

JEFFERSON COUNTY, ALABAMA

ANNUAL REPORT

March 27, 2009

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, 2008 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 financial statements for the fiscal year ended September 30, 2008 as of the date of this Annual Report. The County will file financial statements with the repositories for the fiscal year ended September 30, 2008 when they become available.

The County has filed several material event notices since February, 2008 describing events that have occurred with regard to the Obligations. Investors should review those material event notices for a description of certain recent events affecting the Obligations including certain events mentioned herein.

Jefferson County Environmental Services Department
Results of Operations
Sewer System Utilization

Fiscal Year Ending September 30	2008	2007	2006	2005	2004
Active Accounts	143,576	145,946	140,499	143,818	145,099
Average Daily Treatment Volume (millions of gallons treated)	92	84	112	126	100
Sewer Charges	\$ 167,158,608	\$ 153,472,383	\$ 132,953,655	\$ 123,980,100	\$ 118,809,266
% Revenue- Largest Customer	1.00%	1.37%	1.69%	3.23%	3.98%
% Revenue- Top Ten Customers	4.97%	5.40%	7.02%	11.40%	12.66%

2008 Top Ten Customers	Consumption	Billed
U.S. Steel	361,900	\$ 1,668,946
University of Alabama- Birmingham	150,751	\$ 1,090,860
Brookwood Hospital AMI	110,163	\$ 801,857
SMI Steel, Inc.	105,349	\$ 768,280
Veterans Administration	100,033	\$ 727,023
Barber's Pure Milk Co.	123,721	\$ 723,184
The Children's Hospital	95,256	\$ 689,152
Trinity Medical Center	87,560	\$ 636,246
Samford University	83,692	\$ 606,721
U.S. Steel	129,194	\$ 601,104
	<u>1,347,619</u>	<u>\$ 8,313,373</u>

Sewer System Results of Operations
Summary of Revenues and Expenditures

	Fiscal Year Ended September 30, (in thousands)				
	2008 unaudited	2007	2006	2005	2004
Operating Revenues					
Taxes	\$ 5,850	\$ 5,325	\$ 4,993	\$ 4,730	\$ 4,630
Intergovernmental	101	100	99	99	
Charges for services	158,181	152,981	148,914	132,954	127,757
Other operating revenue	861	168	43	2,332	954
Total operating revenue	<u>164,993</u>	<u>158,574</u>	<u>154,049</u>	<u>140,115</u>	<u>133,341</u>
Operating Expenses					
Salaries and wages	21,552	21,208	21,418	21,287	20,681
Employee benefits and payroll taxes	7,916	6,502	7,552	5,964	6,038
Materials and supplies	1,484	1,183	620	1,417	1,380
Utilities	8,149	8,839	9,554	7,414	6,072
Outside services	10,967	15,598	8,940	6,385	6,212
Office expense	1,434	860	1,846	2,317	2,795
Depreciation	125,554	122,332	89,488	88,242	86,652
Other	137	446	60	8	7
Total operating expenses	<u>177,193</u>	<u>176,968</u>	<u>139,478</u>	<u>133,034</u>	<u>129,837</u>
Operating income (loss)	<u>\$ (12,200)</u>	<u>\$ (18,394)</u>	<u>\$ 14,571</u>	<u>\$ 7,081</u>	<u>\$ 3,504</u>
Nonoperating Revenues (Expenses)					
Interest expense	(234,905)	(116,076)	(157,410)	(126,729)	(109,468)
Interest revenue	13,549	25,433	24,568	44,256	32,586
Amortization of bond issue costs	(12,641)	(12,452)	(12,444)	(12,372)	141
Contribution of capital assets		(21,818)			
Indirect costs				(4,747)	(12,159)
Gain (loss) on disposal of fixed assets	(241)	152	59	22	(3,784)
Indirect cost recovery					(1,311)
Net nonoperating revenues (expenses)	<u>(234,238)</u>	<u>(124,761)</u>	<u>(145,227)</u>	<u>(99,570)</u>	<u>(93,995)</u>
Operating Transfers in		2	382		30
Operating Transfers out		(30)	(4)		
Total operating transfers	<u>-</u>	<u>(28)</u>	<u>378</u>	<u>0</u>	<u>30</u>
Change in net assets	(246,438)	(143,183)	(130,278)	(92,489)	(90,461)
Total net assets, beginning of year, as restated	<u>825,313</u>	<u>968,496</u>	<u>1,076,261</u>	<u>1,168,750</u>	<u>1,259,211</u>
Total net assets, end of year	<u>\$ 578,875</u>	<u>\$ 825,313</u>	<u>\$ 945,983</u>	<u>\$ 1,076,261</u>	<u>\$ 1,168,750</u>

