

JEFFERSON COUNTY, ALABAMA

ANNUAL REPORT

March 30, 2012

Series Designations and CUSIP Numbers on Attached Schedule A

The following information is provided by Jefferson County, Alabama (the “County”) pursuant to certain Continuing Disclosure Agreements executed and delivered by the County in connection with the issuance of certain of the obligations set forth on the attached Schedule A (the “Obligations”), in compliance with Securities and Exchange Commission Rule 15c2-12. Although the County has no Continuing Disclosure Agreement with regard to certain of the Obligations described in Schedule A (due to their exemption from the continuing disclosure obligations of SEC Rule 15c2-12), the County has nonetheless determined to include such Obligations in this Annual Report.

This Annual Report aggregates all of the financial and operating information for the fiscal year ended September 30, 2011 that is required to be provided under the Continuing Disclosure Agreements entered into by the County with respect to the Obligations, with the exception of certain information described in the immediately succeeding sentence that is not currently available. The County does not have audited financial statements for the fiscal year ended September 30, 2011 as of the date of this Annual Report. The County will file audited financial statements for the fiscal year ended September 30, 2011 when they become available.

Jefferson County Environmental Services Department
Results of Operations
Sewer System Utilization

Fiscal Year Ending September 30	2011	2010	2009	2008	2007
Active Accounts	139,706	140,092	141,590	143,576	145,946
Average Daily Treatment Volume (millions of gallons treated)	98	125	113	92	84
Sewer Charges (in thousands)	\$ 156,037	\$ 152,403	\$ 159,952	\$ 158,590	\$ 152,981
% Revenue- Largest Customer	1.78%	1.83%	1.74%	1.76%	1.82%
% Revenue- Top Ten Customers	8.76%	8.97%	8.55%	5.24%	4.99%

2011 Top Ten Customers	Consumption	Billed (\$1,000s)
U.S. Steel	540,191	\$ 2,784
UAB Hospital	333,046	2,391
Birmingham Housing Authority	258,289	1,911
University of AL at Birmingham	177,229	1,311
BellSouth Telephone - 10015	137,608	1,018
Brookwood Hospital AMI	137,448	1,017
Barber's Pure Milk Co.	118,621	772
Trinity Medical Center	112,663	834
SMI Steel, Inc.	112,517	833
Samford University	108,415	802
	2,036,027	\$ 13,673

Sewer System Results of Operations
Summary of Revenues and Expenditures

	Fiscal Year Ended September 30, (in thousands)				
	2011 Unaudited	2010	2009	2008	2007
Operating Revenues					
Taxes	\$ 5,682	\$ 5,916	\$ 5,969	\$ 5,758	\$ 5,325
Intergovernmental	103	102	102	101	100
Charges for services	156,037	152,403	159,952	158,590	152,981
Other operating revenue	401	83	250	861	168
Total operating revenue	<u>162,223</u>	<u>158,504</u>	<u>166,273</u>	<u>165,310</u>	<u>158,574</u>
Operating Expenses					
Salaries and wages	19,462	19,799	20,590	21,434	21,208
Employee benefits and payroll taxes	6,977	6,946	7,260	8,102	6,502
Materials and supplies	2,366	2,316	1,502	1,466	1,183
Utilities	8,421	8,753	9,511	8,273	8,839
Outside services	21,426	14,213	13,026	13,335	15,598
Office expense	135	1,253	638	1,498	860
Depreciation	130,882	131,466	131,971	128,844	122,332
Indirect Expenses	5,256	5,372	5,241		
Other	458	261	172	296	446
Total operating expenses	<u>195,383</u>	<u>190,379</u>	<u>189,911</u>	<u>183,248</u>	<u>176,968</u>
Operating income (loss)	<u>\$ (33,160)</u>	<u>\$ (31,875)</u>	<u>\$ (23,638)</u>	<u>\$ (17,938)</u>	<u>\$ (18,394)</u>
Nonoperating Revenues (Expenses)					
Interest expense	(94,830)	(99,871)	(206,194)	(224,765)	(116,076)
Interest revenue	1,390	1,607	3,706	13,549	25,433
Amortization of bond issue costs	(10,748)	(14,954)	(13,356)	(18,748)	(12,452)
Contribution of capital assets					(21,818)
Debt Service Fees					
Gain (loss) on disposal of fixed assets	861	(178)	(16)	(600)	152
Insurance Proceeds	3,708				
Net nonoperating revenues (expenses)	<u>(99,619)</u>	<u>(113,396)</u>	<u>(215,860)</u>	<u>(230,564)</u>	<u>(124,761)</u>
Operating Transfers in					2
Operating Transfers out		(9)	0		(30)
Total operating transfers		<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(28)</u>
Change in net assets	(132,779)	(145,280)	(239,498)	(248,502)	(143,183)
Total net assets, beginning of year, as restated	<u>138,002</u>	<u>283,282</u>	<u>561,461</u>	<u>809,963</u>	<u>968,496</u>
Total net assets, end of year	<u>\$ 5,223</u>	<u>\$ 138,002</u>	<u>\$ 321,963</u>	<u>\$ 561,461</u>	<u>\$ 825,313</u>

