

# **JEFFERSON COUNTY, ALABAMA**

## **ANNUAL REPORT**

**March 28, 2013**

### **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, 2012 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, 2012 as of the date of this Annual Report. The County will file audited financial statements for the fiscal year ended September 30, 2012 when they become available.

**Jefferson County Environmental Services Department**  
**Results of Operations**  
**Sewer System Utilization**

<b>Fiscal Year Ending September 30</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Active Accounts	140,069	139,706	140,092	141,590	143,576
Average Daily Treatment Volume (millions of gallons treated)	104	98	125	113	92
Sewer Charges (in thousands)	\$152,701	\$154,302	\$152,403	\$159,952	\$158,590
% Revenue- Largest Customer	1.99%	1.78%	1.83%	1.74%	1.76%
% Revenue- Top Ten Customers	8.42%	8.76%	8.97%	8.55%	5.24%

<b>2012 Top Ten Customers</b>	<b>Consumption</b>	<b>Billed (\$1,000s)</b>
UAB Hospital	410,685	\$3,039
U.S. Steel	509,159	\$2,597
Birmingham Housing Authority	212,166	\$1,570
Veteran's Administration	142,964	\$1,058
SMI Steel, Inc.	114,505	\$847
Barber's Pure Milk Co.	124,277	\$809
Brookwood Hospital AMI	107,763	\$797
Samford University	104,034	\$770
Trinity Medical Center	99,856	\$739
Coca Cola Bottling Co	140,548	\$624
	<u>1,965,957</u>	<u>\$12,850</u>

**Sewer System Results of Operations**  
**Summary of Revenues and Expenditures**

	<b>Fiscal Year Ended September 30 (in thousands)</b>				
	<b>2012 Unaudited</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Operating Revenues</b>					
Taxes	\$ 5,841	\$ 4,702	\$ 5,916	\$ 5,969	\$ 5,758
Intergovernmental	104	103	102	102	101
Charges for services	152,701	154,302	152,403	159,952	158,590
Other operating revenue	673	4,109	83	250	861
Total operating revenue	<u>159,319</u>	<u>163,216</u>	<u>158,504</u>	<u>166,273</u>	<u>165,310</u>
<b>Operating Expenses</b>					
Salaries and wages	17,807	19,628	19,799	20,590	21,434
Employee benefits and payroll taxes	6,013	7,187	6,946	7,260	8,102
Materials and supplies	4,045	2,532	2,316	1,502	1,466
Utilities	7,954	8,088	8,753	9,511	8,273
Outside services	17,772	16,238	14,213	13,026	13,335
Office expense	740	1,485	1,253	638	1,498
Depreciation	132,931	131,971	131,466	131,971	128,844
Indirect Expenses	7,052	5,256	5,372	5,241	-
Other	47	316	261	172	296
Total operating expenses	<u>194,361</u>	<u>192,701</u>	<u>190,379</u>	<u>189,911</u>	<u>183,248</u>
Operating income (loss)	<u>\$ (35,042)</u>	<u>\$ (29,485)</u>	<u>\$ (31,875)</u>	<u>\$ (23,638)</u>	<u>\$ (17,938)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest expense	(79,646)	(97,624)	(99,871)	(206,194)	(224,765)
Interest revenue	1,600	1,390	1,607	3,706	13,549
Amortization of bond issue costs	(13,478)	(14,914)	(14,954)	(13,356)	(18,748)
Gain (loss) on disposal of fixed assets	-	(1,308)	(178)	(16)	(600)
Net nonoperating revenues (expenses)	<u>(91,524)</u>	<u>(112,456)</u>	<u>(113,396)</u>	<u>(215,860)</u>	<u>(230,564)</u>
Operating Transfers in	-	-	-	-	-
Operating Transfers out	-	-	(9)	-	-
Capital contributions - transfer of capital assets	-	(56)	-	-	-
Total operating transfers	<u>-</u>	<u>(56)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>
Change in net assets	(126,566)	(141,997)	(145,280)	(239,498)	(248,502)
Prior Period Adjustments	-	(7,973)	(38,681)	-	-
Total net assets, beginning of year, as restated	<u>(11,968)</u>	<u>130,029</u>	<u>283,282</u>	<u>561,461</u>	<u>809,963</u>
Total net assets, end of year	<u>\$ (138,534)</u>	<u>\$ (11,968)</u>	<u>\$ 138,002</u>	<u>\$ 321,963</u>	<u>\$ 561,461</u>

