

OFFICIAL STATEMENT

In the opinion of Walston, Wells, Anderson & Bains, LLP, Bond Counsel, and assuming continuing compliance by the County with certain conditions imposed by the Internal Revenue Code of 1986, as amended, interest on the Warrants is presently excludable from gross income for federal income taxation under Section 103 of the Code, regulations and rulings of the Commissioner of Internal Revenue issued or pertinent thereunder, and court decisions heretofore rendered. Bond Counsel is also of the opinion that interest on the Warrants is exempt from Alabama income taxation.

FRANKLIN COUNTY, ALABAMA
\$5,820,000
GENERAL OBLIGATION WARRANTS
SERIES 2003-B

Dated: October 1, 2003

Due: October 1 as shown below

The Warrants constitute general obligations of the County for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged.

Interest will be payable on April 1 and October 1 in each year, first interest payable April 1, 2004. Principal will be payable on October 1 in the years and in amounts as shown below. Payment of the principal of and interest on the Warrants when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Warrants (see "BOND INSURANCE" herein).

Ambac

				<u>Serial Warrants</u>			
<u>Year</u>	<u>Principal Maturing</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Maturing</u>	<u>Interest Rate</u>	<u>Price</u>
2004	\$85,000	1.00%	1.20%	2019	\$130,000	4.35%	99.0%
2005	80,000	1.25	1.50	2020	135,000	4.45	99.0
2006	85,000	1.85	1.85	2021	140,000	4.55	99.0
2007	85,000	2.25	2.25	2022	145,000	4.60	99.0
2012	100,000	3.60	3.70	2023	155,000	4.65	99.0
2013	100,000	3.70	3.80	2024	290,000	4.70	99.0
2014	105,000	3.80	3.90	2025	305,000	4.75	99.0
2015	105,000	3.90	4.00	2026	320,000	4.80	99.0
2016	115,000	4.05	4.15	2027	335,000	4.85	99.0
2017	120,000	4.15	4.25	2028	350,000	4.90	99.0
2018	120,000	4.25	4.35				

\$175,000 2.60% Term Warrants Due October 1, 2009 Priced at 99.185%

\$190,000 3.35% Term Warrants Due October 1, 2011 Priced at 100%

\$2,050,000 5.125% Term Warrants Due October 1, 2033 Priced to Yield 5.05%*

* Priced to First Redemption Date.

(Accrued interest to be added)

The Warrants are in registered form, without coupons, in denominations of \$5,000 each, or any integral multiple thereof. The Warrants are subject to optional and mandatory redemption as more fully described herein. The principal on the Warrants shall be payable only upon presentation and surrender of the Warrants at the designated office of The Bank of New York Trust Company of Florida, N.A., the custodian bank, paying agent and registrar for the Warrants. Interest will be remitted to the registered owners of the Warrants by the aforesaid bank at the respective addresses of said owners shown on the registration books of such bank pertaining to the Warrants.

The Warrants are offered when, as and if issued by the County and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity and legality thereof by Walston, Wells, Anderson & Bains, LLP, Birmingham, Alabama, Bond Counsel, and certain other conditions.

JOE JOLLY & CO., INC.

Dated: October 14, 2003

COUNTY OFFICIALS

Members of the County Commission

Mike Green, Chairman
Jackie Bradford, District No. 1
D. Gene Graham, District No. 2
Curtis Bragwell, District No. 3
Norris Lewey, District No. 4

County Administrator

Gail Estis

County Attorney

Bedford, Rogers & Bowling, P.C.
Russellville, Alabama

BOND COUNSEL

Walston, Wells, Anderson & Bains, LLP
Birmingham, Alabama

UNDERWRITER

Joe Jolly & Co., Inc.
Birmingham, Alabama

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM SOURCES WHICH ARE CONSIDERED DEPENDABLE AND WHICH ARE CUSTOMARILY RELIED UPON IN THE PREPARATION OF SIMILAR OFFICIAL STATEMENTS, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE COUNTY. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE RELIABLE BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED. NO PERSON, INCLUDING ANY BROKER, DEALER OR SALESMAN, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHOULD THERE BE ANY SALE OF THE WARRANTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. ANY INFORMATION OR EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF.

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OFFICIAL STATEMENT

Regarding

\$5,820,000

GENERAL OBLIGATION WARRANTS

SERIES 2003-B

of

FRANKLIN COUNTY, ALABAMA

INTRODUCTION AND DEFINITION OF TERMS

This Official Statement, including the cover page and appendices is furnished in connection with the offering of \$5,820,000 principal amount of General Obligation Warrants, Series 2003-B, dated October 1, 2003 (the "Warrants").

The Warrants are issued by the County under the authority of the Constitution and laws of the State of Alabama and pursuant to a resolution and order duly adopted by the governing body of the County. The Warrants are issued for the purposes of (i) currently refunding and redeeming on February 1, 2004 the County's General Obligation Warrants, dated November 1, 1998 (the "Series 1998 Warrants"), (ii) providing a portion of the funds necessary to acquire and construct a new County jail facility, (iii) currently refunding and redeeming two outstanding bank loans with Valley State Bank, and (iv) paying the costs of issuing the Warrants.

The Warrants constitute general obligations of the County for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged. See "THE WARRANTS"; "Security for Warrants; Source of Payment".

THE WARRANTS

General Description

The Warrants will be issued in fully registered form, without coupons, payable to the registered owners thereof, or registered assigns, in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered for identification as determined by the Custodian hereinafter defined. The Warrants are dated October 1, 2003, and will bear interest from that date at the applicable per annum rates and will mature on dates and in amounts as set forth on the cover page of this Official Statement. Interest will be payable on April 1 and October 1 in each year, first interest payable on April 1, 2004. The Warrants are subject to optional and mandatory redemption as more fully described herein. The principal of and interest on the Warrants shall be payable in lawful money of the United States of America, without deduction for exchange, fees or expenses, by the County through The Bank of New York Trust Company of Florida, N.A., the custodian bank, the paying agent and the registrar for the Warrants (the "Custodian"). The principal of the Warrants

shall be payable only upon presentation and surrender of the Warrants at the designated corporate trust office of the Custodian. Interest on the Warrants shall be remitted by the Custodian to the then registered owners of the Warrants at the respective addresses thereof shown on the registration books of the Custodian pertaining to the Warrants. Interest shall be computed on a 360-day year with twelve months of thirty days each. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, on the business day next following such interest payment date).

Authority for Issuance

The Warrants are issued by the County under authority of the Constitution and laws of the State of Alabama, including particularly Chapter 28 of Title 11 of the CODE OF ALABAMA 1975 and pursuant to an authorizing resolution (the "Authorizing Resolution").

Redemption of the Warrants

Optional Redemption

The Warrants having stated maturities in 2014 and thereafter are subject to redemption at the option of the County on any date on or after October 1, 2013, in whole or in part in multiples of \$5,000, in such order and amount of maturities as the County may determine and by random selection within a maturity, at a redemption price of par plus accrued interest to the date fixed for redemption without premium or penalty.

Mandatory Redemption

The Warrants maturing on October 1, 2009 (the "2009 Term Warrants") are required to be redeemed as a mandatory sinking fund redemption on October 1, 2008 in the principal amount of \$85,000. The remaining Series 2009 Term Warrants will mature on October 1, 2009 in the principal amount of \$90,000.

The Warrants maturing on October 1, 2011 (the "2011 Term Warrants") are required to be redeemed as a mandatory sinking fund redemption on October 1, 2010 in the principal amount of \$95,000. The remaining Series 2011 Term Warrants will mature on October 1, 2011 in the principal amount of \$95,000.

The Warrants with a stated maturity on October 1, 2033 (the "2033 Term Warrants") are required to be redeemed on October 1, 2029 and on each October 1 thereafter in the following principal amounts (with those to be redeemed to be selected by the Custodian by lot) at a redemption price equal to the principal amount thereof plus accrued interest thereon:

<u>Year</u>	<u>Principal Amount to Be Mandatorily Redeemed</u>
2029	\$370,000
2030	390,000
2031	410,000
2032	430,000

The remainder of the 2033 Term Warrants in principal amount of \$450,000 will mature on October 1, 2033.

Notice; Selection

If less than all of the Warrants at the time outstanding are optionally redeemed, the maturities and amounts of those to be redeemed shall be selected in the sole discretion of the County and as it may direct. In the event that less than all of the principal of the Warrants of a maturity is to be redeemed, the Custodian shall assign numbers to each \$5,000 principal portion of all the Warrants of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Warrants of such maturity to be redeemed. Notice of any intended redemption shall be given by United States registered or certified mail not less than thirty (30) days prior to the proposed redemption date to the registered owner of each Warrant, all or a portion of the principal of which is to be redeemed. Notice having been so given and payment of the redemption price having been duly made or provided, interest on the Warrants (or principal portions thereof) so called for redemption shall cease to accrue from and after the date fixed for redemption unless default shall be made in the payment of the redemption price thereof.

Transfer, Exchange and Registration

The Warrants may be transferred by the registered owner in person or by authorized attorney, only on the books of the Custodian and only upon surrender of the Warrant to the Custodian for cancellation with a written instrument of transfer acceptable to the Custodian executed by the registered owner or his duly authorized attorney, and upon any such transfer, a new Warrant of like tenor shall be issued to the transferee in exchange therefor.

The registered owner of any Warrant in a face amount of more than \$5,000 may surrender the same in exchange for more than one Warrant, each in the principal amount which is an integral multiple of \$5,000, having the same year of maturity as the Warrant so surrendered and the same aggregate principal amount. The registered owner of two or more Warrants having the same principal maturity may surrender the same in exchange for a single Warrant in the aggregate principal amount of the Warrants so surrendered.

The Custodian shall not be required to transfer or exchange any Warrant during the period from March 15 or September 15, as the case may be, and the then next succeeding interest payment date; and in the event that any Warrant (or any part thereof) is duly called for redemption, the Custodian shall not be required to register or transfer any such Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption. No charge shall be made for the privilege of transfer or exchange, but the registered owner of any Warrant requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. The registered owner of any Warrant will be required to pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen or destroyed Warrant. The Custodian is designated in the Authorizing Resolution as paying agent and as Registrar for and in respect to the Warrants.

The Authorizing Resolution provides that each registered owner of the Warrants, by receiving or accepting the Warrant, consents and agrees and is estopped to deny that, insofar as the County and the Custodian are concerned, the Warrant may be transferred only in accordance with the provisions of the Authorizing Resolutions.

Security for Warrants; Source of Payment

The Warrants will be general obligations of the County for the punctual payment of principal of and interest on which the full faith, credit and taxing powers of the County are sacredly and irrevocably pledged.

Sources and Uses of Warrant Proceeds

The sources and uses of Warrant proceeds are as follows:

Sources of Funds

Warrants (Par Amount)	\$5,820,000.00
Accrued Interest	23,853.50
Original Issue Discount	<u>(20,445.55)</u>
Total Sources	\$5,823,407.95

Uses of Funds

Construction of jail facility	\$4,315,221.35
Deposit to 1998 Escrow Fund	871,831.25
Issuance Cost	110,657.27
Underwriter's Discount	87,300.00
Deposit to Warrant Fund	23,853.50
Retirement of Two Bank Notes	<u>414,544.58</u>
Total Uses	\$5,823,407.95

BOND INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

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

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

In the event the Insurance Trustee has notice that any payment of principal of or interest on a Warrant which has become Due for Payment and which is made to a holder thereof by or on behalf of the County has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable

order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

- (1) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
- (2) payment of any redemption, prepayment or acceleration premium.
- (3) nonpayment of principal or interest caused by the insolvency or negligence of any Custodian.

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

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

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands, with admitted assets of approximately \$6,789,000,000 (unaudited) and statutory capital of approximately \$4,043,000,000 (unaudited) as of June 30, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its

Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Warrants.

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

Available Information

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

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

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

- (1) The Company's Current Report of Form 8-K dated January 23, 2003 and filed on January 24, 2003;
- (2) The Company's Current Report of Form 8-K dated February 25, 2003 and filed on February 28, 2003;
- (3) The Company's Current Report of Form 8-K dated February 25, 2003 and filed on March 4, 2003;
- (4) The Company's Current Report of Form 8-K dated March 18, 2003 and filed on March 20, 2003;

(5) The Company's Current Report of Form 8-K dated March 19, 2003 and filed on March 26, 2003;

(6) The Company's Annual Report of Form 10-K for year ending December 31, 2002 and filed on March 28, 2003;

(7) The Company's Current Report of Form 8-K dated March 25, 2003 and filed on March 31, 2003;

(8) The Company's Current Report of Form 8-K dated April 17, 2003 and filed on April 21, 2003;

(9) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003;

(10) The Company's Current Report on Form 8-K dated July 17, 2003 and filed on July 18, 2003; and

(11) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2003, and filed on August 14, 2003.

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

RATING

Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies ("S&P") has assigned a rating to the Warrants as set forth on the cover of this Official Statement.

The rating on the Warrants reflects such rating agency's current assessment of the creditworthiness of Ambac Assurance and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the rating set forth on the cover may be obtained only from the rating agency.

The rating is not a recommendation to buy, sell or hold the Warrants, and such rating may be subject to revision or withdrawal at any time by the respective rating agency. Any downward revision or withdrawal of any such rating may have an adverse effect on the market price of the affected Warrants.

DEBT SERVICE REQUIREMENTS FOR THE WARRANTS AND OTHER OBLIGATIONS

The following tables set forth the County's principal and interest requirements. Table I shows the debt service on those two issues, the Warrants and the County's lease obligations hereinafter described with respect to the Franklin County Public Building Authority, which the County expects to use General Fund moneys to pay. Table II shows debt service on the Warrants, the County's General Obligation Warrants, Series 2003, dated January 1, 2003 (the "Series 2003-DPH Warrants") and the County's lease obligations with respect to the Franklin County Public Building Authority hereinafter described. While the full faith and credit of the County has been pledged to the payment of the principal of and interest on the Series 2003-DPH Warrants, the County has entered into a lease agreement with the Alabama Department of Public Health. While such lease will be on a year to year basis with no obligation of the Department of Public Health to continue to renew the lease beyond any current fiscal year, it is expected that the Department of Public Health will renew such lease throughout the term of the Series 2003-DPH Warrants. If such lease is renewed each year, then debt service payments of the Series 2003-DPH Warrants will, in essence, be made by the Alabama Department of Public Health and not by the County. Additionally, the Franklin County Public Building Authority will issue its \$1,745,000 Building Revenue Warrants, Series 2003, simultaneously with the issuance of the Warrants. The proceeds of such warrants will be applied to the construction of the County's new jail facility. The County will enter into a year-to-year lease which will obligate the County to make certain lease payments essentially equal to the debt service on the Building Revenue Warrants. The Franklin County Public Building Authority is issuing the \$1,745,000 Building Revenue Warrants, Series 2003, in order to provide a portion of the funds necessary to construct the jail facility also being financed with a portion of the Warrant proceeds offered hereby. Such debt service is shown as a part of the following tables.

TABLE I

Warrant Year Ending Oct. 1	Series 2003-B Warrants		PBA Lease Obligations*		Total
	Principal	Interest	Principal	Interest	
2004	\$85,000	\$260,220	\$70,000[1]	\$70,113	\$485,333
2005	80,000	259,370	65,000	68,888	473,258
2006	85,000	258,370	65,000[2]	67,750	476,120
2007	85,000	256,798	65,000	66,125	472,923
2008	85,000[a]	254,885	70,000[3]	64,500	474,385
2009	90,000	252,675	70,000	62,400	475,075
2010	95,000[b]	250,335	70,000[4]	60,300	475,635
2011	95,000	247,153	75,000	57,675	474,828
2012	100,000	243,970	80,000[5]	54,863	478,833
2013	100,000	240,370	80,000	51,663	472,033
2014	105,000	236,670	85,000[6]	48,463	475,133
2015	105,000	232,680	90,000	44,850	472,530
2016	115,000	228,585	90,000[7]	41,025	474,610
2017	120,000	223,928	95,000	36,975	475,903
2018	120,000	218,948	100,000	32,700	471,648
2019	130,000	213,848	105,000	28,100	476,948
2020	135,000	208,193	110,000	23,165	476,358
2021	140,000	202,185	115,000	17,885	475,070
2022	145,000	195,815	120,000[8]	12,250	473,065
2023	155,000	189,145	125,000	6,250	475,395
2024	290,000	181,938	--	--	471,938
2025	305,000	168,308	--	--	473,308
2026	320,000	153,820	--	--	473,820
2027	335,000	138,460	--	--	473,460
2028	350,000	122,213	--	--	472,213
2029	370,000[c]	105,063	--	--	475,063
2030	390,000[c]	86,100	--	--	476,100
2031	410,000[c]	66,113	--	--	476,113
2032	430,000[c]	45,100	--	--	475,100
2033	450,000	23,063	--	--	473,063
TOTAL	\$5,820,000	\$5,764,321	\$1,745,000	\$915,940	\$14,245,261

* The Franklin County Public Building Authority will enter into a year-to-year lease agreement with the County whereby the County will essentially pay debt service on the \$1,745,000 Building Revenue Warrants, Series 2003.