**Sewer System Results of Operations
Summary of Balance Sheet**

	As of September 30, (in thousands)				
	2011 Unaudited	2010	2009	2008	2007
Assets					
Cash and investments	\$ 207,186	\$ 258,579	\$ 256,939	\$ 261,502	\$ 407,379
Accounts receivable, net	20,050	20,021	21,293	21,179	17,733
Property taxes receivable, net	5,241	5,345	5,535	5,505	5,359
Due from other governmental units	1,355	1,762	1,461	1,215	1,161
Advances due from other funds					1,554
Inventories	475	475	450	458	437
Prepaid items				4	4
Assets held for sale				166	525
Deferred charges - issuance costs	46,495	50,938	51,534	54,576	63,976
Fixed assets, net	2,742,217	2,922,301	3,076,795	3,196,835	3,314,963
Total assets	<u>\$ 3,023,019</u>	<u>\$ 3,259,421</u>	<u>\$ 3,414,007</u>	<u>\$ 3,541,440</u>	<u>\$ 3,813,091</u>
Liabilities					
Accounts payable	\$ 9,179	\$ 4,724	\$ 4,913	\$ 6,935	\$ 10,107
Interest payable	75,663	96,081	69,122	30,179	13,817
Swap termination liability	49,428	120,447	108,818	31,189	
Accrued wages and benefits payable	766	1,055	1,001	968	880
Retainage payable	56	56	56	2,206	2,638
Estimated liability for compensated absences	3,203	3,203	3,351	3,468	3,637
Deferred revenue	5,470	5,548	5,746	5,763	5,602
Estimated claims liability	755	1,250	1,310	1,233	988
Arbitrage rebate payable	63	63	63	63	63
Warrants payable	3,135,978	3,162,323	3,182,618	3,193,243	3,254,465
Add: Unamortized Premiums	6,305	6,487	5,613	6,047	7,644
Less: Deferred loss on refunding	(269,070)	(279,818)	(290,567)	(301,315)	(312,063)
Total liabilities	<u>3,017,796</u>	<u>3,121,419</u>	<u>3,092,044</u>	<u>2,979,979</u>	<u>2,987,778</u>
Net Assets					
Invested in capital assets, net of related debt	76,190	284,423	424,985	541,073	772,853
Unrestricted	(70,967)	(146,421)	(103,022)	20,388	52,460
Total Net Assets	<u>\$ 5,223</u>	<u>\$ 138,002</u>	<u>\$ 321,963</u>	<u>\$ 561,461</u>	<u>\$ 825,313</u>

General Sales and Use Tax Revenues

Fiscal Year Ending September 30	Total Amount Collected
2001	\$ 81,836,173
2002	\$ 81,519,000
2003	\$ 82,381,463
2004	\$ 86,730,044
2005	\$ 91,945,154
2006	\$ 94,840,535
2007	\$ 96,818,757
2008	\$ 96,087,534
2009	\$ 85,291,553
2010	\$ 86,370,576
2011	\$ 91,361,692

Source: Jefferson County Revenue Department;
represents the amount collected from the one-cent
general sales and use tax.

Education Tax Revenues

Fiscal Year Ending September 30	Total Amount Collected
2005*	\$ 56,226,741
2006	\$ 94,985,060
2007	\$ 97,123,665
2008	\$ 96,848,180
2009	\$ 85,836,200
2010	\$ 86,549,167
2011	\$ 90,914,208

*Tax implemented in January 2005.

