constitutes a legal, valid and binding agreement of the County which is legally enforceable in accordance with its terms, except that (i) the enforceability of any of the agreements contained in the Indenture may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting the enforcement of creditors' rights generally, and (ii) any court before which any enforcement proceeding may be brought will have discretion, in accordance with general equitable principles, to deny or limit the remedy of specific performance or other equitable relief with respect to contractual obligations other than for the payment of money; that under existing statutes the interest income on each of the Warrants is exempt from income taxation by the State of Alabama; and that under existing statutes, regulations, rulings and court decisions, the interest on the Warrants (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporation; 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 opinion set forth in clause (a) of the next preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Warrants in order that 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 Warrants to be so included in gross income retroactive to the date of issuance of the 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 Warrants.

The Indenture provides that the interest rate on the Warrants may not be converted to a different interest rate mode and certain other changes may not be made to the terms of the Warrants or the related documents or to the security for the 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 Warrants to be included in gross income for purposes of federal income taxation. We express no opinion about the effect of any such future events.

The Indenture provides that, in the event the County should default in certain of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all obligations then outstanding under the Indenture to be forthwith due and payable, whereupon the same shall immediately become due and payable and the Trustee shall be entitled to exercise the rights specified in the Indenture.

The opinions hereinabove expressed respecting the Warrants are subject to all applicable bankruptcy, insolvency, moratory and other laws respecting the enforcement of creditors' rights generally, 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 for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Warrants have been authorized to be issued and rendering an opinion in conventional form relating solely to the validity and legality of the Warrants and to the exemption of the interest thereon from income taxation. While we have participated in the preparation of the County's Official Statement dated July 19, 2001, with respect to the Warrants and are of the opinion that the statements made therein under the captions "DESCRIPTION OF THE SERIES 2001-B WARRANTS", "SECURITY FOR THE SERIES 2001-B WARRANTS", "SUMMARY OF THE INDENTURE" and "TAX EXEMPTION" fairly summarize the matters referred to therein, we have not been requested independently to confirm or verify, and have not independently confirmed or verified, the other factual information contained therein, and we therefore express no opinion with respect to any other information in such Official Statement.

Very truly yours,

HASKELL SLAUGHTER YOUNG
& REDIKER, L.L.C.