[a] Mandatory redemption of 2009 Term Warrant.

[b] Mandatory redemption of 2011 Term Warrant.

[c] Mandatory redemption of 2033 Term Warrant.

[1] Mandatory redemption of 2005 Term Warrant.

[2] Mandatory redemption of 2007 Term Warrant.

[3] Mandatory redemption of 2009 Term Warrant.

[4] Mandatory redemption of 2011 Term Warrant.

[5] Mandatory redemption of 2013 Term Warrant.

[6] Mandatory redemption of 2015 Term Warrant.

[7] Mandatory redemption of 2017 Term Warrant.

[8] Mandatory redemption of 2023 Term Warrant.

TABLE II

Warrant Year Ending Oct. 1	Series 2003-DPH Warrants*		Series 2003-B Warrants		PBA Lease Obligations**		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2004	\$40,000	\$45,865	\$85,000	\$260,220	\$70,000[1]	\$70,113	\$571,198
2005	40,000	44,865	80,000	259,370	65,000	68,888	558,123
2006	40,000	43,865	85,000	258,370	65,000[2]	67,750	559,985
2007	40,000	42,715	85,000	256,798	65,000	66,125	555,638
2008	45,000	41,338	85,000[a]	254,885	70,000[3]	64,500	560,723
2009	45,000	39,871	90,000	252,675	70,000	62,400	559,946
2010	45,000	38,263	95,000[b]	250,335	70,000[4]	60,300	558,898
2011	50,000	36,410	95,000	247,153	75,000	57,675	561,238
2012	50,000	34,460	100,000	243,970	80,000[5]	54,863	563,293
2013	55,000	32,413	100,000	240,370	80,000	51,663	559,446
2014	55,000	30,171	105,000	236,670	85,000[6]	48,463	560,304
2015	55,000	27,834	105,000	232,680	90,000	44,850	555,364
2016	60,000	25,315	115,000	228,585	90,000[7]	41,025	559,925
2017	60,000	22,615	120,000	223,928	95,000	36,975	558,518
2018	65,000	19,803	120,000	218,948	100,000	32,700	556,451
2019	70,000	16,695	130,000	213,848	105,000	28,100	563,643
2020	70,000	13,405	135,000	208,193	110,000	23,165	559,763
2021	75,000	9,923	140,000	202,185	115,000	17,885	559,993
2022	80,000	6,125	145,000	195,815	120,000[8]	12,250	559,190
2023	85,000	2,083	155,000	189,145	125,000	6,250	562,478
2024	--	--	290,000	181,938	--	--	471,938
2025	--	--	305,000	168,308	--	--	473,308
2026	--	--	320,000	153,820	--	--	473,820
2027	--	--	335,000	138,460	--	--	473,460
2028	--	--	350,000	122,213	--	--	472,213
2029	--	--	370,000[c]	105,063	--	--	475,063
2030	--	--	390,000[c]	86,100	--	--	476,100
2031	--	--	410,000[c]	66,113	--	--	476,113
2032	--	--	430,000[c]	45,100	--	--	475,100
2033	--	--	450,000	23,063	--	--	473,063
TOTAL	\$1,125,000	\$574,034	\$5,820,000	\$5,764,321	\$1,745,000	\$915,940	\$15,944,295

* Year-to-year lease payments to be made by the Alabama Department of Public Health. While such lease obligations by the Alabama Department of Public Health to the County are on a year-to-year renewal basis, the County does expect the Alabama Department of Public Health to renew such lease during the life of the Series 2003-DPH Warrants. The County will use such lease payments to pay debt service on the Series 2003-DPH Warrants.

** The Franklin County Public Building Authority will enter into a year-to-year lease agreement with the County whereby the County will essentially pay debt service on the \$1,745,000 Building Revenue Warrants, Series 2003.

[a] Mandatory redemption of 2009 Term Warrant.
[b] Mandatory redemption of 2011 Term Warrant.
[c] Mandatory redemption of 2033 Term Warrant.

[6] Mandatory redemption of 2015 Term Warrant.
[7] Mandatory redemption of 2017 Term Warrant.
[8] Mandatory redemption of 2023 Term Warrant.

[1] Mandatory redemption of 2005 Term Warrant.
[2] Mandatory redemption of 2007 Term Warrant.
[3] Mandatory redemption of 2009 Term Warrant.
[4] Mandatory redemption of 2011 Term Warrant.
[5] Mandatory redemption of 2013 Term Warrant.

AUTHORIZING RESOLUTION

A brief description of the Authorizing Resolution approving the issuance of the Warrants is included hereafter in this Official Statement. Such description does not purport to be comprehensive or definitive; all references herein to the Authorizing Resolution are qualified in their entirety by reference to such document, copies of which are available at the office of the Franklin County Commission; and all references to the Warrants are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Authorizing Resolution.

Warrant Fund

The Authorizing Resolution directs the County to establish a special fund to provide for the payment of the Warrants (the "Warrant Fund"), which shall be held in trust by the Custodian, as paying agent for the Warrants, until the principal of, premium if any, and interest on the Warrants are paid in full. The County shall pay or cause to be paid into the Warrant Fund, from the revenues and taxes of the County, the following amounts on or before the following dates:

- (a) Immediately following the delivery of and payment for the Warrants, the amount received as accrued interest on the Warrants; and
- (b) On or before March 25, 2004 and on or before March 25 and September 25 in each year thereafter, to and including September 25, 2033, the interest coming due on the Warrants on the next succeeding interest payment date; and
- (c) On or before September 25, 2004 and on or before September 25 in each year thereafter, to and including September 25, 2033, the principal coming due on the Warrants on the next succeeding principal payment or mandatory redemption date.

Investment of and Security for Warrant Fund

The County may cause any money on deposit in the Warrant Fund not then needed for the payment of principal of and interest on the Warrants to be invested or reinvested by the Custodian in direct general obligations of the United States of America ("Government Obligations"), or in money market funds customarily utilized for the investment of public funds and invested solely in Government Obligations or in bank certificates of deposit which are collaterally secured as to principal and interest by Government Obligations, and which mature or are subject to redemption by the holder, at the option of the holder, on or prior to the respective date or dates when cash funds will be required. All investments shall be held by or under control of the Custodian for the credit of the Warrant Fund, and all interest accruing thereon and any profits realized therefrom shall be credited to such Fund, and any losses resulting from liquidation of investments shall be charged to such Fund. The Custodian shall sell and reduce to cash a sufficient portion of the investments

whenever the cash balance in the Warrant Fund is insufficient to pay the current interest and principal requirements on the Warrants.

The Custodian shall at all times keep the moneys on deposit in the Warrant Fund which are not invested as aforesaid continuously secured for the benefit of the County and the registered owners of the Warrants, either (a) by holding on deposit as collateral security direct general obligations of the United States of America, having a market value (exclusive of accrued interest) not less than the amount of money on deposit in the Warrant Fund or (b) if the furnishing of security in the manner provided in the foregoing clause (a) is not permitted by the then applicable laws and regulations, then in such manner as may be required or permitted by the applicable State of Alabama and Federal laws and regulations respecting the security for or granting a preference in the case of the deposit of public trust funds; provided, however, that it shall not be necessary for the Custodian so to secure any portion of the moneys on deposit in the Warrant Fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions.

Provisions of the Authorizing Resolution a Contract

The terms, provisions and conditions set forth in the Authorizing Resolution constitute a contract between the County and the registered owners of the Warrants and shall remain in effect until the principal of and interest on the Warrants shall have been paid in full.

THE COUNTY

General Information

The County is located in the northwest section of the State of Alabama, and has an area of approximately 636 square miles. The County is bordered by the State of Mississippi to the west, Colbert County to the north, Lawrence County to the east, and Marion County to the south.

The City of Russellville, which is the county seat of the County, is located approximately 100 miles northwest of Birmingham, Alabama and 15 miles south of Florence, Alabama. Other incorporated municipalities in the County include Red Bay and Phil Campbell. The County is served by approximately 134 miles of state highway and 818 miles of County roads.

Population

County Population

The following table sets forth certain historical population statistics from the U.S. Census Bureau relating to the County:

<u>Census Year</u>	<u>Population of County</u>
1960	21,988
1970	23,933
1980	28,308
1990	27,814
2000	31,223

Source: United States Census

Governmental Organization and Administration

The County is governed by the Franklin County Commission, consisting of a chairman and four full-time commissioners elected from geographic districts for terms of four years. The Chairman is elected for a six-year term and also serves in a full-time capacity. The Commissioners are elected for four year terms. The County Commission is responsible for the direction, control and maintenance of the property of the County, for setting policies of the County, including the appropriation and expenditure of County funds and the settlement of claims against the County, the levy of certain taxes as provided by law, and the creation and investment of funds for the payment of long term indebtedness.

Members of the Franklin County Commission

<u>Name and Office</u>	<u>Occupation</u>	<u>End of Current Term</u>
Mike Green Chairman	Full-time Chairman	January, 2007
Jackie Bradford Member	Part-time Commissioner	November, 2004
Curtis Bragwell Member	Part-time Commissioner	November, 2004
Gene Graham Member	Part-time Commissioner	November, 2004
Norris Lewey Member	Part-time Commissioner	November, 2004
Gail Estis	County Administrator	Pleasure of Commission
Roger H. Bedford, Jr.	County Attorney	Pleasure of Commission

Personnel

The County employs approximately 127 full-time people and approximately 10 part-time people in its various departments. No employees of the County are represented by labor unions or similar employee organizations. The County does not bargain collectively with any labor union or employee organization. The County has enjoyed good relations with all County employees and the County believes that good relations will continue.

Employee Pension Plan and Liability

The Employees' Retirement System of Alabama was created in 1945 pursuant to an act of the Alabama Legislature. The Employees' Retirement System is administered on behalf of the State of Alabama and certain local governmental units in Alabama by Retirement Systems of Alabama, an agency of the State of Alabama. More than 40,000 employees of the State of Alabama and certain local governmental units in Alabama are active members of the Employees' Retirement System.

The County has participated in the Employees' Retirement System since 1965. The plan covers substantially all salaried employees of the County. See Appendix B attached hereto.

Contributions by the County are made on the basis of certain actuarial calculations of amounts which, together with the employees' contributions, are projected to provide at the time of retirement the benefits contemplated by the retirement program. The independent actuary employed by Retirement Systems of Alabama calculates total employer contributions to liquidate any unfunded accrued liability over a period of not more than 30 years. The next actuarial evaluation of the accrued liability respecting the County will be prepared on the basis of revised actuarial assumptions. Consequently, the contribution rates set forth above may be adjusted either upward or downward.

The Employees' Retirement System does not undertake to fund the retirement plans of participating local governmental units. The Employees' Retirement System acts only in an administrative capacity, and then only upon the election of the local governmental units. The statute permitting such election provides that "The retirement system shall not be liable for the payment of any pensions or other benefits on account of the employees or pensioners of any employers under this section, for which reserves have not been previously created from funds contributed by such employer or its employees for such benefit." The statute further provides that the agreement of a local government to contribute to the Employees' Retirement System on account of its employees is irrevocable, but should it become financially unable to make the normal contribution, administrative charge and accrued liability contribution, the County would be deemed to be in default under the Employees' Retirement System.

In the event any participating local government elects to withdraw from the Employees' Retirement System by mutual agreement with employees, the statute provides that the rights and privileges of existing beneficiaries shall not, as a result of such withdrawal, be diminished or impaired. Upon any such withdrawal, the statute requires the Actuary to certify to the local government the actuarial determination of the reserves necessary to provide existing benefits and provides that the local government shall agree to appropriate such amounts as may be necessary to maintain existing benefits.

General Financial Information

The fiscal year of the County begins on each October 1. The financial statements of the County are required to be audited by the Department of Examiners of Public Accounts of the State of Alabama not less often than every two years. The most recent audit available is for the fiscal year October 1, 2000-September 30, 2001. There is no statutory authorization for the County to employ independent accountants to conduct an audit. The emphasis on the audit is on legal compliance. The books and records of the County, like those of many Alabama counties, are not maintained in accordance with generally accepted accounting principles. Certain of the information contained in this Official Statement is based on unaudited data supplied by the County. The following Table I shows the Statement of Revenues, Expenditures and Changes in General Fund Balance for the periods ending September 30, 1997-2002:

TABLE I

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
REVENUES						
Taxes	\$1,290,303.92	\$1,315,249.89	\$1,632,706.93	\$1,633,444.30	\$1,677,567.76	\$1,729,637.81
Licenses and Permits	22,091.11	31,248.94	22,341.93	20,888.81	21,536.92	21,122.57
Reimbursements	866,335.58	-	-	-	-	-
Intergovernmental	-	829,585.95	880,562.95	936,497.36	892,206.97	1,029,057.82
Charges for Services	843,461.97	745,312.10	760,298.40	954,249.02	971,354.89	883,051.90
Miscellaneous	114,341.93	135,207.46	196,998.28	143,952.73	111,791.27	44,027.89
TOTAL REVENUES	3,136,534.51	3,056,604.34	3,492,908.49	3,689,032.22	3,674,457.81	3,706,897.99
EXPENDITURES						
General Government	1,344,097.55	1,344,274.88	1,341,867.08	1,488,673.81	1,529,066.02	1,596,461.55
Public Safety	1,524,551.66	1,358,497.35	1,605,594.52	1,628,480.36	1,715,367.14	1,854,097.71
Health	23,674.72	24,263.90	26,179.95	30,958.61	25,348.64	25,353.00
Welfare	1,367.29	4,972.85	2,973.49	3,546.53	2,417.22	2,234.73
Education	60,127.63	59,789.86	64,920.76	59,425.05	42,884.50	64,985.22
Capital Outlay	83,612.00	115,529.29	122,552.18	578,800.11	33,674.06	100,945.01
Debt Service:						
Principal Retirement	-	6,663.53	38,292.88	149,342.88	132,668.70	98,505.36
Interest and Fiscal Charges	-	12,430.87	14,565.47	39,347.84	16,239.65	9,684.73
Intergovernmental	-	87,192.00	88,400.95	94,052.00	99,914.27	148,618.91
TOTAL EXPENDITURES	3,037,430.85	3,013,614.53	3,305,347.28	4,072,627.19	3,597,580.20	3,900,886.22
Excess of Revenues over (under) expenditures	99,103.66	42,989.81	187,561.21	(383,594.97)	(76,877.61)	(193,988.23)
OTHER FINANCING SOURCES (USES)						
Proceeds from Note Payable	-	106,500.00	785,318.75	354,356.00	-	120,000.00
Proceeds from Capital Leases	-	80,838.65	-	-	-	-
Transfers In	40,000.00	160,000.00	64,906.86	109,851.15	192,505.97	340,000.00
Transfers Out	(266,198.09)	(299,543.02)	(377,010.48)	(233,634.40)	(303,618.89)	(295,091.82)
Prior Period Adjustment	1,805.03	-	-	-	-	(16,493.63)
Prior Period Adjustment	9,051.32	-	-	-	-	-
TOTAL OTHER SOURCES (USES)	(233,444.38)	47,795.63	473,215.13	230,572.75	(111,112.92)	148,414.55
EXCESS REVENUES/OTHER OVER (UNDER) EXPENDITURES	(134,340.72)	90,785.44	660,776.34	(153,022.22)	(34,235.31)	(45,573.68)
FUND BALANCE BEGINNING OF YEAR	368,576.30	193,110.90	283,896.34	394,672.68	164,116.38	129,881.07
RESIDUAL EQUITY TRANSFER	-	-	(550,000.00)	-	-	-
FUND BALANCE END OF YEAR	234,235.58	283,896.34	(394,672.68)	241,650.46	129,881.07	84,307.39

The following Table II shows the Statement of Revenues, Expenditures and Changes in All Funds (General, Special, Revenue, Capital Projects, Debt Service, Trust and Agency for the period ending September 30, 1997-2002.