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

	As of September 30 (in thousands)				
	2012 Unaudited	2011	2010	2009	2008
<b>Assets</b>					
Cash and investments	\$ 220,857	\$ 264,254	\$ 258,579	\$ 256,939	\$ 261,502
Accounts receivable, net	18,724	18,619	20,021	21,293	21,179
Property taxes receivable, net	5,175	5,096	5,345	5,535	5,505
Due from other governmental units	1,541	1,540	1,762	1,461	1,215
Advances due from (to) other funds	-	(10,628)	-	-	-
Inventories	-	-	475	450	458
Prepaid items	-	-	-	-	4
Assets held for sale	-	-	-	-	166
Deferred charges - issuance costs	43,666	46,591	50,938	51,534	54,576
Fixed assets, net	2,689,514	2,795,555	2,922,301	3,076,795	3,196,835
Total assets	<u>\$ 2,979,477</u>	<u>\$ 3,121,027</u>	<u>\$ 3,259,421</u>	<u>\$ 3,414,007</u>	<u>\$ 3,541,440</u>
<b>Liabilities</b>					
Accounts payable	\$ 6,419	\$ 7,407	\$ 4,724	\$ 4,913	\$ 6,935
Interest payable	113,942	114,465	96,081	69,122	30,179
Swap termination liability	131,415	125,959	120,447	108,818	31,189
Accrued wages and benefits payable	382	396	1,055	1,001	968
Retainage payable	56	952	56	56	2,206
Estimated liability for compensated absences	2,863	3,293	3,203	3,351	3,468
Deferred revenue	5,362	5,268	5,548	5,746	5,763
Estimated claims liability	1,313	1,313	1,250	1,310	1,233
Arbitrage rebate payable	63	63	63	63	63
Estimated liability for other postemployment benefits	890	666	-	-	-
Warrants payable	3,107,518	3,135,978	3,162,323	3,182,618	3,193,243
Add: Unamortized Premiums	6,110	6,305	6,487	5,613	6,047
Less: Deferred loss on refunding	(258,322)	(269,070)	(279,818)	(290,567)	(301,315)
Total liabilities	<u>3,118,011</u>	<u>3,132,995</u>	<u>3,121,419</u>	<u>3,092,044</u>	<u>2,979,979</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	51,397	171,875	284,423	424,985	541,073
Unrestricted	(189,931)	(183,843)	(146,421)	(103,022)	20,388
Total Net Assets	<u>\$ (138,534)</u>	<u>\$ (11,968)</u>	<u>\$ 138,002</u>	<u>\$ 321,963</u>	<u>\$ 561,461</u>

## General Sales and Use Tax Revenues

<b>Fiscal Year Ending September 30</b>	<b>Total Amount</b>
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
2012	\$96,506,712

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

## Education Tax Revenues

<b>Fiscal Year Ending September 30</b>	<b>Total Amount</b>
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
2012	\$97,613,345

\*Tax implemented in January 2005.

Source: Jefferson County Revenue Department

## Occupational Tax Revenues

<b>Fiscal Year Ending September 30</b>	<b>Total Amount</b>
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
2012	-

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 plaintiffs received \$31.7M in escrowed tax proceeds. The trial court approved the settlement in an order dated August 9, 2011, which was later affirmed by the Supreme Court in November, 2012. 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. In November, 2012, the Supreme Court ruled that the County was not required to refund tax proceeds collected prior to December 1, 2010.

## Assessed Valuation

Tax Year Ending September 30 <sup>(2)</sup>	Net Assessed Value <sup>(1)</sup>			Total Net Assessed Values
	Real & Personal Property and Public Utility Property	Motor Vehicles		
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
2012	\$ 7,766,614,346	\$ 914,057,340	\$	8,680,671,686

<sup>(1)</sup> Includes exemptions and penalties.

<sup>(2)</sup> 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.

Sources: Jefferson County Tax Assessor, Abstract of Assessments, Exemptions and Ad Valorem Taxes, 2003 - 2012.