Source: Jefferson County Revenue Department

Occupational Tax Revenues

Fiscal Year Ending September 30	Total Amount Collected
2001	\$ 54,121,734
2002	\$ 54,820,507
2003	\$ 54,960,587
2004	\$ 58,566,066
2005	\$ 61,010,652
2006	\$ 63,316,443
2007	\$ 67,012,708
2008	\$ 68,619,706
2009*	\$ 27,966,048
2010	\$ 62,548,257
2011*	\$ 10,302,041

Source: Jefferson County Revenue Department

* In 2009, a trial court ruled that the authorization for the County's occupational tax had been repealed. The County was required to establish an escrow for certain tax proceeds collected in the 2009 fiscal year in order to pay refunds pending the outcome of an appeal. The Alabama Supreme Court affirmed the trial court's decision, but recognized the County's valid claim to part of the escrowed tax proceeds. The County entered into a settlement with the plaintiffs in the case whereby the County refunded \$37,753,535 in tax proceeds. In 2009, the State Legislature enacted a replacement occupational tax which was later determined to be unconstitutional and void by the Alabama Supreme Court. The County was again required to establish an escrow in 2011 for certain tax proceeds collected during that fiscal year and eventually refunded \$17,564,699 in tax proceeds collected before the tax was ruled unconstitutional.

Assessed Valuation

Tax Year Ending September 30 ⁽²⁾	Net Assessed Value ⁽¹⁾			Total Net Assessed Values
	Real & Personal Property and Public Utility		Motor Vehicles	
	Property			
1998	\$ 4,191,608,377	\$ 530,077,135	\$	4,721,685,512
1999	\$ 5,161,832,273	\$ 570,975,326	\$	5,732,807,599
2000 ⁽³⁾	\$ 4,992,672,194	\$ 697,002,840	\$	5,689,675,034
2001	\$ 5,058,656,913	\$ 811,100,700	\$	5,869,757,613
2002	\$ 5,216,266,428	\$ 836,375,940	\$	6,052,642,368
2003	\$ 6,000,171,881	\$ 843,387,840	\$	6,843,559,721
2004	\$ 6,355,450,404	\$ 851,610,300	\$	7,207,060,704
2005	\$ 6,692,153,068	\$ 897,031,920	\$	7,589,184,988
2006	\$ 7,236,058,226	\$ 950,638,720	\$	8,186,696,946
2007	\$ 7,744,422,422	\$ 959,570,458	\$	8,703,992,880
2008	\$ 8,238,988,223	\$ 950,681,658	\$	9,189,669,881
2009	\$ 8,154,366,233	\$ 843,094,468	\$	8,997,460,701
2010	\$ 8,025,885,906	\$ 838,645,840	\$	8,864,531,746
2011	\$ 7,894,069,219	\$ 846,704,740	\$	8,740,773,959

⁽¹⁾ Includes exemptions and penalties.

⁽²⁾ Taxes are paid in arrears; current tax collections for each year are collected October 1st through mid-May. Therefore, taxes assessed as of September 30th are not collected until the following fiscal year.

⁽³⁾ The decrease in assessed value of real and personal property and public utility property from tax year 1999 to tax year 2000 is due to a change in Alabama law in the methodology of imposing a tax upon shares of stock in Alabama corporations.

Sources: Jefferson County Tax Assessor, Abstract of Assessments, Exemptions and Ad Valorem Taxes, 2002 - 2011; prior years' data from earlier disclosure documents.

Principal Ad Valorem Taxpayers -- Tax Year 2011

	Company	Assessed Value	County Tax
1	Alabama Power Company	\$ 552,184,300	\$ 7,454,488
2	AT & T Property Tax Group	\$ 157,740,084	\$ 2,129,491
3	United States Steel	\$ 103,925,164	\$ 1,402,990
4	Regions Bank	\$ 89,969,320	\$ 1,214,586
5	American Cast Iron & Pipe Co	\$ 42,243,855	\$ 570,292
6	Alabama Gas	\$ 35,325,190	\$ 476,890
7	GSA Birmingham Realth	\$ 29,020,540	\$ 391,777
8	Wells Fargo Bank Northwest	\$ 28,118,500	\$ 379,600
9	Hoover Mall Limited L P	\$ 28,013,580	\$ 378,183
10	Compass Bank	\$ 25,425,430	\$ 343,243