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
REVENUES						
Taxes	\$1,896,610.22	\$1,816,030.15	\$2,246,784.14	\$2,255,358.62	\$2,315,767.34	\$2,405,246.01
Licenses and Permits	88,645.27	43,676.61	32,979.43	33,683.11	45,006.16	34,525.07
Intergovernmental	-	4,263,455.62	3,488,056.65	3,396,050.00	3,926,041.79	3,769,820.48
Reimbursements	3,237,238.44	-	-	-	-	-
Charges for Services	2,175,003.47	905,361.77	952,567.80	1,160,332.07	1,186,229.76	1,101,228.40
Miscellaneous	961,549.89	2,064,050.81	890,459.29	1,710,685.78	1,311,307.84	719,811.79
TOTAL REVENUES	8,359,047.29	9,092,574.96	7,610,847.31	8,556,109.58	8,784,352.89	8,030,631.75
EXPENDITURES						
General Government	1,561,846.49	2,443,279.64	2,040,165.17	1,761,103.77	2,227,549.03	1,954,052.07
Public Safety	1,535,279.61	1,369,499.14	1,617,085.26	1,647,248.49	1,725,183.59	1,870,164.31
Highways and Roads	3,710,858.71	2,925,802.59	2,970,383.68	3,101,169.54	3,315,377.36	3,552,314.84
Sanitation	1,034,541.31	-	-	-	-	-
Health	23,674.72	24,263.90	26,179.95	30,958.61	25,348.64	25,353.00
Welfare	1,367.29	4,972.85	2,973.49	3,546.53	2,417.22	2,234.73
Education	60,127.63	103,078.86	115,474.71	105,925.05	98,634.50	153,235.22
Capital Outlay	715,872.73	256,934.77	577,273.54	1,617,449.35	457,106.39	380,600.24
Debt Service:						
Principal Retirement	-	1,957,697.23	440,269.05	562,366.04	641,948.63	666,991.56
Interest and Fiscal Charges	-	347,420.67	229,651.38	233,446.06	208,564.72	170,816.75
Intergovernmental	-	87,192.00	88,400.95	94,052.00	99,914.27	156,703.06
TOTAL EXPENDITURES	8,643,568.49	9,520,141.65	8,107,857.18	9,157,265.44	8,802,044.35	8,932,465.78
Excess of revenues over (under) expenditures	(284,521.20)	(427,566.69)	(497,009.87)	(601,165.86)	(17,691.46)	(901,834.03)
OTHER FINANCING SOURCES (USES)						
Proceeds from Note Payable	-	106,500.00	1,320,318.75	354,356.00	335,125.00	389,000.00
Proceeds from Capital Leases	-	107,913.65	-	-	-	-
Transfers In	1,447,502.82	1,232,629.15	1,404,515.56	1,298,927.28	1,670,838.12	1,717,747.62
Proceeds from Bond Issue	772,200.00	-	-	-	-	-
Transfers Out	1,447,502.82	(1,380,529.67)	(1,433,969.81)	(1,229,076.13)	(1,606,358.32)	1,647,187.36
Prior Period Adjustment	2,188.73	-	-	-	-	-
Prior Period Adjustment	19,450.24	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	707,938.49	66,513.13	1,290,864.50	424,207.15	399,604.80	459,560.26
EXCESS REVENUES/OTHER OVER (UNDER) EXPENDITURES	(423,417.29)	(361,053.56)	793,854.63	(176,948.71)	381,913.34	(442,273.77)
FUND BALANCE BEGINNING OF YEAR	2,069,545.34	2,162,565.51	1,801,511.95	2,045,365.58	1,782,355.04	2,164,268.38
Residual Equity Transfer	-	-	(550,000.00)	-	-	-
FUND BALANCE END OF YEAR	1,646,128.05	1,801,511.95	2,045,366.58	1,868,417.87	2,164,268.38	1,721,994.61

Limited Taxing Authority

Governing bodies of counties in the State of Alabama generally have no authority to raise taxes without first having a bill passed by the state legislature authorizing the levy of a new tax or the increase in an existing tax. Additionally, with respect to ad valorem taxes, no increase may be authorized even with the approval of the state legislature unless the qualified voters in the county also approve the levy of the proposed ad valorem tax.

Long Term Indebtedness

The County will have no long term general obligation indebtedness other than the Warrants and Series 2003 Warrants dated January 1, 2003 presently outstanding in the aggregate principal amount of \$1,125,000. The County also has its year-to-year lease obligation with Franklin County Public Building Authority. See "DEBT SERVICE REQUIREMENTS FOR THE WARRANTS AND OTHER OBLIGATIONS."

Short Term Debt

The County presently has no short term debt other than (a) two notes with Valley State Bank which will be retired simultaneously with the issuance of the Warrants and (b) a note with Valley State Bank in the amount of \$50,076 for the Solid Waste Department. Leases payable from the County's general fund and liability for compensated absences do not exceed \$350,000.

Constitutional Debt Limitation

Section 224 of the Constitution of Alabama, as amended by Amendment 342, provides that no county shall become indebted in an amount, including present indebtedness, greater than five percent (5%) of the assessed value of the property therein. The assessed valuation of the taxable property situated in the County for the fiscal year which ended September 30, 2003 (for which taxes became due and payable on October 1, 2003) is not less than \$174,607,300, and the constitutional debt limit of the County is, therefore, \$8,730,365. The constitutional debt limit of the County and its relation to certain demographic data is as follows:

The debt limitation is computed as follows:

5% of Assessed Value Subject to County taxation	\$8,730,365
Less: Total Debt Chargeable against Constitutional Debt Limit	(7,345,076)[1]
Debt Margin	\$1,385,289

- [1] Includes the Series 2003-DPH Warrants, the Warrants and a note for \$50,076 with Valley State Bank and leases payable from the County's general fund and liability for compensated absences of approximately \$350,000. Does not include the County's year-to-year lease obligation to the Franklin County Public Building Authority.

Financial Summary

Assessed Value of Taxable Property in County subject to County Taxation (9/30/03)	\$174,607,300
Ratio of G.O. Debt to Assessed Value	4.21%
Population (2000) of County	31,223
G.O. Debt per capita	\$235.25

General Fund Revenues

The County's General Fund has primarily depended on the following sources of revenue:

- A. 11.7 Mill County-Wide Ad Valorem Tax. The County's 11.7 mill ad valorem tax is levied under the authority of Section 215 of the Constitution of Alabama of 1901, as amended by Amendment No. 208, and is the largest source of revenue for the County's General Fund. Proceeds of the County's 11.7 mill ad valorem tax may be used to pay debt service on the Warrants and have been as follows for the periods indicated:

<u>Fiscal Year Ending September 30</u>	<u>11.7 Mill General Fund</u>
2003*	\$1,556,100
2002	1,559,649
2001	1,372,404
2000	1,156,922
1999	1,179,878
1998	908,168

* For period October 1, 2002 through June 30, 2003.

- B. State Funding. The County's General Fund also receives from the State of Alabama certain taxes, licenses and other moneys levied and collected by the State. The largest source of State revenues is from state franchise taxes. Although such moneys have been made available to the County by the State, the continued availability of such moneys is dependent upon the ability and willingness of said government entity to continue to provide such moneys.

Special Revenue Funds

To account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes, the County has established, among others, the following funds:

(a) Seven Cents Gasoline Tax Fund - The County's share of the State's seven cents gasoline tax is deposited in this fund and used for building and maintaining County roads. The proceeds of this tax may not be used to pay debt service on the Warrants. Proceeds of this tax have been as follows for the periods indicated:

<u>Fiscal Year Ending</u> <u>September 30</u>	<u>Seven Cents Fund</u>
2003	\$658,994
2002	869,124
2001	852,960
2000	895,614
1999	862,423
1998	807,379

* For period October 1, 2002 through June 30, 2003.

(b) Four Cents Gasoline Tax Fund - The County's share of the State's four cents gasoline tax is deposited in this fund and used for resurfacing, restoring and rehabilitating of the County's existing paved roads and bridges. The proceeds of this tax may not be used to pay debt service on the Warrants. Proceeds of this tax have been as follows for the periods indicated:

<u>Fiscal Year Ending</u> <u>September 30</u>	<u>Four Cents Fund</u>
2003	\$374,058
2002	508,901
2001	477,286
2000	477,021
1999	564,811
1998	375,243

* For period October 1, 2002 through June 30, 2003.

(c) Five Cents Gasoline Tax Fund - The County's share of the State's five cents gasoline tax is deposited in this fund and used for resurfacing, restoring and rehabilitating of the County's existing paved roads and bridges and for building and

maintaining County roads. The proceeds of this tax may not be used to pay debt service on the Warrants. Proceeds of this tax have been as follows for the periods indicated:

<u>Fiscal Year Ending</u> <u>September 30</u>	<u>Five Cents Fund</u>
2003	\$184,570
2002	246,800
2001	240,470
2000	241,739
1999	283,717
1998	237,385

* For period October 1, 2002 through June 30, 2003.

(d) Public Building, Road and Bridge Fund - The County's 4.8 mill ad valorem tax levied for the building and maintaining of public buildings, roads and bridges is deposited in this fund. Proceeds of this tax may be used to pay debt service on the Warrants and have been as follows for the periods indicated:

<u>Fiscal Year Ending</u> <u>September 30</u>	
2003	\$638,400
2002	639,856
2001	563,037
2000	464,281
1999	475,024
1998	365,485

* For period October 1, 2002 through June 30, 2003.

The proceeds of this ad valorem tax in excess of amounts payable on obligations issued by the County for public buildings, roads and bridge may be spent for general County purposes. The County shall pledge this public building, road and bridge fund tax to its lease obligation with the Franklin County Public Building Authority.

Ad Valorem Taxation

General

The Constitution of Alabama of 1901 provides for the levy and collection of ad valorem taxes in Alabama by establishing the ratios at which property may be assessed, the millage rates that may be levied on property, and the amount of ad valorem taxes that may be collected in any year. During the 1970's two amendments to the Constitution of Alabama of 1901 substantially changed ad valorem taxation in Alabama. Because of changes that could be made by the Alabama Legislature or pursuant to constitutional amendment, future collections of ad valorem taxes in Franklin County cannot be predicted with certainty. Amendment No. 373 to the Constitution of Alabama of 1901, the second of the two amendments referred to above, sets forth the assessment ratios, millage rates and the maximum amount of taxes collectable in any year currently in effect.

The 1978 Tax Amendment

Amendment No. 373 to the Constitution of Alabama of 1901 (approved at a statewide election on November 7, 1978; the "1978 Tax Amendment") provides that all taxable property in Alabama be classified and assessed in the following classifications and at the following ratios of assessed value and fair and reasonable market value (or, with respect to certain Class III property, at current use value) for purposes of State of Alabama and local taxation:

Class I	Property of utilities used in their business*	30%
Class II	Property not otherwise classified (generally, business or commercial property)	20%
Class III	Agricultural; forest; single-family, owner-occupied residential property; and historic buildings and sites	10%
Class IV	Private passenger automobiles and small trucks (pickups) for personal use and not for hire, rent or compensation	15%

* As a result of federal regulations, railroads are now assessed at 15% of the fair and reasonable market value of their property and as a result of litigation certain other utilities are now assessed at 22.5% of the fair and reasonable value of their property.

The 1978 Amendment provides that Class III property shall, upon application by the owner of such property, be assessed "at the ratio of assessed value to the current use value" of such property and not the fair and reasonable market value of such property. Act No. 82-302 adopted at the 1982 Regular Session of the Alabama Legislature, implementing the 1978 Tax Amendment, defined

"current use value" as the value of such property based on the use being made of it on October 1 of the preceding year, without considering "the prospective value such property might have if it were put to some other possible use." Act No. 82-302 established a standard valuation formula for uniform use statewide by which the current use value of Class III properties could be ascertained and thereby provided for a different method of determining current use values than that used by tax assessors pursuant to directives issued by the State Department of Revenue prior to the passage of Act No. 82-302. The impact of Act No. 82-302 on assessed valuations of Class III properties in the County was and will continue to be negative and adverse.

Variation of Assessment Ratios

The 1978 Tax Amendment provides that the governing body of any local taxing authority (but not the State of Alabama) may adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or current use value provided that (1) said adjustment shall have been proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by majority vote of the qualified electors residing in the taxing authority; provided, however, that the adjusted assessment ratio applicable to each class of taxable property must be uniform within each local taxing authority, that no decrease in any assessment ratio may jeopardize the payment of any bonded indebtedness secured by any tax levied by the taxing authority decreasing said assessment ratio, and that no class of taxable property shall have an assessment ratio of less than 5% nor more than 35%. The State Legislature has no authority with respect to the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of the County has not sought to make any adjustment in the assessment ratio applicable to any class of taxable property in the County.

The Legislature has provided that no local taxing authority may adjust the assessment ratios of any class of taxable property except as follows:

(1) If the total assessed valuation of all property in one class exceeds 50% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential from the standard ratio of such class set forth above; (2) if the total assessed valuation of all property in one class is less than 20% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be increased up to a maximum of 5% differential from the standard ratio for such class set forth above; or (3) if the total assessed valuation of all property in one class constitutes more than 75% of the assessed valuation of all taxable property in the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential, and the ratio of properties in other classes of taxable property may be increased up to a maximum of 5% differential.

Millage Rate Adjustments

The 1978 Tax Amendment provides that each local taxing authority may decrease any ad valorem tax rate at any time, provided such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax.

The 1978 Tax Amendment provides that each local taxing authority may increase the rate at which any ad valorem tax is levied by any such authority above the limit otherwise provided in the Constitution provided that the proposed increase shall have been (1) proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by a majority vote of the qualified electors residing in the taxing authority.

Limitation on Ad Valorem Taxation

The 1978 Tax Amendment limits the total amount of ad valorem taxes payable to the State and to all counties and municipalities and other taxing authorities, with respect to any item of taxable property, and in any one ad valorem tax year, to the following respective percentages of the fair and reasonable market value of such property:

Class I - 2%

Class II - 1-1/2%

Class III - 1%

Class IV - 1-1/4%

These limitations are not now exceeded as to any class of property in the County. In the event the total ad valorem tax otherwise payable by any taxpayer with respect to any item of taxable property exceeds the maximum tax limit set forth above, the county tax collector is required by the 1978 Tax Amendment to reduce the rate of each separate tax in 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.

Exemptions

The 1978 Tax Amendment exempts from all ad valorem taxation the real and personal property of the State, all counties and municipalities, and property devoted exclusively to religious, educational or charitable purposes, household and kitchen furniture, all farm tractors, all farming implements when used exclusively in connection with agricultural property and all stocks of goods, wares and merchandise.

Homestead Exemption

Act No. 82-789 enacted at the 1982 Second Special Session of the State Legislature increased the State ad valorem tax homestead exemption to \$4,000 and provided that local taxing authorities, including the County, were permitted to increase the then current \$2,000 homestead exemption against county taxes to not more than \$4,000 of assessed value for any year and to extend the homestead exemption to school district ad valorem taxes. The Franklin County Commission did elect to increase the homestead exemption to \$4,000.

Ad Valorem Tax Assessment and Collection

Ad valorem taxes on taxable property except motor vehicles and public utility properties are assessed and collected by the Commissioner of Revenue of Franklin County. Ad valorem taxes on motor vehicles in the County are assessed and collected by the Commissioner of Licenses of Franklin County and ad valorem taxes on public utility and railroad properties are assessed by the State Department of Revenue and collected by the State and the Commissioner of Revenue of Franklin County. Ad valorem taxes become due and payable on October 1 of each year following the October 1 as of which they are assessed and become delinquent after the next succeeding December 31.

Assessed Valuations

The net assessed valuations of taxable property in Franklin County have been as follows for the periods indicated:

<u>Fiscal Year</u>	<u>Net Assessed Valuation</u>
2002-03	\$174,607,300
2001-02	167,120,740
2000-01	150,629,020
1999-00	142,022,825
1998-99	135,165,110
1997-98	135,594,520

Source: Department of Examiners of Public Accounts and Franklin County Revenue Commissioner

Ad Valorem Taxes Levied in the County

The following ad valorem taxes are currently being levied on all taxable property in Franklin County by the following taxing authorities at the following rates (in mills):

<u>State of Alabama</u>	<u>Mills</u>
General	2.50
Soldier	1.00
School	<u>3.00</u>
TOTAL - State Tax Rate	6.50
 <u>Franklin County</u>	
General	11.7
Road and Bridge	4.8
School - County	5.5
School - District	<u>4.5</u>
TOTAL - County Tax Rate	26.5
TOTAL STATE AND COUNTY TAX RATE	<u>33.00</u>

Source: Revenue Commissioner of Franklin County

Ten Top Ad Valorem Taxpayers in
Franklin County for Fiscal Year 2001-02

<u>Name</u>	<u>Total Taxes Paid</u>
Franklin Electric	\$141,662.50
BellSouth	57,261.60
Alabama Power Company	45,980.00
Wabash	42,222.40
Norfolk Southern Railroad	38,766.20
Tiffin Motor Homes	34,515.80
Texas Eastern Transmission	29,066.40
Citizens Bank and Savings	14,388.00
C & G Steel	13,754.00
O. B. Jackson	13,299.00

Source: Revenue Commissioner of Franklin County

Economy

Income Level. Two basic measures of annual income include per capita income, which is the total income of all families and individuals in a given area divided by the total population of the

area and median family income, above and below which are an equal number of family incomes. Franklin County's estimated per capita personal income traditionally ranks as one of the highest among all counties of Alabama.