## Principal Ad Valorem Taxpayers -- Tax Year 2012

	<b>Company</b>	<b>Assessed Value</b>	<b>County Tax</b>
1	Alabama Power Company	\$ 571,223,390	\$ 7,711,516
2	BellSouth Telecommunications	\$ 102,624,680	\$ 1,385,433
3	BellSouth Telecommunications LLC	\$ 100,926,780	\$ 1,362,512
4	United States Steel	\$ 96,893,965	\$ 1,308,069
5	Norfolk Southern Combined Rail	\$ 42,968,880	\$ 580,080
6	American Cast Iron & Pipe Co	\$ 36,038,110	\$ 486,514
7	Alabama Gas Corp	\$ 35,640,670	\$ 481,149
8	GSA Birmingham Realty	\$ 28,487,660	\$ 384,583
9	Hoover Mall Limited LP	\$ 27,789,880	\$ 375,163
10	Regions Bank	\$ 26,522,380	\$ 358,052

Source: Jefferson County Tax Assessor

## Ad Valorem Tax Collections

<b>Tax Year Ended September 30 <sup>(1)</sup></b>	<b>Total Net Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collection to Tax Levy</b>
2012	\$ 553,608,072	\$ 540,707,822	97.67%	\$ 5,961,035	\$ 546,668,857	98.75%
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%

<sup>(1)</sup> 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

<b><u>Obligations Not Subject to Debt Limit</u></b>	<b><u>Principal Amount Outstanding as of September 30, 2012</u></b>
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	10,015,000
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	11,690,000
Sewer Revenue Refunding Warrants, Series 2003-B, maturing February 1, 2011 through February 1, 2042 *	1,079,980,000
Sewer Revenue Refunding Warrants, Series 2003-C, maturing February 1, 2011 through February 1, 2036, and February 1, 2038 through February 1, 2042	1,040,600,000
Limited Obligation School Warrants, Series 2004-A, maturing January 1, 2011 through January 1, 2025	507,635,000
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	168,425,000
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	<u>78,370,000</u>
TOTAL	<u>\$ 3,967,447,500</u>
<b><u>Obligations Subject to Debt Limit</u></b>	
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 <sup>(1)</sup>	46,185,000
General Obligation Capital Improvement Warrants, Series 2004-A, maturing April 1, 2011 through April 1, 2024 <sup>(1)</sup>	<u>49,335,000</u>
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.

<sup>(1)</sup> The Jefferson County Commission adopted a resolution instructing the County Manager to forego the scheduled April, 2012 debt service payments for the Series 2003-A Warrants and the Series 2004-A Warrants. The April, 2012 debt service payments were paid by draws on the National Public Finance Guarantee Corporation policies insuring such Warrants. The County expects to suspend further payments on the General Obligation Warrants until such debt service can be restructured under the County's Plan of Adjustment under Chapter 9. A further description of the debt service suspension can be found in material event notices previously filed by the County.

## Debt Service Requirements on General Obligation Debt <sup>(1)</sup>

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/30/2012 <sup>(2)</sup>	\$ 2,880,000	2,321,753	5,201,753
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>\$ 43,332,105</u>	<u>\$ 138,852,105</u>

<sup>(1)</sup> The Series 2001-B Warrants have been excluded from this table. All of the Series 2001-B Warrants were purchased by banks beginning in March, 2008 pursuant to liquidity facilities and were 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.

<sup>(2)</sup> The Jefferson County Commission adopted a resolution instructing the County Manager to forego the scheduled April, 2012 principal and interest payments for the Series 2003-A Warrants and the Series 2004-A Warrants. The April, 2012 debt service payments were paid by draws on the National Public Finance Guarantee Corporation policies insuring such Warrants. The County expects to suspend further payments on the General Obligation Warrants until such debt service can be restructured under the County's Plan of Adjustment under Chapter 9. A further description of the debt service suspension can be found in material event notices previously filed by the County.

## Jefferson County, Alabama Debt Ratios

Population <sup>(1)</sup>	658,466
Assessed Value of Taxable Property <sup>(2)</sup>	\$ 8,680,671,686
General Obligation Debt	\$ 200,520,000
General Obligation Debt Per Capita	\$ 304.53
Ratio of General Obligation Debt to Assessed Value	2.31%

<sup>(1)</sup> Source: US Census Bureau, 2010 census

<sup>(2)</sup> 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

[Continued on next page]

**Jefferson County, Alabama  
General Obligation Warrants**

**Fixed Rate Warrants**

*Series 2003-A*

CUSIP

472628PH3  
472628PJ9  
472628PK6  
472628PL4  
472628PM2

*Series 2004-A*

CUSIP

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