Source: Jefferson County Tax Assessor

Ad Valorem Tax Collections

Tax Year Ended September 30 ⁽¹⁾	Total Net Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collection to Tax Levy
2011	\$ 563,149,729	\$ 539,061,625	95.72%	\$ 6,669,403	\$ 545,731,028	96.91%
2010	\$ 571,239,380	\$ 556,700,119	97.45%	\$ 4,686,256	\$ 561,386,375	98.28%
2009	\$ 580,123,421	\$ 559,724,507	96.48%	\$ 4,470,839	\$ 564,195,346	97.25%
2008	\$ 545,472,944	\$ 540,392,751	99.07%	\$ 2,377,973	\$ 542,770,724	99.50%
2007	\$ 509,403,085	\$ 501,067,572	98.36%	\$ 2,713,010	\$ 503,780,582	98.90%
2006	\$ 469,456,560	\$ 465,929,677	99.25%	\$ 3,508,788	\$ 469,438,465	100.00%
2005	\$ 445,840,218	\$ 437,722,350	98.18%	\$ 4,612,988	\$ 442,335,338	99.21%
2004	\$ 420,329,738	\$ 414,819,160	98.69%	\$ 6,331,037	\$ 421,150,198	100.20%
2003	\$ 365,507,555	\$ 361,085,704	98.79%	\$ 4,205,271	\$ 365,290,975	99.94%
2002	\$ 351,730,297	\$ 348,124,036	98.97%	\$ 5,606,431	\$ 353,730,467	100.57%
2001	\$ 340,390,909	\$ 336,123,329	98.75%	\$ 3,483,841	\$ 339,607,170	99.77%
2000	\$ 333,819,916	\$ 330,192,023	98.91%	\$ 3,719,694	\$ 333,911,717	100.03%
1999	\$ 284,182,209	\$ 283,265,317	99.68%	\$ 2,793,609	\$ 286,058,926	100.66%
1998	\$ 265,673,868	\$ 262,277,245	98.72%	\$ 4,253,108	\$ 266,530,353	100.32%

⁽¹⁾ Taxes collected in each fiscal year represent the taxes levied in the prior fiscal year, as taxes are collected in arrears.

Source: Jefferson County Tax Collector

Jefferson County Debt

	Principal Amount Outstanding as of September 30, 2011
<u>Obligations Not Subject to Debt Limit</u>	
Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, maturing February 1, 2017, through February 1, 2027	\$ 57,030,000
Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001, maturing February 1, 2011, through February 1, 2020	11,010,000
Sewer Revenue Capital Improvement Warrants, Series 2002-A, maturing February 1, 2042 *	101,465,000
Sewer Revenue Capital Improvement Warrants, Series 2002-C, maturing February 1, 2040 *	806,737,500
Sewer Refunding Warrants, Series 2003-A, maturing February 15, 2011 through February 15, 2015	15,280,000
Sewer Revenue Refunding Warrants, Series 2003-B, maturing February 1, 2011 through February 1, 2042 *	1,100,830,000
Sewer Revenue Refunding Warrants, Series 2003-C, maturing February 1, 2011 through February 1, 2036, and February 1, 2038 through February 1, 2042	1,043,625,000
Limited Obligation School Warrants, Series 2004-A, maturing January 1, 2011 through January 1, 2025	534,400,000
Limited Obligation School Warrants, Series 2005-A, maturing January 1, 2011 through January 1, 2027	105,500,000
Limited Obligation School Warrants, Series 2005-B, maturing January 1, 2011 through January 1, 2027	174,175,000
Lease Revenue Warrants, Series 2006, issued by the Jefferson County Public Building Authority, maturing April 1, 2011 through April 1, 2021 and April 1, 2025 and 2026	82,500,000
TOTAL	<u>\$ 4,032,552,500</u>
<u>Obligations Subject to Debt Limit</u>	
General Obligation Warrants, Series 2001-B, maturing April 1, 2021 *	\$ 105,000,000
General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, maturing April 1, 2011 through April 1, 2023	46,185,000
General Obligation Capital Improvement Warrants, Series 2004-A, maturing April 1, 2011 through April 1, 2024	49,335,000
TOTAL	<u>\$ 200,520,000</u>

* Portions of these warrants have been purchased by banks and/or bond insurers pursuant to liquidity facilities and are subject to accelerated redemption prior to the stated maturities in the table above. A further description of the accelerated redemptions can be found in material event notices previously filed by the County.

Debt Service Requirements on General Obligation Debt

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/30/2012	\$ 2,880,000	4,643,505	7,523,505
9/30/2013	2,965,000	4,538,605	7,503,605
9/30/2014	3,075,000	4,411,308	7,486,308
9/30/2015	3,185,000	4,277,638	7,462,638
9/30/2016	3,305,000	4,137,425	7,442,425
9/30/2017	3,430,000	3,990,100	7,420,100
9/30/2018	3,580,000	3,815,513	7,395,513
9/30/2019	3,735,000	3,636,513	7,371,513
9/30/2020	3,875,000	3,468,250	7,343,250
9/30/2021	4,045,000	3,274,500	7,319,500
9/30/2022	19,490,000	3,072,250	22,562,250
9/30/2023	20,465,000	1,313,750	21,778,750
9/30/2024	21,490,000	1,074,500	22,564,500
TOTAL	<u>\$ 95,520,000</u>	<u>\$ 45,653,857</u>	<u>\$ 141,173,857</u>

Note: The Series 2001-B Warrants have been excluded from this table. A majority of the Series 2001-B Warrants were purchased by banks beginning in March, 2008 pursuant to liquidity facilities and are now subject to accelerated redemption in six equal semiannual installments. A further description of the accelerated redemptions can be found in material event notices previously filed by the County.