The following table sets forth certain information from the U.S. Census Bureau regarding comparative per capita income levels in the County, the State of Alabama, and the United States:

<u>Area Measured</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Franklin County	\$19,723	\$19,634	\$18,293	\$18,020	\$18,001
State	23,521	22,694	21,904	20,899	20,138
United States	29,469	27,843	26,893	25,412	24,270

Source: Bureau of Economic Analysis

The median family income for Franklin County and the State of Alabama has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Franklin County	\$2,904	\$6,049	\$14,783	\$22,755	\$34,274
State	3,937	7,266	16,353	28,688	41,657

Source: Economic Abstract of Alabama; 2000 Census

The percentage of families in the County and in the State of Alabama with incomes below the poverty level has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Franklin County	51.4%	23.5%	14.4%	17.2%	15.2%
State of Alabama	39.1%	20.7%	14.8%	14.3%	12.5%

Source: General Social & Economic Characteristics, U.S. Census of Population, 1960, 1970, 1980, 1990, 2000, Bureau of the Census

Unemployment

Comparative average annual unemployment figures for calendar years 1990-2002 and as of August, 2003, for Franklin County, the State of Alabama, and U.S. national average are as follows:

<u>Calendar Year</u>	<u>Franklin County</u>	<u>State of Alabama</u>	<u>U.S. National Average</u>
1990	11.4%	6.9%	5.6%
1991	9.3	7.2	6.8
1992	7.9	7.4	7.5
1993	7.8	7.6	6.9
1994	6.6	6.0	6.1
1995	7.6	6.3	5.6
1996	7.2	5.1	5.4
1997	8.6	5.1	4.9
1998	7.2	4.2	4.5
1999	7.3	4.8	4.2
2000	7.3	4.5	4.0
2001	8.4	5.3	4.7
2002	12.8	5.9	5.9
2003 (August)	8.5	5.7	6.1

Source: Alabama Department of Industrial Relations

Major Employers. The following table sets forth certain information with respect to the major employers in and around the County.

<u>Name of Employer</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Gold Kist	Poultry processing	2,000
Sunshine Mills	Dog food	325
Tiffin Motor Homes	Motor homes	300
Sunshine Homes	Mobile homes	250
Franklin Homes	Mobile homes	175
G & G Steel-Franklin Mfg.	Steel fabrication	150
Gates Rubber Company	Rubber hoses	108
Clark Pulley	Pulleys for lawn mowers	85
Distinctive Designs	Floral	85
St. Gobain/Vetrotex	Fiberglass shingles	65

Source: Franklin County

Education

The County Board of Education of Franklin County operates the public school system in all areas in the County outside the City of Russellville. The County Board operates seven schools with an enrollment of approximately 3,085 students. The City of Russellville operates its own school system. The Russellville City Board operates four schools with an enrollment of approximately 2,325.

According to the 1990 U.S. Census of Population, approximately 55.1% of Franklin County residents were high school graduates, and approximately 6.9% of Franklin County residents were college graduates. State averages were 66.9% and 15.7% respectively, as reported in the Alabama County Data Book 1992-93. According to the 2000 U.S. Census of Population, approximately 62.1% of Franklin County residents were high school graduates, and approximately 9.7% of Franklin County residents were college graduates. State averages were 75.3% and 19% respectively.

Higher Education

Northeast Shoals Community College, located in Phil Campbell and in Muscle Shoals, is a result of the merger on September 9, 1993 of Northeast Alabama and Shoals Community College in Muscle Shoals. Enrollment on all campuses numbers approximately 5,300 students. The Community College offers post-secondary educational opportunities to all qualified students. Degrees awarded include Associate in Arts, Associate in Science, and Associate in Applied Science; diplomas and certificates for non-degree programs are also conferred.

There are three state-supported four-year colleges and universities within commuting distance in the County: Athens State College; the University of Alabama in Huntsville, a campus of the University of Alabama System; and Alabama A & M University, also in Huntsville.

Medical and Health Services

The County is served by two general hospitals located in the County having approximately 133 beds. There are four nursing homes with 260 licensed beds. There are approximately 50 physicians in the County.

Housing

The median value of homes in Franklin County according to the 2000 Census was \$62,800. The median value of homes in the State of Alabama was \$85,100 according to the 2000 Census.

TORT LIABILITY

In past years, the Supreme Court of Alabama, in several related decisions, overruled a long-standing series of cases holding that political subdivisions of the State were not liable in tort for damages resulting from the performance by them of governmental functions. As a result of these decisions, counties in Alabama may now be liable for damages for injuries to persons and property resulting from their negligence in the performance of governmental functions.

The Legislature of Alabama during its 1977 Regular Session enacted Act No. 673 (Sections 11-93-1 et seq. of the CODE OF ALABAMA 1975) which prescribed and established monetary limits payable on claims and judgments based on tort liability, filed or obtained against governmental entities, including counties. This act limits recovery of damages from a governmental entity to \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence. The Act also limits recovery of damages to \$100,000 for damage or loss of property arising out of any single occurrence. The constitutionality and applicability of all parts of said Act have not been definitively determined, and the County can give no assurance that any recovery against the County would be limited by the amounts provided in said Act. Additionally, Act No. 673 has no applicability to causes of action under Section 1983 and 1985 of Title 42 of the United States Code. Local governments throughout the country have been increasingly subjected to lawsuits - many of which seek substantial damages - for alleged denials of civil rights under the provision of said Sections.

FEDERAL BANKRUPTCY CODE

The rights and remedies of the registered owners of the Warrants are subject to the provisions of Chapter 9 of Title 11 of the United States Code (Bankruptcy) which permits under certain specific circumstances (but only after authorization by the legislature or by a governmental officer or organization empowered by state law to give such authorization), a political subdivision of a state, such as the County, to file a petition for relief in the U.S. District Court for the district in which the political subdivision is located if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts. Under the Bankruptcy Code, the filing of such a petition operates as an "automatic" stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitant of the petitioner. Chapter 9 also permits a political subdivision that files such a petition to issue, with the approval of the Court, certificates of indebtedness having priority over pre-existing obligations.

Any political subdivision filing a petition for relief under Chapter 9 must in due course file a plan for the adjustment of its debts, and such plan may include provisions modifying or altering the rights of creditors generally, or any class of them, secured and unsecured. Such plan, when confirmed by the Court, binds all creditors who had timely notice or actual knowledge of the petition or plan and discharges all claims against the petitioning political subdivision provided for in the plan. No plan may, however, be confirmed by the Court unless certain conditions occur, which include either (1) that the plan has been accepted in writing by two-thirds (2/3) in the amount and more than fifty percent (50%) in number of the allowed claims of each class which is impaired by the plan, or (2) the Court finds that the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims that is impaired under, and has not accepted, the plan.

Existing Alabama statutes authorize the County to file a petition for relief under Chapter 9 of Title 11 of the United States Code.

APPENDICES

Each Appendix is an integral part of this Official Statement and should be read in its entirety. The Appendices include:

- Appendix A - Proposed Opinion of Bond Counsel
- Appendix B - Audited Report for the period October 1, 2000 - September 30, 2001
- Appendix C - Unaudited Report for the period October 1, 2001-September 30, 2002 and October 1, 2002 through March 31, 2003
- Appendix D - Demographic Information Related to Franklin County
- Appendix E - Specimen Financial Guaranty Insurance Policy

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Warrants are subject to the approval of Walston, Wells, Anderson & Bains, LLP, Birmingham, Alabama, Bond Counsel, whose approving legal opinions will be delivered at the time of delivery of the Warrants. The proposed form of that opinion is included in this Official Statement as Appendix A. Certain legal matters with respect to the County will be approved by its counsel, Bedford, Rogers & Bowling, P.C., Russellville, Alabama. The various legal opinions to be delivered concurrently with the delivery of the Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In the opinion of Bond Counsel, assuming the accuracy of certain representations and the compliance with certain covenants made by the County in the Authorizing Resolution approving the issuance of the Warrants with respect to the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code, applicable regulations and rulings of the Commissioner of Internal Revenue, and court decisions heretofore rendered. Bond Counsel is also of the opinion that under existing statutes interest on the Warrants is exempt from income taxation by the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the Warrants. It should be noted that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in the alternative minimum tax calculations for corporations, (2) property and casualty insurance companies are required to include a portion of the tax-exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security and certain railroad retirement benefits required to be included in gross income, and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation. Furthermore, interest on the Warrants is required to be included in the calculation of the federal branch profits tax liability of foreign corporations.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements

could cause interest on the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Authorizing Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance.

BANK QUALIFICATION FOR WARRANTS

The County has designated the Warrants as "qualified tax-exempt obligations" for purposes of paragraph (3) of subsection (b) of Section 265 of the Code (see "TAX EXEMPTION" above) regarding interest incurred to carry tax-exempt bonds.

LITIGATION

There is not now pending or threatened any litigation restraining, enjoining or in any manner questioning or affecting: the creation, organization or existence of the County; the title of the present members of the County Commission or other officers of the County to their respective offices; the proceedings and authority under which the Warrants are issued; or the validity of the Warrants.

There are no legal proceedings pending or threatened against the County which may materially affect the County's ability to perform its obligations to the registered owners of the Warrants.

UNDERWRITER

Joe Jolly & Co., Inc., Birmingham, Alabama, has purchased the Warrants from the County for a purchase price of \$5,712,254.45 (par amount less underwriter's discount of \$87,300 and net original issue discount of \$20,445.55) plus accrued interest to the date of delivery.

WARRANTHOLDER RISKS

An investment in the Warrants involves certain risks which should be carefully considered by investors. Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such

an investment and whether or not the Warrants are an appropriate investment for them. The sufficiency of general fund moneys to pay debt service on the Warrants may be affected by events and conditions relating generally to, among other things, population trends and economic developments, the nature and extent of which are not presently determinable. In addition, there can be no assurance that the proceeds of taxes will be adequate to pay the principal of and interest on the Warrants as they mature and come due for the following, among other, reasons:

(a) The General Fund of the County depends, to a significant degree, on ad valorem tax collections. During past years, the system of ad valorem taxation in Alabama has been under revision by constitutional amendments, legislation and court orders relating to the reappraisal of taxable property, reclassification of taxable property, variation of assessment ratios, and limitations on the expected increase in ad valorem taxes resulting from reappraisal and proposals respecting current use valuations. Because of additional revisions that may be made to the system of ad valorem taxation in Alabama, the County cannot predict what effect said past or future revisions may have or the future collections of ad valorem taxes in the County.

(b) There can be no assurance that the total assessed value of taxable property in the County will remain at its present level. Adverse trends in the economy of the County could adversely affect property values and the collection of ad valorem and sales tax revenues.

(c) The County's economy is highly dependent on the poultry industry. Any factor adversely affecting Gold Kist, in particular, and the poultry industry, such as location of poultry facilities overseas, will negatively impact the County and its finances.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission and pursuant to the Authorizing Resolution, the County will agree to provide, or cause to be provided,

(i) to Ambac Assurance, to the appropriate state information depository ("SID") if any, for the State of Alabama and to each nationally recognized municipal securities information repository (the "NRMSIRs"), certain annual financial information and operating data, including unaudited financial information, generally consistent with the information contained under "General Fund Revenues" in this Official Statement. Such information is expected to be available on or before April 1 of each year for the fiscal year ending on the preceding September 30 and will be made available to the SID, if any, the NRMSIRs and to the Custodian. The County will also provide to the foregoing audited financial statements from the Alabama Department of Examiners of Public Accounts within thirty days of receipt;

(ii) in a timely manner, to Ambac Assurance, to the SID, if any, to each NRMSIR and to the Municipal Securities Rulemaking Board ("MSRB"), notice of the occurrence of

any of the following events with respect to the Warrants, if, in the judgement of the County, such event is material: (a) principal and interest payments delinquencies, (b) non-payment related defaults, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers, or their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Warrants, (g) modifications to rights of holders of the Warrants, (h) calls for redemption, (i) defeasances, (j) release, substitution or sale of property securing repayment of the securities, and (k) rating changes, if any are then in effect;

(iii) in a timely manner, to Ambac Assurance, to the SID, if any, to each NRMSIR and to the MSRB, notice of a failure by the County to provide the required annual financial information on or before the date specified above.

The County has reserved the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgement of the County; provided that, the County has agreed that any such modification will be done in a manner consistent with the Rule. The County has reserved the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Warrants within the meaning of the Rule. The County has acknowledged that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Warrants and shall be enforceable by the holders; provided that, the holders' rights to enforce the provisions of the undertaking contained in the Authorizing Resolution shall be limited to a right to obtain specific enforcement of the County's obligations hereunder and any failure by the County to comply with the provisions of this undertaking shall not be an event of default with respect to the Warrants and shall not subject the County to money damages in any amount, whether compensatory, penal or otherwise. The County has designated the following individual as the contact person on behalf of the County from whom the foregoing information, data and notices can be obtained:

Gail Estis, or successor
as County Administrator
Franklin County Courthouse
P.O. Box 1028
Russellville, Alabama 35653
Telephone: (256) 332-8850
Facsimile: (256) 332-8855
e-mail: franklin@hiwaay.net

MISCELLANEOUS

Any statements made in this Official Statement and indicated to involve matters of opinion or estimates are represented to be opinions or estimates made in good faith. Any such estimate or opinion is not to be construed as a representation that such estimate or opinion will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered owners of the Warrants.

CERTIFICATE

I, the undersigned Chairman of the Franklin County Commission, do hereby certify that, to the best of my knowledge, the County's Official Statement respecting the Warrants does not contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in light of the circumstances in which they are made, not misleading.

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

FRANKLIN COUNTY, ALABAMA

By /s/ Mike Green
Chairman of the Franklin County Commission

APPENDIX A

Proposed Opinion of Bond Counsel

Franklin County
Russellville, Alabama

Joe Jolly & Co., Inc.
Birmingham, Alabama

Ambac Assurance Corporation
New York, New York

Re: \$5,820,000 General Obligation Warrants, Series 2003-B, dated October 1, 2003,
issued by Franklin County, Alabama

Ladies and Gentlemen:

This opinion is rendered in connection with the issuance of the above-referenced warrants (the "Warrants") by Franklin County, Alabama (the "County"), a political subdivision organized under the laws of the State of Alabama. The Warrants are issued pursuant to a resolution and order duly adopted by the governing body of the County (the "Warrant Resolution").

We have examined the following: the proceedings of the County for adoption of the Warrant Resolution; a certification on behalf of the County pursuant to the regulations under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), relative to arbitrage bonds; and other certificates, documents and proofs considered by us to be pertinent. In rendering this opinion we have relied upon statements set forth in certificates executed by public officials and by officers of the County and upon an opinion of counsel to the County.

Based upon the foregoing and upon our examination of the aforesaid proceedings and other papers submitted to us, and in reliance on the aforesaid certificates and opinion and assuming compliance with the covenants and representations in the Warrant Resolution, we are of the opinion, as of the date hereof and under existing law, that:

(1) The Warrants constitute and evidence the valid and binding general obligation indebtedness of the County payable from the special fund designated "Series 2003 General Obligation Warrants Fund" into which there has been ordered to be paid from the proceeds of the general revenues and taxes of the County amounts sufficient to pay the principal of and interest on the Warrants as the same respectively mature and become due.

(2) Interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code and applicable regulations and rulings of the Commissioner of Internal Revenue and court decisions heretofore rendered.

(3) Interest on the Warrants is exempt from present income taxation in the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the Warrants. It should be noted, however, that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in certain alternative minimum tax calculations for corporations, (2) property and casualty insurance companies are required to include a portion of the tax-exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security benefits and certain railroad retirement benefits required to be included in gross income and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest.

The rights of the registered owners of the Warrants and the enforceability thereof are subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the constitutional powers of the United States of America and the sovereign police powers of the State of Alabama, and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted.

Faithfully yours,

APPENDIX B

**Audited Report for the Period
October 1, 2000 - September 30, 2001**

Report on the

Franklin County Commission

Franklin County, Alabama

October 1, 2000 Through September 30, 2001

Filed: December 27, 2002



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.state.al.us

Ronald L. Jones, Chief Examiner

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Independent Auditor's Report

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Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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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 Franklin County Commission for the period October 1, 2000 through September 30, 2001.

SCOPE AND OBJECTIVES

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

CONTENTS OF REPORT

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Financial Section** – includes basic financial statements (Exhibits 1 through 5); notes to the financial statements; required supplementary information (Exhibit 6); 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 7) and the following report and item required by generally accepted government auditing standards:

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 8) – a report on internal control related to the financial statements and on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

Auditee Response (Exhibit 9) – a response by the Commission on the results of the audit.

AUDIT COMMENTS

The Franklin County Commission is a five-member governing body that appropriates funds on an annual basis for the operation of the offices of all county officials and the County Road Department, which is operated under the unit system.

AUDIT FINDING

- ◆ Actions of the Commission were not properly reflected in the minutes. The write-off of solid waste receivables was approved in the minutes as purging of deceased customers, but the accounts of other than deceased persons were included in the write-off. The general ledger receivables were reduced by \$340,646.38, but the subsidiary ledger reflected a reduction of only \$61,622.00.

STATUS OF PRIOR AUDIT

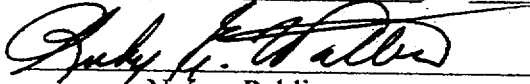
Findings contained in the prior audit have been resolved except as follows:

- ◆ The Commission did not have adequate controls in place regarding the receivables and revenue functions in the Solid Waste Department. The following items were noted:
 - ✓ Aging reports were not run in order to facilitate managerial analysis.
 - ✓ Delinquent accounts that are inactive and have been sent to a collection agency are still included in the accounts receivable balance and are materially overstating assets. There is no allowance for doubtful accounts recorded on the general ledger.
During the current year audit, confirmations were mailed to confirm the accounts receivables balance. No conclusions could be made from this test due to the low number of responses received.
 - ✓ A computer-generated receipt is not issued at the time of payment. Alternatively, there are no control numbers assigned to a payment. Also, the check-up sheet does not show whether cash or check was received.

RECOMMENDATIONS

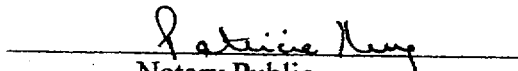
- ♦ All actions of the Commission should be reflected in the minutes of the Commission's meetings.
- ♦ The Commission should have adequate procedures in place to ensure that: Solid Waste aging reports are generated and utilized to determine uncollectible accounts; uncollectible accounts are written off when necessary and an allowance for doubtful accounts maintained; computer generated receipts are issued at time of payment or control numbers are assigned to payments; and daily check-up sheets reflect whether cash or check was received.

Sworn to and subscribed before me this
the 3 day of October, 2002.



Notary Public

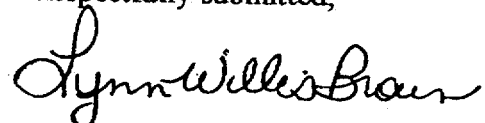
Sworn to and subscribed before me this
the 4th day of October, 2002.




Notary Public

cm

Respectfully submitted,


Lynn Willis Brown
Examiner of Public Accounts


Suzy Berryman
Examiner of Public Accounts

Independent Auditor's Report

We have audited the accompanying primary government financial statements of the Franklin County Commission, as of and for the year ended September 30, 2001, as listed in the table of contents as Exhibits 1 through 5. These financial statements are the responsibility of the Franklin County Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

As of September 30, 2001, the accounts receivable balance in the Enterprise Fund, as shown on Exhibit 1, was \$367,066.77. The subsidiary ledger balance was \$708,672.59. We were unable to obtain sufficient competent evidential matter to support the balance shown on the balance sheet.

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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence relating to accounts receivable in the enterprise fund, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government, the Franklin County Commission, as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund type 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 Franklin County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Franklin County, as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19 to the primary government financial statements, the Franklin County Commission changed its method of reporting certain salaries at year-end.

As described in Note 17 to the primary government financial statements, the Franklin County Commission adopted the provisions of Governmental Accounting Standards Board Statement Number 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement Number 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, an amendment of GASB Statement Number 33, for the year ended September 30, 2001. This results in a change to the Franklin County Commission's method of accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2002 on our consideration of the Franklin 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.

The Schedule of Funding Progress (Exhibit 6) 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

May 30, 2002

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Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS			
Cash and Cash Equivalents	\$ 85,930.29	\$ 784,576.34	\$
Cash with Fiscal Agent			
Investments			363,603.99
Accounts Receivable		370,000.00	
Due From Other Funds	5,030.01		
Due From Other Governments	58,696.38	167,961.53	
Property Tax Receivable	1,517,218.27	479,869.27	
Other Receivables	76,696.35	21,757.70	
Inventories		166,767.24	
Land			
Buildings and Improvements			
Equipment and Furniture			
Equipment Under Capital Leases			
Less: Accumulated Depreciation			
Amount Available In Debt Service Fund			
Amount to Be Provided for Payment of General Long-Term Debt			
Amount to Be Provided for Payment of Compensated Absences			
TOTAL ASSETS	\$ 1,743,571.30	\$ 1,990,932.08	\$ 363,603.99

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only) Current Year
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$ 37,236.45	\$ 235,750.89	\$	\$	\$ 1,143,493.97
	40,981.86			363,603.99
367,066.77				410,981.86
	3,362.27			367,066.77
				8,392.28
				226,657.91
				1,997,087.54
				98,454.05
69,344.00		102,369.75		166,767.24
203,499.11		2,638,606.11		171,713.75
1,101,523.77		4,048,235.98		2,842,105.22
		129,188.51		5,149,759.75
(846,903.66)				129,188.51
				(846,903.66)
			363,603.99	363,603.99
			3,394,456.24	3,394,456.24
			208,054.17	208,054.17
\$ 931,766.44	\$ 280,095.02	\$ 6,918,400.35	\$ 3,966,114.40	\$ 16,194,483.58

Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Debt Service
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 3,918.71	\$ 84.21	\$
Due To Other Funds	3,362.27		
Deferred Revenues			
Other Payables	1,517,218.27	479,869.27	
Accrued Wages Payable	73,697.65	41,969.78	
Estimated Liability for Compensated Absences	15,493.33		
Notes Payable			
Capital Lease Contract Payable			
Warrants Payable			
Estimated Liability - Landfill Closure and Postclosure Care Costs			
TOTAL LIABILITIES	1,613,690.23	521,923.26	
FUND EQUITY			
Contributed Capital			
Retained Earnings			
Investment in General Fixed Assets			
Fund Balances:			
Reserved for Inventory		166,767.24	
Reserved for Debt Service			363,603.99
Reserved for Trust Requirements			
Unreserved	129,881.07	1,302,241.58	
TOTAL FUND EQUITY	129,881.07	1,469,008.82	363,603.99
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,743,571.30	\$ 1,990,932.08	\$ 363,603.99

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

Proprietary Fund Type Enterprise	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only) Current Year
		General Fixed Assets	General Long-Term Debt	
\$ 269.62	\$ 1,056.64			\$ 5,329.18
	5,030.01			8,392.28
556.32				1,997,643.86
	69,880.23			69,880.23
19,353.80				135,021.23
36,642.99			208,054.17	260,190.49
	2,353.64		555,063.62	557,417.26
			27,996.61	27,996.61
			3,175,000.00	3,175,000.00
179,667.22				179,667.22
236,489.95	78,320.52		3,966,114.40	6,416,538.36
692,493.93				692,493.93
2,782.56				2,782.56
		6,918,400.35		6,918,400.35
				166,767.24
				363,603.99
	201,774.50			201,774.50
				1,432,122.65
695,276.49	201,774.50	6,918,400.35		9,777,945.22
\$ 931,766.44	\$ 280,095.02	\$ 6,918,400.35	\$ 3,966,114.40	\$ 16,194,483.58

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

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>REVENUES</u>			
Taxes	\$ 1,677,567.76	\$ 638,199.58	\$
Licenses and Permits	21,536.92	11,739.24	
Intergovernmental	892,206.97	3,033,834.82	
Charges for Services	971,354.89	1,140.00	
Miscellaneous	111,791.27	1,076,538.74	88,513.87
TOTAL REVENUES	3,674,457.81	4,761,452.38	88,513.87
<u>EXPENDITURES</u>			
Current:			
General Government	1,529,066.02	508,525.29	
Public Safety	1,715,367.14		
Highways and Roads		3,315,377.36	
Health	25,348.64		
Welfare	2,417.22		
Education	42,884.50	55,750.00	
Capital Outlay	33,674.06	388,172.98	
Debt Service:			
Principal Retirement	132,668.70	7,020.22	485,000.00
Interest and Fiscal Charges	16,239.65	21,101.12	167,063.31
Intergovernmental	99,914.27		
TOTAL EXPENDITURES	3,597,580.20	4,295,946.97	652,063.31
Excess of revenues over (under) expenditures	76,877.61	465,505.41	(563,549.44)
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction		335,125.00	
Operating Transfers In	192,505.97	780,679.46	550,652.69
Operating Transfers Out	(303,618.89)	(1,145,706.76)	(10,032.67)
TOTAL OTHER FINANCING SOURCES (USES)	(111,112.92)	(29,902.30)	540,620.02
Excess of revenues and other sources over (under) expenditures and other uses	(34,235.31)	435,603.11	(22,929.42)
Fund Balances at beginning of year, as Restated (See Note 18)	164,116.38	1,033,405.71	386,533.41
Fund Balances at end of year	\$ 129,881.07	\$ 1,469,008.82	\$ 363,603.99

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

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only) Current Year</u>
<u>Expendable Trust</u>	
\$ 11,730.00	\$ 2,315,767.34
213,734.87	45,006.16
34,463.96	3,926,041.79
259,928.83	1,186,229.76
	1,311,307.84
	8,784,352.89
189,957.72	2,227,549.03
9,816.45	1,725,183.59
	3,315,377.36
	25,348.64
	2,417.22
	98,634.50
35,259.35	457,106.39
17,259.71	641,948.63
4,160.64	208,564.72
	99,914.27
256,453.87	8,802,044.35
3,474.96	(17,691.46)
	335,125.00
147,000.00	1,670,838.12
(147,000.00)	(1,606,358.32)
	399,604.80
3,474.96	381,913.34
198,299.54	1,782,355.04
\$ 201,774.50	\$ 2,164,268.38

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Fund Types
For the Year Ended September 30, 2001

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>REVENUES</u>			
Taxes	\$ 1,625,485.16	\$ 1,677,567.76	\$ 52,082.60
Licenses and Permits	24,000.00	21,536.92	(2,463.08)
Intergovernmental	821,624.82	892,206.97	70,582.15
Charges for Services	978,972.11	971,354.89	(7,617.22)
Miscellaneous	87,006.13	111,791.27	24,785.14
TOTAL REVENUES	3,537,088.22	3,674,457.81	137,369.59
<u>EXPENDITURES</u>			
Current:			
General Government	1,472,920.05	1,529,066.02	(56,145.97)
Public Safety	1,661,080.50	1,715,367.14	(54,286.64)
Highways and Roads			
Health	24,298.68	25,348.64	(1,049.96)
Welfare	1,250.00	2,417.22	(1,167.22)
Education	59,210.07	42,884.50	16,325.57
Capital Outlay	98,617.51	33,674.06	64,943.45
Debt Service:			
Principal Retirement	154,232.03	132,668.70	21,563.33
Interest and Fiscal Charges	21,646.75	16,239.65	5,407.10
Intergovernmental	102,552.00	99,914.27	2,637.73
TOTAL EXPENDITURES	3,595,807.59	3,597,580.20	(1,772.61)
Excess of revenues over (under) expenditures	(58,719.37)	76,877.61	135,596.98
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction	47,511.50		(47,511.50)
Operating Transfers In	40,000.00	192,505.97	152,505.97
Operating Transfers Out	(233,634.40)	(303,618.89)	(69,984.49)
TOTAL OTHER FINANCING SOURCES (USES)	(146,122.90)	(111,112.92)	35,009.98
Excess of revenues and other sources over (under) expenditures and other uses	(204,842.27)	(34,235.31)	170,606.96
Fund Balances at beginning of year, as Restated (See Note 18)	258,174.83	164,116.38	(94,058.45)
Fund Balances at end of year	\$ 53,332.56	\$ 129,881.07	\$ 76,548.51

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 730,410.00	\$ 638,199.58	\$ (92,210.42)	\$	\$	\$
	11,739.24	11,739.24			
2,659,581.18	3,033,834.82	374,253.64			
160,000.00	1,140.00	(158,860.00)			
968,497.00	1,076,538.74	108,041.74	104,545.00	88,513.87	(16,031.13)
4,518,488.18	4,761,452.38	242,964.20	104,545.00	88,513.87	(16,031.13)
583,700.00	508,525.29	75,174.71			
2,940,414.18	3,315,377.36	(374,963.18)			
50,000.00	55,750.00	(5,750.00)			
8,000.00	388,172.98	(380,172.98)			
574,596.11	7,020.22	567,575.89	355,000.00	485,000.00	(130,000.00)
52,544.93	21,101.12	31,443.81	118,952.50	167,063.31	(48,110.81)
4,209,255.22	4,295,946.97	(86,691.75)	473,952.50	652,063.31	(178,110.81)
309,232.96	465,505.41	156,272.45	(369,407.50)	(563,549.44)	(194,141.94)
	335,125.00	335,125.00			
738,285.00	780,679.46	42,394.46	369,407.50	550,652.69	181,245.19
(924,483.90)	(1,145,706.76)	(221,222.86)		(10,032.67)	(10,032.67)
(186,198.90)	(29,902.30)	156,296.60	369,407.50	540,620.02	171,212.52
123,034.06	435,603.11	312,569.05		(22,929.42)	(22,929.42)
1,080,835.33	1,033,405.71	(47,429.62)		386,533.41	386,533.41
\$1,203,869.39	\$1,469,008.82	\$ 265,139.43	\$	\$ 363,603.99	\$ 363,603.99

Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Year Ended September 30, 2001

	Proprietary Fund Type	Totals
	Enterprise Fund	(Memorandum Only) Current Year
<u>Operating Revenues</u>		
Charges for Services	\$ 1,001,292.10	\$ 1,001,292.10
Total Operating Revenues	<u>1,001,292.10</u>	<u>1,001,292.10</u>
<u>Operating Expenses</u>		
Salaries	496,790.85	496,790.85
Employee Benefits and Payroll Taxes	124,779.90	124,779.90
Materials and Supplies	69,387.11	69,387.11
Repairs and Maintenance	90,070.36	90,070.36
Rentals	11,803.00	11,803.00
Utilities	5,775.28	5,775.28
Communications	6,225.73	6,225.73
Depreciation	112,579.17	112,579.17
Landfill Expenses	376,621.65	376,621.65
Miscellaneous	19,128.60	19,128.60
Total Operating Expenses	<u>1,313,161.65</u>	<u>1,313,161.65</u>
Operating Income (Loss)	<u>(311,869.55)</u>	<u>(311,869.55)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Revenue	2,076.71	2,076.71
Miscellaneous Revenue	18,337.51	18,337.51
Total Nonoperating Revenues (Expenses)	<u>20,414.22</u>	<u>20,414.22</u>
Income (Loss) Before Operating Transfers	<u>(291,455.33)</u>	<u>(291,455.33)</u>
<u>Operating Transfers</u>		
Operating Transfers Out	<u>(64,479.80)</u>	<u>(64,479.80)</u>
Total Operating Transfers	<u>(64,479.80)</u>	<u>(64,479.80)</u>
Net Income/(Loss)	<u>(355,935.13)</u>	<u>(355,935.13)</u>
Retained Earnings at beginning of year, as Restated (See Note 18)	<u>358,717.69</u>	<u>358,717.69</u>
Retained Earnings at end of year	<u>2,782.56</u>	<u>2,782.56</u>
Contributed Capital	<u>692,493.93</u>	<u>692,493.93</u>
Fund Equity at end of year	<u>\$ 695,276.49</u>	<u>\$ 695,276.49</u>

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

Statement of Cash Flows
Proprietary Fund Type
For the Year Ended September 30, 2001

	Proprietary Fund Type Enterprise Fund	Totals (Memorandum Only) Current Year
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,205,846.57	\$ 1,205,846.57
Cash Payments to Employees	(620,304.29)	(620,304.29)
Cash Payments for Goods and Services	(583,712.11)	(583,712.11)
Net Cash Provided by Operating Activities	1,830.17	1,830.17
<u>Cash Flows from Noncapital Financing Activities</u>		
Interest Revenue	2,076.71	2,076.71
Miscellaneous Revenues	14,737.51	14,737.51
Cash Paid to Other Funds	(8,763.44)	(8,763.44)
Operating Transfer Out	(64,479.80)	(64,479.80)
Net Cash Provided from Noncapital Financing Activities	(56,429.02)	(56,429.02)
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of Fixed Assets	(5,998.07)	(5,998.07)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,998.07)	(5,998.07)
Net increase (decrease) in cash and cash equivalents	(60,596.92)	(60,596.92)
Cash and cash equivalents, beginning of year	97,833.37	97,833.37
Cash and cash equivalents, end of year	\$ 37,236.45	\$ 37,236.45

Statement of Cash Flows
Proprietary Fund Type
For the Year Ended September 30, 2001

	Proprietary Fund Type Enterprise Fund	Totals (Memorandum Only) Current Year
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>		
Operating Income (Loss)	\$ (311,869.55)	\$ (311,869.55)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities</u>		
Depreciation Expense	112,579.17	112,579.17
Decrease (Increase) in Receivables	203,998.15	203,998.15
Increase (Decrease) in Accounts Payable	269.62	269.62
Increase (Decrease) in Deferred Revenue	556.32	556.32
Increase (Decrease) in Accrued Wages Payable	(1,917.34)	(1,917.34)
Increase (Decrease) in Estimated Liability for Compensated Absences	3,183.80	3,183.80
Increase (Decrease) in Estimated Liability - Landfill Postclosure Care Costs	(4,970.00)	(4,970.00)
Total Adjustments	313,699.72	313,699.72
Net Cash Provided (Used) by Operating Activities	\$ 1,830.17	\$ 1,830.17

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

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Notes to the Financial Statements

For the Year Ended September 30, 2001

Note 1 - Summary of Significant Accounting Policies

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

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

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

The Statement provides for a phased-in implementation (based on the total annual revenues of the government) starting in fiscal years ending 2002. The Commission is considered a phase three government and will implement the statement in fiscal year ending September 30, 2004. The Commission is required to prospectively report general infrastructure assets at the same time the Statement is implemented.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Based on the application of the above criteria, the following entities are component units of the Commission: Franklin County Revenue Commissioner, Probate Judge and Sheriff. Separate legal compliance examination reports are issued for these component units and these reports can be obtained from the State of Alabama, Department of Examiners of Public Accounts.