Jefferson County, Alabama Debt Ratios

Population ⁽¹⁾	658,466
Assessed Value of Taxable Property ⁽²⁾	\$ 8,740,773,959
General Obligation Debt	\$ 200,520,000
General Obligation Debt Per Capita	\$ 304.53
Ratio of General Obligation Debt to Assessed Value	2.29%

⁽¹⁾ Source: US Census Bureau, 2010 census

⁽²⁾ Source: Jefferson County Tax Assessor

Schedule A

Jefferson County, Alabama Sewer Revenue Warrants

Fixed Rate Warrants

Series 1997 A

CUSIP
472682NV1
472682NW9
472682NX7
472682MC4
472682MD2

Series 2001 A

CUSIP
472682JF1
472682JG9
472682JH7
472682JJ3
472682JL8
472682JM6
472682JN4

Series 2003-B-8

CUSIP
472682MP5
472682MQ3
472682MR1
472682MS9

Variable Rate Demand Warrants

Series 2002 A

CUSIP	Subseries
472682PU1	2002 A

Series 2002 C

CUSIP	Subseries
472682PV9	2002 C-2
472682PW7	2002 C-3
472682PX5	2002 C-4
472682PY3	2002 C-6
472682PZ0	2002 C-7

Series 2003 B

CUSIP	Subseries
472682QA4	2003 B-2
472682QB2	2003 B-3
472682QC0	2003 B-4
472682QD8	2003 B-5
472682QE6	2003 B-6
472682QF3	2003 B-7

Auction Rate Warrants

Series 2002 C

CUSIP	Subseries
472682KA0	2002 C-1-A
472682KB8	2002 C-1-B
472682KC6	2002 C-1-C
472682KD4	2002 C-1-D
472682KH5	2002 C-5

Series 2003 B

CUSIP	Subseries
472682LH4	2003 B-1-A
472682LJ0	2003 B-1-B
472682LK7	2003 B-1-C
472682LL5	2003 B-1-D
472682LM3	2003 B-1-E

Series 2003 C

CUSIP	Subseries
472682NA7	2003 C-1
472682NB5	2003 C-2
472682NC3	2003 C-3
472682ND1	2003 C-4
472682NE9	2003 C-5
472682NF6	2003 C-6
472682NG4	2003 C-7
472682NH2	2003 C-8
472682NJ8	2003 C-9
472682NK5	2003 C-10

**Alabama Water Pollution Control
Authority**

Revolving Fund Loan Refunding Bonds

Series 2003-B

CUSIP
010653QX4
010653QY2
010653QZ9
010653RA3

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**Jefferson County, Alabama
General Obligation Warrants**

Fixed Rate Warrants

Series 2003-A

CUSIP

472628PG5
472628PH3
472628PJ9
472628PK6
472628PL4
472628PM2

Series 2004-A

CUSIP

472628PR1
472628PS9
472628PT7
472628PU4
472628PV2
472628PW0
472628PX8
472628PY6
472628PZ3
472628QA7
472628QB5
472628QC3
472628QD1

Variable Rate Demand Warrants

Series 2001-B

CUSIP

472628NS1

[Continued on next page]

**Jefferson County, Alabama
Limited Obligation School Warrants**

Fixed Rate

Series 2004-A

CUSIP
472653AG9
472653AH7
472653AJ3
472653AK0
472653AL8
472653AM6
472653AN4
472653AP9
472653AQ7
472653AR5
472653AS3
472653AT1
472653AU8

Auction Rate Warrants

Series 2005-A

CUSIP	Subseries
472653BA1	2005-A-1
472653BB9	2005-A-2
472653BC7	2005-A-3
472653BD5	2005-A-4

Variable Rate Demand Warrants

Series 2005-B

CUSIP
472653BE3

Jefferson County Public Building Authority

Lease Revenue Warrants

Series 2006

CUSIP
47267PAE3
47267PAF0
47267PAG8
47267PAH6
47267PAJ2
47267PAK9
47267PAL7
47267PAM5
47267PAN3
47267PAP8
47267PAQ6