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

B. Fund Accounting

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

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

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

Governmental Fund Types

Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), 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 property taxes and revenues collected by the State of Alabama and shared with the County.

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Notes to the Financial Statements

For the Year Ended September 30, 2001

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.

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 to outside parties (enterprise funds).

Enterprise Funds

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

Fiduciary Fund Types

Fiduciary fund types are used to account for resources held by the Commission in a trustee capacity or as an agent for other organizations or individuals. 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 agency funds.

Expendable Trust Funds

These funds are used to account for assets held in trust by the Commission and disbursed at the direction of law, a specific individual, or an organization.

Agency Funds

These funds are used to account for assets that belong to other organizations and individuals. The Commission collects these assets and transfers them to the proper parties.

Notes to the Financial Statements

For the Year Ended September 30, 2001

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

Notes to the Financial Statements

For the Year Ended September 30, 2001

The accrual basis of accounting is utilized by proprietary fund types. 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 potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when all applicable revenue recognition criteria are met, the 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, and debt service funds. All annual appropriations lapse at fiscal year-end.

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 the purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

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

Investments consisted of certificates of deposit that are stated at cost or amortized cost which approximates fair value.

F. Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. Inventories

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

Notes to the Financial Statements

For the Year Ended September 30, 2001

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 the straight-line method. The estimated useful lives are as follows:

	Years
Buildings	25-50
Improvements	10-30
Equipment	3-10

I. Other Debits

The general long-term debt account group reflects accounts entitled "Amount to Be Provided for Payment of General Long-Term Debt" and "Amount to Be Provided for Payment of Compensated Absences". These accounts have debit balances and are offsets to the general obligations payable. 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 annual leave.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Annual Leave

The Commission's policy on sick and annual leave on full-time employees is as follows: Employees employed one year or less earn $\frac{1}{2}$ day of annual leave per month. In the second year they earn $\frac{3}{4}$ of a day. In the third year through the fifth year, they earn 1 day. In the sixth year through the tenth year they earn $1\frac{1}{4}$ days. After 10 years service, they earn $1\frac{1}{2}$ days.

Employees may accrue annual leave to a maximum of 30 days and carry over such accrued leave days into the following calendar year. Unused accrued annual leave in excess of 30 days at the end of any calendar year shall be forfeited. Employees who resign voluntarily and who will give reasonable notice of intention to resign will receive any annual leave credit earned as of the date of resignation. Part-time and temporary employees shall not be entitled to earn annual leave.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 12 workdays per fiscal year. Sick leave benefits are accrued by all non-probationary permanent full-time employees at a rate of 1 workday per month of continuous employment and credited each month. Unused sick leave credits may be accumulated up to a maximum of 120 days and carried over into successive fiscal years by employees. Upon retirement, County employees are paid one-half credit for all accumulated sick leave up to 30 working days.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. The Commission's original policy (June 11, 1979) provides that salaried employees who are required to work more than forty hours in any one work week will be given straight-time compensatory time off with pay. The revised policy (March 11, 1996) makes a provision allowing a carryover of a maximum of 80 hours compensatory time per year. Employees have the option of choosing compensatory time off in lieu of time and one-half pay. The 80 hours compensatory time is forfeited at the end of the next calendar year. This policy does not apply to salaried-exempted employees.

The Governmental Accounting Standards Board stipulates that compensated absences for sick leave and other compensated absences with similar characteristics should be accrued only when it is probable that the employer will have to make termination payments. There are two established methods, the termination payment method and the vesting method. The Commission uses the termination payment method.

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 payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Notes to the Financial Statements

For the Year Ended September 30, 2001

As of September 30, 2001 the liability for accrued compensatory, annual and sick leave is approximately \$260,190.49. The amount applicable to the proprietary fund of \$36,642.99 has been recorded in that fund. Only the current portion of \$15,493.33 has been reported as a liability in the general fund. The remainder of \$208,054.17 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

K. Short-Term Obligations

At September 30, 2001, the outstanding short-term notes payable totaled \$2,353.64. This note payable is an obligation of the Franklin County Law Library Fund, an expendable trust fund, and the Commission is under no obligation to repay this note.

L. Long-Term Obligations

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

M. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. In fiscal year 2001, with the implementation of GASB Statement 33, capital contributions are recognized as revenues. Prior to fiscal year 2001, capital contributions were recorded as contributed capital. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

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, 2001

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. Property Taxes

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

Q. Policy re: FASB Pronouncements for Proprietary Activities

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

Note 2 - Budgets and Appropriations

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2001

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

Note 3 - Deposits and Investments

Deposits

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

Investments

All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Note 4 - Cost Sharing Arrangement

On January 12, 1998, the Commission approved a joint resolution with the City of Russellville for the construction of the A.W. Todd Agricultural and Business Center for the use of the citizens of Franklin County and West Alabama. The A.W. Todd Agri-Business Center Building Authority of the City of Russellville was formed June 8, 1998. The County and the City of Russellville agreed to contribute \$400,000 each to the construction and furnishing of the Center. The County and the City appointed two directors each to serve on the Board. The project was built on land owned by the City of Russellville. Prior to the completion of the building, the Authority entered into a thirty-year lease with the City of Russellville upon terms satisfactory both to the City, the Authority and the County Commission for the operation of the building and the related facilities. The City will be responsible for the routine maintenance of the building and the operation of the facility, the cost of which shall be offset by user fees. The Authority retains the right to approve all user charges and all restrictions upon the use of the building. The bid price received from Smith Contractors of Florence, AL was \$1,189,000.00. Groundbreaking ceremony was May 4, 2001. Construction was completed on April 24, 2002.

Notes to the Financial Statements

For the Year Ended September 30, 2001

The Commission transferred \$400,000.00 to the Building Authority on October 15, 1998 out of the Agricultural Pavilion Fund. To date, the Commission expended additional county and state grant funds of \$384,000.00. The Commission has agreed to appropriate \$5,610.59 each year to the A. W. Todd Building Authority as one half of the annual loan payment to be paid by the City of Russellville to the Farmers' Market Authority of the State of Alabama.

Note 5 - Due To/From Other Funds

The amounts due to/from other funds at September 30, 2001, were as follows:

	Due From Other Funds		Totals
	General Fund	Trust and Agency Funds	
<u>Due to Other Funds</u>			
General Fund	\$	\$3,362.27	\$3,362.27
Trust and Agency Funds	5,030.01		5,030.01
Total	\$5,030.01	\$3,362.27	\$8,392.28

Note 6 - Due From Other Governments

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

	General Fund	Special Revenue Funds	Totals
State	\$46,696.38	\$167,228.93	\$213,925.31
Local	12,000.00	732.60	12,732.60
Total	\$58,696.38	\$167,961.53	\$226,657.91

Notes to the Financial Statements

For the Year Ended September 30, 2001

Note 7 - Changes in General Fixed Assets

A summary of changes in the Commission's general fixed assets as of September 30, 2001, is as follows:

	Balance 10/01/2000	Additions	Reductions	Balance 9/30/2001
Land	\$ 102,369.75	\$	\$	\$ 102,369.75
Buildings and Improvements	2,589,856.11	48,750.00		2,638,606.11
Equipment and Furniture	4,060,446.58	473,871.58	486,082.18	4,048,235.98
Equipment Under Capital Lease	129,188.51			129,188.51
Total	\$6,881,860.95	\$522,621.58	\$486,082.18	\$6,918,400.35

A summary of changes in property, plant, and equipment of the proprietary fund as of September 30, 2001, is as follows:

	Balance 9/30/2000	Additions	Reductions	Balance 9/30/2001
Land	\$ 69,344.00	\$	\$	\$ 69,344.00
Buildings and Improvements	203,499.11			203,499.11
Equipment and Furniture	1,208,149.26	9,598.07	116,223.56	1,101,523.77
Sub-Total	1,480,992.37	9,598.07	116,223.56	1,374,366.88
Less: Accumulated Depreciation	(850,548.05)	(112,579.17)	116,223.56	(846,903.66)
Total	\$ 630,444.32	\$(102,981.10)	\$	\$ 527,463.22

Note 8 - Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. Assets under capital leases totaled \$129,188.51 at September 30, 2001. If the Commission completes the lease payments according to the schedule below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the balance sheet.

Notes to the Financial Statements

For the Year Ended September 30, 2001

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2001:

Fiscal Year Ending	General Long-Term Debt Account Group
September 30, 2002	\$26,160.72
2003	3,414.62
Total Minimum Lease Payments	29,575.34
Less: Amount Representing Interest	1,578.73
Present Value of Net Minimum Lease Payments	\$27,996.61

Note 9 - Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Franklin County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution, which at September 30, 2001, amounted to \$32,058.41.

Note 10 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has purchased general liability insurance through a commercial insurance carrier. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$6,000,000. The Commission also purchases commercial insurance for other risks of loss, including property and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self-Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee that is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants receive refunds of unused premiums and the related investment earnings.

Notes to the Financial Statements

For the Year Ended September 30, 2001

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees may choose between two options. They may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims. Under the second option, employees may choose to participate in a Health Maintenance Organization (HMO) plan. Under this plan, the HMO functions as a commercial insurer and premiums are paid based on the amount charged by the HMO. Presently, there is no HMO that serves Franklin County. Therefore, all of the Commission's employees participate in the plan administered by Blue Cross/Blue Shield.

Note 11 - Changes in General Long-Term Debt

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

	Debt Outstanding October 1, 2000	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2001
<u>Warrants Payable:</u>				
General Obligations				
Warrants	\$1,225,000.00	\$	\$130,000.00	\$1,095,000.00
Revenue Warrants	1,650,000.00		295,000.00	1,355,000.00
Building Revenue Warrants	785,000.00		60,000.00	725,000.00
Capital Lease Contracts				
Payable	56,859.35		28,862.74	27,996.61
Notes Payable	353,082.47	335,175.00	133,193.85	555,063.62
Estimated Liability for				
Compensated Absences	183,710.20	24,343.97		208,054.17
Total	\$4,253,652.02	\$359,518.97	\$647,056.59	\$3,966,114.40

Notes to the Financial Statements

For the Year Ended September 30, 2001

The following is a schedule of debt service requirements to maturity at September 30, 2001:

Fiscal Year Ending	Capital Leases		Notes Payable		Department of Human Resources Building Revenue Warrants Series 1993	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2002	\$24,624.84	\$1,535.88	\$136,967.32	\$22,300.75	\$ 65,000.00	\$ 41,355.00
2003	3,371.77	42.85	142,234.19	16,902.52	65,000.00	37,910.00
2004			52,422.71	10,185.85	70,000.00	34,195.00
2005			54,454.92	8,153.64	75,000.00	30,097.50
2006			56,577.92	6,030.64	80,000.00	25,500.00
2007			53,599.40	3,812.82	85,000.00	20,426.25
2008			54,184.08	1,495.92	90,000.00	15,000.00
2009			4,623.08	16.92	95,000.00	9,218.75
2010					100,000.00	3,125.00
Totals	\$27,996.61	\$1,578.73	\$555,063.62	\$68,899.06	\$725,000.00	\$216,827.50

Note 12 - Long-Term Commitments

The Commission authorized a bond issue dated November 1, 1993, in the amount of \$1,045,000.00 to construct a building for the State of Alabama Department of Human Resources. The warrants are limited obligations of the county and are payable solely from the amounts received by the County under or with respect to the Lease Agreement executed with the Alabama Department of Human Resources. The warrants do not constitute a debt or pledge of the faith and credit of the Commission. Upon repayment of the warrants, ownership of the acquired property transfers to the Commission.

Note 13 - Defined Benefit Pension Plan

A. Plan Description

The Commission contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Notes to the Financial Statements

For the Year Ended September 30, 2001

State Gasoline Tax Anticipation Warrants Series 1997		General Obligation Refunding Warrants Payable Series 1998		State Gasoline Tax Anticipation Warrants Series 1995		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	Principal	Interest	
\$160,000.00	\$3,760.00	\$ 135,000.00	\$ 42,307.50	\$ 145,000.00	\$ 56,623.75	\$ 834,475.04
		120,000.00	37,402.50	155,000.00	49,460.00	627,323.83
		125,000.00	32,562.50	160,000.00	41,820.00	526,186.06
		130,000.00	27,397.50	170,000.00	33,650.00	528,753.56
		135,000.00	21,931.25	180,000.00	24,810.00	529,849.81
		145,000.00	16,085.00	185,000.00	15,410.00	524,333.47
		150,000.00	9,852.50	200,000.00	5,300.00	525,832.50
		155,000.00	3,332.50			267,191.25
						103,125.00
\$160,000.00	\$3,760.00	\$1,095,000.00	\$190,871.25	\$1,195,000.00	\$227,073.75	\$4,467,070.52

Substantially all employees of the Commission are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Commission. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the *Code of Alabama 1975*, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements

For the Year Ended September 30, 2001

B. Funding Policy

Employees of the Commission are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. Effective January 1, 2001, the member contribution rate for state correctional officers, certified full-time firefighters, and certified full-time law enforcement officers increased to 6% of employee's compensation. Regular member contributions remain at 5% of employee compensation. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2001 was 2.03 percent based on the actuarial valuation performed as of September 30, 1999.

C. Annual Pension Cost

For the year ended September 30, 2001, the Commission's annual pension contribution of \$124,364.71 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 September 30, 2000, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding excess is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period as of September 30, 2000 was forty years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2001	\$124,365	100%	\$0
9/30/2000	\$ 98,110	100%	\$0
9/30/1999	\$116,789	100%	\$0

The Schedule of Funding Progress, which is required supplementary information, is contained in Exhibit 6.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Note 14 - Other Postemployment Benefits (OPEB)

In March 1998, the Commission passed a resolution that allows retired employees with a minimum of 15 years continuous service to participate in the County's health insurance plan from the current Social Security age to a maximum of 3 years. The costs of the premiums are to be paid by the Commission. For the year ending September 30, 2001, the Commission's expenditures to cover 4 participants totaled \$10,354.50.

The Commission allows employees retiring on disability with a minimum of 15 years continuous service to participate in the County's health insurance plan for a maximum of 2 years from the date of retirement or when the employee is eligible for disability insurance. The costs of the premiums are to be paid by the Commission. For the year ending September 30, 2001, the Commission's expenditures to cover 2 participants totaled \$4,104.00.

Note 15 - Landfill Closure and Postclosure Care Costs

The Alabama Department of Environmental Management required the Franklin County Commission to close the Sanitary Landfill to municipal solid waste during fiscal year 1994. State and federal laws and regulations require that the Commission place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated landfill postclosure care costs in the amount of \$179,667.22 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were incurred as of September 30, 2001. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 16 - Franchise Taxes

Several counties of the State of Alabama receive a portion of the revenues received by the State from 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 outcome. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Note 17 - GASB Statement Number 33

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

Note 18 - Restatements

At October 1, 2000, beginning retained earning of the enterprise fund (Solid Waste Disposal System Fund) was restated to account for accrued wages payable at September 30, 2000:

	Enterprise Funds
Retained Earnings, October 1, 2000, as Previously Reported	\$379,988.83
Accrued Wages Payable	(21,271.14)
Retained Earnings, October 1, 2000, as Restated	<u>\$358,717.69</u>

Fund balance at October 1, 2000, in the general fund, was restated to account for accrued wages payable:

	General Fund
Fund Balance, October 1, 2000, as Previously Reported	\$241,650.46
Accrued Wages Payable	(77,534.08)
Fund Balance, October 1, 2000, as Restated	<u>\$164,116.38</u>

Notes to the Financial Statements

For the Year Ended September 30, 2001

Fund balance at October 1, 2000, in the special revenue funds, was restated to account for accrued wages payable and taxes receivable (due from other governments):

	Special Revenue Funds
Fund Balance, October 1, 2000, as Previously Reported	\$1,041,934.46
Accrued Wages Payable	(36,147.94)
Taxes Receivable	27,619.19
Fund Balance, October 1, 2000, as Restated	<u>\$1,033,405.71</u>

Note 19 - Salary Accruals

Beginning in fiscal year 2001, the Commission began accruing employees' wages and benefits payable as of September 30, 2001. The amount accrued is calculated using the number of days worked but not yet paid as of September 30, 2001.

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Required Supplementary Information

Schedule of Funding Progress
For the Year Ended September 30, 2001

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]
9/30/1998**	\$5,120,838	\$4,542,493	(\$578,345)	112.7%	\$2,249,117	(25.7%)
9/30/1999	\$5,565,643	\$5,292,878	(\$272,765)	105.2%	\$2,695,445	(10.1%)
9/30/2000	\$5,939,909	\$5,468,667	(\$471,242)	108.6%	\$2,652,100	(17.8%)

* Reflects liability for cost of living benefit increases on or after October 1, 1978.

**Reflects change in asset valuation method to market related value (as of September 30, 1998).

Additional Information

Commission Members and Administrative Personnel
October 1, 2000 through September 30, 2001

Commission Members			Term Expires
Hon. Mike Green	Ex-Officio Chairman	P. O. Box 883 Russellville, AL 35653	2007
Hon. Hal Kirby	Ex-Officio Chairman	207 Limestone Street NW Russellville, AL 35653	2001
Hon. Norris Lewey	Member	3491 Highway 19 Red Bay, AL 35582	2004
Hon. Jackie Bradford	Member	445 Spurgeon Road Russellville, AL 35654	2004
Hon. Gene Graham	Member	3582 Highway 22 Spruce Pine, AL 35585	2004
Hon. Curtis Bragwell	Member	1886 Highway 41 Russellville, AL 35653	2004
Hon. Silas Oliver	Member	1019 Highway 177 Russellville, AL 35653	2000
Hon. Bill Moss	Member	P.O. Box 161 Phil Campbell, AL 35581	2000
Hon. Raymond Taylor	Member	2324 Cotton Gin Road Russellville, AL 35653	2000

Administrative Personnel

Mrs. Nell H. Bedford	Administrator	206 Cotaco Street NW Russellville, AL 35653	Appointed
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

Compliance

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

Internal Control Over Financial Reporting

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

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

The Commission did not have adequate procedures in place regarding the receivables and revenue functions in the Solid Waste Department as follows:

- ◆ Aging reports were not run in order to facilitate managerial analysis.
- ◆ Delinquent accounts that are inactive and have been sent to a collection agency are still included in the accounts receivable balance and are materially overstating assets. There is no allowance for doubtful accounts recorded on the general ledger. During the current year audit, confirmations were mailed to confirm the accounts receivables balance. No conclusions could be made from this test due to the low number of responses received.
- ◆ A computer-generated receipt is not issued at the time of payment. Alternatively, there are no control numbers assigned to a payment. Also, the check-up sheet does not show whether cash or check was received.

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

The Commission did not have adequate procedures in place regarding the receivables and revenue functions in the Solid Waste Department as follows:

- ◆ Aging reports were not run in order to facilitate managerial analysis.
- ◆ Delinquent accounts that are inactive and have been sent to a collection agency are still included in the accounts receivable balance and are materially overstating assets. There is no allowance for doubtful accounts recorded on the general ledger. During the current year audit, conditions were mailed to confirm the accounts receivables balance. No conclusions could be made from this test due to the low number of responses received.
- ◆ A computer-generated receipt is not issued at the time of payment. Alternatively, there are no control numbers assigned to a payment. Also, the check-up sheet does not show whether cash or check was received.

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

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the Franklin County Commission in the Report to the Chief Examiner.

This report is intended solely for the information and use of management and other state officials and is not intended to be and should not be used by anyone other than these specified parties.



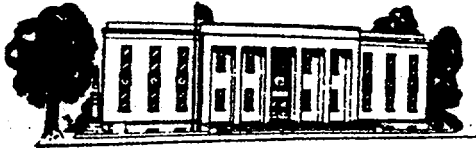
Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 30, 2002

Auditee Response

Franklin County Commission



December 5, 2002

MIKE GREEN
Chairman
P.O. Box 883
Russellville, AL 35653

GAIL ESTIS
County Clerk

JACKIE BRADFORD
Member, District 1
445 Spurgeon Road
Russellville, AL 35653

GENE GRAHAM
Member, District 2
3582 Highway 22
Spruce Pine, AL 35585

CURTIS BRAGWELL
Member, District 3
1886 Highway 41
Russellville, AL 35653

NORRIS B. LEWEY
Member, District 4
3491 Hwy. 19
Red Bay, AL 35582

Mr. Ronald L. Jones, Chief Examiner
State of Alabama
Department of Examiners of Public Accounts
P. O. Box 302251
Montgomery, AL 36130-2251

Dear Mr. Jones:

The Franklin County Commission has prepared and hereby submits the following Corrective Action Plan for the findings for the year ended September 30, 2001.

Finding:

Actions of the Commission were not properly reflected in the minutes. The write-off of solid waste receivables was approved in the minutes as purging of deceased customers, but the accounts of other than deceased persons were included in the write-off. General ledger receivables were reduced by \$340,646.38, but the subsidiary ledger reflected a reduction of only \$61,622.00.

Response:

In the future all write-offs will be listed, including collection agency write-offs and deceased persons.

Finding:

The Commission did not have adequate procedures in place regarding the receivables and revenue functions in the Solid Waste Department. The following items were noted:

- ✓ Aging reports were not run in order to facilitate managerial analysis.
- ✓ Delinquent accounts that are inactive and have been sent to a collection agency are still included in the accounts receivable balance and are materially overstating assets. There is no allowance for doubtful accounts recorded on the general ledger. During the current audit, confirmations were mailed to confirm the accounts receivable balance. No conclusion could be made from this test due to the low number of responses.
- ✓ A computer-generated receipt is not issued at the time of payment. Alternatively, there are no control numbers assigned to a payment. Also, the daily check-up sheet does not show whether cash or check was received.

Mr. Ronald L. Jones
December 5, 2002
Page Two

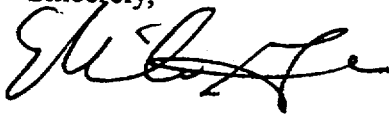
Response

Reports have been run on a monthly basis, balance to the accounts receivable report and signed by the Solid Waste Manager.

All inactive delinquent accounts and past accounts turned over to Credit Bureau Systems, Inc. have been removed from the accounts receivable balance. All future delinquent accounts are being removed from the accounts receivable balance as they are turned over for collection.

Software and hardware have been installed for generating a computer-printed receipt with sequenced numbers at time payment is received.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Green", with a stylized flourish at the end.

Mike Green
Judge of Probate and Chairman
Franklin County Commission

MG:mm

APPENDIX C

Unaudited Report for the Period
October 1, 2001- September 30, 2002 and
October 1, 2002 through March 31, 2003

Description	Governmental Fund Types		Fiduciary Fund Types		Total
	General	Special Revenue	Capital Projects	Debt Service Enterprise Trust	

					03/31/2003

Revenues:	1,543,805.70	599,965.10		4,408.11	2,148,178.91
Taxes	13,815.97			6,859.80	20,675.77
Licenses & Permits	488,264.30	1,100,684.64	240,056.76	41,540.51	1,866,546.21
Intergovernmental	689,911.61	1,012.50		97,659.62	1,520,050.31
Charges for Services					
Fines & Penalties					
Miscellaneous Revenues	22,086.09	197,623.51	1,991.83	7,001.85	39,194.77
Total Revenues	2,753,883.67	1,899,285.75	242,048.59	45,562.05	5,068,911.30
Expenditures:					
Current					
General Government	827,591.36	183,529.94		103,671.20	1,114,792.50
Public Safety	866,867.83			6,287.53	873,155.36
Highways & Streets		1,045,436.47			1,045,436.47
Sanitation				642,661.02	642,661.02
Health	7,993.49				7,993.49
Public Welfare	7,037.43				7,037.43
Culture & Recreation					
Education	12,441.16			8,310.00	12,441.16
Capital Outlay	1,762.00	409.00			51,768.65
Debt Service:					
Principal Retirement	134,035.73	107,573.50		3,371.77	584,981.00
Interest	9,620.61	13,783.54		42.85	89,740.75
Fees & Other Charges	416.66	1,666.67		416.67	2,500.00
Intergovernmental	88,061.04		546,340.65		634,401.69
Total Expenditures	1,955,827.31	1,352,399.12	546,340.65	406,293.75	5,076,909.52
Excess of Revenue	798,056.36	546,886.63	(304,292.06)	(360,731.70)	87,080.74
Other Financing Sources					
Proceeds from Bonds			1,095,550.00		
Transfers In	150,000.00	256,676.86		296,820.45	57,000.00
Transfers Out	175,095.61	412,456.46		54,897.17	57,000.00
Prior Period					
Total Other Financing	(25,095.61)	(155,779.60)	1,095,550.00	241,923.28	61,048.07
Excess of Revenue + Other Financing	772,960.75	391,107.03	791,257.94	(118,808.42)	26,032.67
Fund Balance at 9/30/02	141,238.44	1,114,295.78	4,759.69	244,036.17	730,456.96
Fund Balance at 3/31/03	914,199.19	1,505,402.81	796,017.63	125,227.75	756,489.63

General Fund							
Citizens Bank - Note	02/11/02	3.97%	02/11/2002 - 02/11/2005	81,545.34	81,545.34		
PowerSouth Development Corp.	01/10/00	.00	12/01/2001 - 12/01/2006	25,982.18	25,982.18		
Gasoline Tax Fund (4c)							
Gasoline Tax Anticipation Wts. (4c) - 1995	11/01/95	4.00% - 5.30%	02/01/2002 - 11/01/2007	895,000.00	895,000.00		
Estimated Liability for Compensated Absences				266,158.75	266,158.75		
1993 D.H.R. Building Revenue Warrants	11/01/93	3.75% - 6.25%	11/01/2001 - 11/01/2009	595,000.00	595,000.00		
Series 1998 General Obligation Warrants	11/01/98	3.50% - 4.30%	02/01/2002 - 02/01/2009	840,000.00	840,000.00		
Series 2003 General Obligation Warrants	01/23/03	2.50% - 4.90%	07/01/2003 - 09/30/2023	1,125,000.00	1,125,000.00		
Notes Payable:							
Gasoline Tax Fund (7c) - Mack Dump Trucks	03/31/03	3.30%	05/01/2003 - 10/01/2009	217,621.77	217,621.77		
Gasoline Tax Fund (7c) - Heavy Equipment	07/24/02	4.10%	10/05/2002 - 10/05/2005	241,068.41	241,068.41		
				<u>4,287,376.45</u>	<u>4,287,376.45</u>		

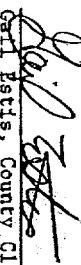
NOTES TO THE FINANCIAL STATEMENT

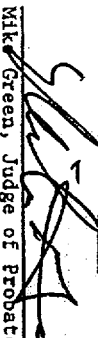
In compliance with GAAP and NCGA Statement I, individual funds are divided into fund and account group categories and subdivided into fund types. Fund categories applicable to this statement are governmental and fiduciary fund groups. Fund types are the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Trust and Agency Funds and Enterprise Fund.

For the purpose of this financial statement, period March 31, 2003, the data presented was derived by combining data from each individual fund into the specific fund type. Supportive statements on individual funds and departments are on file in the Franklin County Commission Office.

STATE OF ALABAMA FRANKLIN COUNTY

I hereby certify that the foregoing financial statement of revenues, expenditures and fund balances of the Franklin County Commission is a summary of all the books and funds of the County for period ending March 31, 2003, and that data was prepared after a diligent examination thereof, and that I believe the same to be substantially true and correct.


Carl Pettis, County Clerk
Franklin County Commission

Approved and ordered published by the Franklin County
Commission on the 14th day of April, 2003.

Mike Green, Judge of Probate and Chairman
Franklin County Commission

FRANKLIN COUNTY COMMISSION
Combined Statement of Revenues, Expenditures & Changes in Fund Balance
All Governmental Fund Types, Enterprise Fund Types And Expendable Trust Funds
For The Period October 01, 2001 Through September 30, 2002

Description	General	Governmental Fund Types Special Revenue	Capital Projects	Debt Service	Enterprise	Fiduciary Fund Types Expendable Trust	Total 09/30/2002
Revenues:							
Taxes	1,729,637.81	666,808.69				8,799.51	2,405,246.01
Licenses & Permits	21,122.57					13,402.50	34,525.07
Intergovernmental	1,029,057.82	2,727,918.82	12,843.84				3,769,820.48
Charges for Services	683,051.90	1,060.16					2,433,956.15
Fines & Forfeits							
Miscellaneous Revenues	44,027.89	555,000.55		111,389.59	10,868.31	9,393.76	730,680.10
Total Revenues	3,706,897.99	3,950,788.22	12,843.84	111,389.59	1,343,596.06	248,712.11	9,374,227.81
Expenditures:							
Current							
General Government	1,596,461.55	181,234.48				176,356.04	1,954,052.07
Public Safety	1,854,097.71					16,066.60	1,870,164.31
Highways & Streets		3,552,314.84					3,552,314.84
Sanitation							1,238,364.22
Health	25,353.00						25,353.00
Public Welfare	2,234.73						2,234.73
Culture & Recreation							
Education	64,985.22	88,250.00				21,852.79	153,235.22
Capital Outlay	100,945.01	257,802.44					380,600.24
Debt Service:							
Principal Retiree	98,505.36	44,399.67		505,000.00		19,086.53	666,991.56
Interest	9,684.73	15,745.59		143,985.24		1,401.19	170,816.75
Fees & Other Charges	416.67	2,416.66					3,250.00
Intergovernmental	148,618.91		8,084.15		416.67		156,703.06
Total Expenditures	3,901,302.89	4,142,163.68	8,084.15	648,985.24	1,238,780.89	234,763.15	10,174,080.00
Excess of Rev Over	(194,404.90)	(191,375.46)	4,759.69	(537,595.65)	104,815.17	13,948.96	(799,852.19)
Other Financing Sources							
Proceeds from Bonds	120,000.00	269,000.00					389,000.00
Transfers In	340,000.00	727,698.62		540,049.00		110,000.00	1,717,747.62
Transfers Out	295,091.82	1,137,163.33		104,932.21	70,560.26	110,000.00	1,717,747.62
Prior Period	16,493.63	(1,470.19)			187.11	(338.21)	14,872.34
Total Other Financing	148,414.55	(138,994.52)	0.00	435,116.79	(70,747.37)	338.21	374,127.66
Excess of Rev + Other Financing	(45,990.35)	(330,369.98)	4,759.69	(102,478.86)	34,067.80	14,287.17	(425,724.53)
Fund Balance as of 9/30/01	25,195.40	1,461,316.78		346,515.03	696,389.16	276,585.12	2,996,001.49
Fund Balance as of 9/30/02	169,205.05	1,114,295.78	4,759.69	244,036.17	730,456.96	269,333.85	2,532,087.50

General Fund							
Citizens Bank - Note	02/11/02	3.97%		02/11/2002 - 02/11/2005	120,000.00		120,000.00
PowerSouth Development Corp.	01/10/00	.00		12/01/2001 - 12/01/2006	31,178.60		31,178.60
Valley State Bank - Promissory Note	02/01/00	5.20%		02/01/2002	91,756.80		91,756.80
Gasoline Tax Fund (4c)							
Gasoline Tax Anticipation Wts. (4c) - 1995	11/01/95	4.00% - 5.30%		02/01/2002 - 11/01/2007	1,050,000.00		1,050,000.00
Estimated Liability for Compensated Absences					266,158.75		266,158.75
1993 D.H.R. Building Revenue Warrants	11/01/93	3.75% - 6.25%		11/01/2001 - 11/01/2009	660,000.00		660,000.00
Capital Lease - Probate Judge Imaging System	12/15/97	5.35%		11/15/2001 - 12/15/2002	3,371.77		3,371.77
Series 1998 General Obligation Warrants	11/01/98	3.50% - 4.30%		02/01/2002 - 02/01/2009	960,000.00		960,000.00
Notes Payable:							
Gasoline Tax Fund (7c) - Mack Dump Trucks	09/17/01	4.30%		11/01/2001 - 10/01/2008	297,263.68		297,263.68
Gasoline Tax Fund (7c) - Heavy Equipment	07/24/02	4.10%		10/05/2002 - 10/05/2005	269,075.00		269,075.00
					<u>3,748,804.60</u>		<u>3,748,804.60</u>


NOTES TO THE FINANCIAL STATEMENT


In compliance with GAAP and NCGA Statement I, individual funds are divided into fund and account group categories and subdivided into fund types. Fund categories applicable to this statement are governmental and fiduciary fund groups. Fund types are the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Trust and Agency Funds and Enterprise Fund.

For the purpose of this financial statement, period September 30, 2002, the data presented was derived by combining data from each individual fund into the specific fund type. Supportive statements on individual funds and departments are on file in the Franklin County Commission Office.

STATE OF ALABAMA
FRANKLIN COUNTY

I hereby certify that the foregoing financial statement of revenues, expenditures and fund balances of the Franklin County Commission is a summary of all the books and funds of the County for period ending September 30, 2002, and that data was prepared after a diligent examination thereof, and that I believe the same to be substantially true and correct.


Gail Esfils, County Clerk
Franklin County Commission

Approved and ordered published by the Franklin County
Commission on the 23rd day of September, 2002.

Mike Green, Judge of Probate and Chairman
Franklin County Commission

APPENDIX D

Demographic Information Related to Franklin County

Table DP-1. Profile of General Demographic Characteristics: 2000

Geographic area: Franklin County, Alabama

[For information on confidentiality protection, nonsampling error, and definitions, see text]

Subject	Number	Percent	Subject	Number	Percent
Total population	31,223	100.0	HISPANIC OR LATINO AND RACE		
SEX AND AGE			Total population	31,223	100.0
Male.....	15,329	49.1	Hispanic or Latino (of any race).....	2,316	7.4
Female.....	15,894	50.9	Mexican.....	1,507	4.8
Under 5 years.....	1,983	6.4	Puerto Rican.....	18	0.1
5 to 9 years.....	2,180	7.0	Cuban.....	30	0.1
10 to 14 years.....	2,156	6.9	Other Hispanic or Latino.....	761	2.4
15 to 19 years.....	2,178	7.0	Not Hispanic or Latino.....	28,907	92.6
20 to 24 years.....	2,036	6.5	White alone.....	27,268	87.3
25 to 34 years.....	4,283	13.7	RELATIONSHIP		
35 to 44 years.....	4,468	14.3	Total population	31,223	100.0
45 to 54 years.....	4,058	13.0	In households.....	30,821	98.7
55 to 59 years.....	1,679	5.4	Householder.....	12,259	39.3
60 to 64 years.....	1,565	5.0	Spouse.....	7,257	23.2
65 to 74 years.....	2,569	8.2	Child.....	8,957	28.7
75 to 84 years.....	1,528	4.9	Own child under 18 years.....	6,901	22.1
85 years and over.....	540	1.7	Other relatives.....	1,448	4.6
Median age (years).....	36.7	(X)	Under 18 years.....	598	1.9
18 years and over.....	23,578	75.5	Nonrelatives.....	900	2.9
Male.....	11,351	36.4	Unmarried partner.....	299	1.0
Female.....	12,227	39.2	In group quarters.....	402	1.3
21 years and over.....	22,317	71.5	Institutionalized population.....	344	1.1
62 years and over.....	5,585	17.9	Noninstitutionalized population.....	58	0.2
65 years and over.....	4,637	14.9	HOUSEHOLD BY TYPE		
Male.....	1,861	6.0	Total households	12,259	100.0
Female.....	2,776	8.9	Family households (families).....	8,954	73.0
RACE			With own children under 18 years.....	3,984	32.5
One race.....	30,924	99.0	Married-couple family.....	7,257	59.2
White.....	28,001	89.7	With own children under 18 years.....	3,049	24.9
Black or African American.....	1,314	4.2	Female householder, no husband present.....	1,269	10.4
American Indian and Alaska Native.....	103	0.3	With own children under 18 years.....	727	5.9
Asian.....	34	0.1	Nonfamily households.....	3,305	27.0
Asian Indian.....	7	-	Householder living alone.....	3,007	24.5
Chinese.....	3	-	Householder 65 years and over.....	1,483	12.1
Filipino.....	17	0.1	Households with individuals under 18 years.....	4,381	35.7
Japanese.....	-	-	Households with individuals 65 years and over.....	3,315	27.0
Korean.....	3	-	Average household size.....	2.51	(X)
Vietnamese.....	1	-	Average family size.....	2.97	(X)
Other Asian ¹	3	-	HOUSING OCCUPANCY		
Native Hawaiian and Other Pacific Islander.....	31	0.1	Total housing units	13,749	100.0
Native Hawaiian.....	-	-	Occupied housing units.....	12,259	89.2
Guamanian or Chamorro.....	28	0.1	Vacant housing units.....	1,490	10.8
Samoan.....	3	-	For seasonal, recreational, or		
Other Pacific Islander ²	-	-	occasional use.....	229	1.7
Some other race.....	1,441	4.6	Homeowner vacancy rate (percent).....	1.9	(X)
Two or more races.....	299	1.0	Rental vacancy rate (percent).....	13.4	(X)
Race alone or in combination with one			HOUSING TENURE		
or more other races: ³			Occupied housing units	12,259	100.0
White.....	28,270	90.5	Owner-occupied housing units.....	9,104	74.3
Black or African American.....	1,368	4.4	Renter-occupied housing units.....	3,155	25.7
American Indian and Alaska Native.....	233	0.7	Average household size of owner-occupied units.....	2.52	(X)
Asian.....	64	0.2	Average household size of renter-occupied units.....	2.50	(X)
Native Hawaiian and Other Pacific Islander.....	46	0.1			
Some other race.....	1,551	5.0			

- Represents zero or rounds to zero. (X) Not applicable.

¹ Other Asian alone, or two or more Asian categories.² Other Pacific Islander alone, or two or more Native Hawaiian and Other Pacific Islander categories.³ In combination with one or more of the other races listed. The six numbers may add to more than the total population and the six percentages may add to more than 100 percent because individuals may report more than one race.

Source: U.S. Census Bureau, Census 2000.

Table DP-2. Profile of Selected Social Characteristics: 2000

Geographic area: Franklin County, Alabama

[Data based on a sample. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see text]

Subject	Number	Percent	Subject	Number	Percent
SCHOOL ENROLLMENT			NATIVITY AND PLACE OF BIRTH		
Population 3 years and over enrolled in school.....	6,948	100.0	Total population.....	31,223	100.0
Nursery school, preschool.....	316	4.5	Native.....	29,489	94.4
Kindergarten.....	426	6.1	Born in United States.....	29,418	94.2
Elementary school (grades 1-8).....	3,712	53.4	State of residence.....	22,524	72.1
High school (grades 9-12).....	1,549	22.3	Different state.....	6,894	22.1
College or graduate school.....	945	13.6	Born outside United States.....	71	0.2
EDUCATIONAL ATTAINMENT			Foreign born.....	1,734	5.6
Population 25 years and over.....	20,860	100.0	Entered 1990 to March 2000.....	1,227	3.9
Less than 9th grade.....	3,156	15.1	Naturalized citizen.....	250	0.8
9th to 12th grade, no diploma.....	4,748	22.8	Not a citizen.....	1,484	4.8
High school graduate (includes equivalency).....	6,363	30.5	REGION OF BIRTH OF FOREIGN BORN		
Some college, no degree.....	3,636	17.4	Total (excluding born at sea).....	1,734	100.0
Associate degree.....	936	4.5	Europe.....	57	3.3
Bachelor's degree.....	1,237	5.9	Asia.....	71	4.1
Graduate or professional degree.....	784	3.8	Africa.....	-	-
Percent high school graduate or higher.....	62.1	(X)	Oceania.....	-	-
Percent bachelor's degree or higher.....	9.7	(X)	Latin America.....	1,606	92.6
MARITAL STATUS			Northern America.....	-	-
Population 15 years and over.....	24,904	100.0	LANGUAGE SPOKEN AT HOME		
Never married.....	4,546	18.3	Population 5 years and over.....	29,285	100.0
Now married, except separated.....	15,294	61.4	English only.....	27,039	92.3
Separated.....	434	1.7	Language other than English.....	2,246	7.7
Widowed.....	2,263	9.1	Speak English less than "very well".....	1,569	5.4
Female.....	1,889	7.6	Spanish.....	2,085	7.1
Divorced.....	2,367	9.5	Speak English less than "very well".....	1,529	5.2
Female.....	1,318	5.3	Other Indo-European languages.....	98	0.3
GRANDPARENTS AS CAREGIVERS			Speak English less than "very well".....	5	-
Grandparent living in household with one or more own grandchildren under 18 years.....	664	100.0	Asian and Pacific Island languages.....	46	0.2
Grandparent responsible for grandchildren.....	377	56.8	Speak English less than "very well".....	30	0.1
VETERAN STATUS			ANCESTRY (single or multiple)		
Civilian population 18 years and over ..	23,674	100.0	Total population.....	31,223	100.0
Civilian veterans.....	2,375	10.0	Total ancestries reported.....	20,959	67.1
DISABILITY STATUS OF THE CIVILIAN NONINSTITUTIONALIZED POPULATION			Arab.....	8	-
Population 5 to 20 years.....	6,864	100.0	Czech ¹	-	-
With a disability.....	566	8.2	Danish.....	9	-
Population 21 to 64 years.....	17,697	100.0	Dutch.....	234	0.7
With a disability.....	4,744	26.8	English.....	2,658	8.5
Percent employed.....	45.4	(X)	French (except Basque) ¹	237	0.8
No disability.....	12,953	73.2	French Canadian ¹	30	0.1
Percent employed.....	74.3	(X)	German.....	1,293	4.1
Population 65 years and over.....	4,377	100.0	Greek.....	32	0.1
With a disability.....	2,340	53.5	Hungarian.....	8	-
RESIDENCE IN 1995			Irish ¹	2,653	8.5
Population 5 years and over.....	29,285	100.0	Italian.....	142	0.5
Same house in 1995.....	18,109	61.8	Lithuanian.....	-	-
Different house in the U.S. in 1995.....	10,655	36.4	Norwegian.....	16	0.1
Same county.....	6,529	22.3	Polish.....	92	0.3
Different county.....	4,126	14.1	Portuguese.....	-	-
Same state.....	1,943	6.6	Russian.....	7	-
Different state.....	2,183	7.5	Scotch-Irish.....	329	1.1
Elsewhere in 1995.....	521	1.8	Scottish.....	416	1.3
			Slovak.....	-	-
			Subsaharan African.....	172	0.6
			Swedish.....	21	0.1
			Swiss.....	52	0.2
			Ukrainian.....	22	0.1
			United States or American.....	6,672	21.4
			Welsh.....	40	0.1
			West Indian (excluding Hispanic groups).....	2	-
			Other ancestries.....	5,814	18.6

-Represents zero or rounds to zero. (X) Not applicable.

¹The data represent a combination of two ancestries shown separately in Summary File 3. Czech includes Czechoslovakian. French includes Alsatian. French Canadian includes Acadian/Cajun. Irish includes Celtic.

Source: U.S. Bureau of the Census, Census 2000.

[Data based on a sample. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see text]

Source: U.S. Bureau of the Census, Census 2000.

Table DP-4. Profile of Selected Housing Characteristics: 2000

Geographic area: Franklin County, Alabama

[Data based on a sample. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see text]

Subject	Number	Percent	Subject	Number	Percent
Total housing units.....	13,749	100.0	OCCUPANTS PER ROOM		
UNITS IN STRUCTURE			Occupied housing units	12,259	100.0
1-unit, detached	9,727	70.7	1.00 or less	11,847	96.6
1-unit, attached	108	0.8	1.01 to 1.50	205	1.7
2 units	366	2.7	1.51 or more	207	1.7
3 or 4 units	327	2.4			
5 to 9 units	333	2.4	Specified owner-occupied units	5,852	100.0
10 to 19 units	82	0.6	VALUE		
20 or more units	217	1.6	Less than \$50,000	2,115	36.1
Mobile home	2,559	18.6	\$50,000 to \$99,999	2,652	45.3
Boat, RV, van, etc.	30	0.2	\$100,000 to \$149,999	697	11.9
			\$150,000 to \$199,999	253	4.3
YEAR STRUCTURE BUILT			\$200,000 to \$299,999	111	1.9
1999 to March 2000	290	2.1	\$300,000 to \$499,999	10	0.2
1995 to 1998	1,142	8.3	\$500,000 to \$999,999	5	0.1
1990 to 1994	1,003	7.3	\$1,000,000 or more	9	0.2
1980 to 1989	2,430	17.7	Median (dollars)	62,800	(X)
1970 to 1979	3,003	21.8			
1960 to 1969	2,488	18.1	MORTGAGE STATUS AND SELECTED		
1940 to 1959	2,374	17.3	MONTHLY OWNER COSTS		
1939 or earlier	1,019	7.4	With a mortgage	3,077	52.6
			Less than \$300	73	1.2
ROOMS			\$300 to \$499	786	13.4
1 room	63	0.5	\$500 to \$699	989	16.9
2 rooms	187	1.4	\$700 to \$999	758	13.0
3 rooms	969	7.0	\$1,000 to \$1,499	352	6.0
4 rooms	2,565	18.7	\$1,500 to \$1,999	75	1.3
5 rooms	4,041	29.4	\$2,000 or more	44	0.8
6 rooms	2,928	21.3	Median (dollars)	638	(X)
7 rooms	1,532	11.1	Not mortgaged	2,775	47.4
8 rooms	716	5.2	Median (dollars)	219	(X)
9 or more rooms	748	5.4			
Median (rooms)	5.3	(X)	SELECTED MONTHLY OWNER COSTS		
			AS A PERCENTAGE OF HOUSEHOLD		
Occupied housing units	12,259	100.0	INCOME IN 1999		
YEAR HOUSEHOLDER MOVED INTO UNIT			Less than 15.0 percent	2,783	47.6
1999 to March 2000	2,137	17.4	15.0 to 19.9 percent	835	14.3
1995 to 1998	2,949	24.1	20.0 to 24.9 percent	554	9.5
1990 to 1994	2,060	16.8	25.0 to 29.9 percent	404	6.9
1980 to 1989	1,883	15.4	30.0 to 34.9 percent	224	3.8
1970 to 1979	1,676	13.7	35.0 percent or more	945	16.1
1969 or earlier	1,554	12.7	Not computed	107	1.8
VEHICLES AVAILABLE			Specified renter-occupied units	2,961	100.0
None	1,021	8.3	GROSS RENT		
1	3,599	29.4	Less than \$200	575	19.4
2	4,776	39.0	\$200 to \$299	510	17.2
3 or more	2,863	23.4	\$300 to \$499	1,145	38.7
			\$500 to \$749	350	11.8
HOUSE HEATING FUEL			\$750 to \$999	17	0.6
Utility gas	6,008	49.0	\$1,000 to \$1,499	-	-
Bottled, tank, or LP gas	2,343	19.1	\$1,500 or more	-	-
Electricity	3,606	29.4	No cash rent	364	12.3
Fuel oil, kerosene, etc.	63	0.5	Median (dollars)	335	(X)
Coal or coke	16	0.1			
Wood	214	1.7	GROSS RENT AS A PERCENTAGE OF		
Solar energy	-	-	HOUSEHOLD INCOME IN 1999		
Other fuel	9	0.1	Less than 15.0 percent	614	20.7
No fuel used	-	-	15.0 to 19.9 percent	416	14.0
			20.0 to 24.9 percent	368	12.4
SELECTED CHARACTERISTICS			25.0 to 29.9 percent	304	10.3
Lacking complete plumbing facilities	48	0.4	30.0 to 34.9 percent	142	4.8
Lacking complete kitchen facilities	46	0.4	35.0 percent or more	645	21.8
No telephone service	832	6.8	Not computed	472	15.9

-Represents zero or rounds to zero. (X) Not applicable.

Source: U.S. Bureau of the Census, Census 2000.

Appendix E

Specimen Financial Guaranty Insurance Policy



Financial Guaranty Insurance Policy

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

Obligor:

Policy Number:

Obligations:

Premium:

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

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

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

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

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

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

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

President



Secretary

Effective Date:

Authorized Representative

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

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

Authorized Officer of Insurance Trustee