Sewer System Results of Operations
Summary of Balance Sheet

	As of September 30, (in thousands)				
	2008 unaudited	2007	2006	2005	2004
Assets					
Cash and investments	\$ 261,088	\$ 407,379	\$ 490,207	\$ 600,777	\$ 766,803
Accounts receivable, net	18,874	17,733	20,973	21,143	16,797
Property taxes receivable, net	5,505	5,359	4,993	4,618	4,374
Interest receivable					3,136
Due from other governmental units	3,224	1,161	955	809	843
Advances due from other funds		1,554			
Inventories	458	437	400	941	886
Prepaid items	4	4	2	3	11
Assets held for sale	525	525	525		
Deferred charges - issuance costs	62,084	63,976	67,814	59,731	50,539
Fixed assets, net	3,222,183	3,314,963	3,345,748	3,344,956	3,310,147
Total assets	<u>\$ 3,573,945</u>	<u>\$ 3,813,091</u>	<u>\$ 3,931,617</u>	<u>\$ 4,032,978</u>	<u>\$ 4,153,536</u>
Liabilities					
Accounts payable	\$ 5,259	\$ 10,107	\$ 6,471	\$ 4,470	\$ 14,770
Interest payable	47,637	13,817	15,862		21,940
Swap termination liability	31,189				
Accrued wages and benefits payable	1,088	880	887	865	763
Retainage payable	2,150	2,638	2,535	8,215	13,008
Estimated liability for compensated absences	1,907	3,637	3,644	3,752	3,635
Due to other funds	639				
Deferred revenue	5,763	5,602	4,993	4,846	4,603
Estimated claims liability		988			
Arbitrage rebate payable	63	63	3,379	3,379	1,260
Warrants payable	3,193,242	3,254,465	3,260,895	3,264,750	3,269,115
Add: Unamortized Premiums	7,448	7,644	9,779		
Less: Deferred loss on refunding	(301,315)	(312,063)	(322,811)	(333,560)	(344,308)
Total liabilities	<u>2,995,070</u>	<u>2,987,778</u>	<u>2,985,634</u>	<u>2,956,717</u>	<u>2,984,786</u>
Net Assets					
Invested in capital assets, net of related debt	616,055	772,853	914,055	1,415,810	1,747,160
Unrestricted	(37,180)	52,460	31,928	(339,549)	(578,410)
Total Net Assets	<u>\$ 578,875</u>	<u>\$ 825,313</u>	<u>\$ 945,983</u>	<u>\$ 1,076,261</u>	<u>\$ 1,168,750</u>

General Sales and Use Tax Revenues

Fiscal Year Ending September 30	Total Amount Collected
1998	\$75,635,599
1999	78,898,175
2000	79,466,508
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

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

*Tax implemented January in 2005.

Source: Jefferson County Revenue Department

Occupational Tax Revenues

Fiscal Year Ending September 30	Total Amount Collected
1998	\$47,143,817
1999	47,945,225
2000	52,715,844
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

Source: Jefferson County Revenue Department

Assessed Valuation

Tax Year Ending September 30 ⁽²⁾	Net Assessed Value (1)		Total Net Assessed Values
	Real & Personal Property and Public Utility Property	Motor Vehicles	
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

⁽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 - 2008; prior years' data from earlier disclosure documents.

Principal Ad Valorem Taxpayers -- Tax Year 2008

<u>Ranking</u>	<u>Name</u>	<u>County Tax</u>	<u>Total Assessment</u>
1	Alabama Power Company	\$6,351,734	\$532,242,900
2	BellSouth	2,857,109	294,889,010
3	USX Corporation	1,420,293	105,333,010
4	Regions Bank	901,493	88,532,760
5	Alabama Gas Corp	469,841	39,033,760
6	Wachovia Bank	427,903	31,696,505
7	Hoover Mall Limited L P	389,699	28,866,620
8	Protective Life Insurance Company	384,256	28,463,400
9	Blue Cross & Blue Shield	351,131	26,009,728
10	American Cast Iron Pipe Company	339,067	33,119,282

Source: Jefferson County Tax Assessor

Ad Valorem Tax Collection

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
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, 2008
<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, 2009, through February 1, 2041	13,740,000
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, 2010 through February 15, 2015	25,220,000
Sewer Revenue Refunding Warrants, Series 2003-B, maturing February 1, 2009 through February 1, 2042 **	1,137,025,000
Sewer Revenue Refunding Warrants, Series 2003-C, maturing February 1, 2009 through February 1, 2036, and February 1, 2038 through February 1, 2042	1,052,025,000
Limited Obligation School Warrants, Series 2004-A, maturing January 1, 2009 through January 1, 2025	607,115,000
Limited Obligation School Warrants, Series 2005-A, maturing January 1, 2009 through January 1, 2027	128,125,000
Limited Obligation School Warrants, Series 2005-B, maturing January 1, 2009 through January 1, 2027	190,375,000
Lease Revenue Warrants, Series 2006, issued by the Jefferson County Public Building Authority, maturing April 1, 2009 through April 1, 2021 and April 1, 2025 and 2026	<u>85,755,000</u>
TOTAL	\$ 4,204,612,500
<u>Obligations Subject to Debt Limit</u>	
General Obligation Warrants, Series 2001-A, maturing April 1, 2009 through April 1, 2011	\$ 28,185,000
General Obligation Warrants, Series 2001-B, maturing April 1, 2021 *	120,000,000
General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, maturing April 1, 2009 through April 1, 2023	56,310,000
General Obligation Capital Improvement Warrants, Series 2004-A, maturing April 1, 2011 through April 1, 2024	<u>51,020,000</u>
TOTAL	\$ 255,515,000

* These warrants have been purchased by banks 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.

** A portion of these warrants have been purchased by banks 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>
9/30/2009	\$15,135,000	\$6,271,575	\$21,406,575
9/30/2010	12,805,000	5,514,825	18,319,825
9/30/2011	12,055,000	4,874,575	16,929,575
9/30/2012	2,880,000	4,377,489	7,257,489
9/30/2013	2,965,000	4,340,694	7,305,694
9/30/2014	3,075,000	4,281,500	7,356,500
9/30/2015	3,185,000	4,216,149	7,401,149
9/30/2016	3,305,000	4,149,348	7,454,348
9/30/2017	3,430,000	4,080,441	7,510,441
9/30/2018	3,580,000	3,989,200	7,569,200
9/30/2019	3,735,000	3,893,229	7,628,229
9/30/2020	3,875,000	3,812,818	7,687,818
9/30/2021	4,045,000	3,711,586	7,756,586
9/30/2022	19,490,000	3,072,250	22,562,250
9/30/2023	20,465,000	2,097,750	22,562,750
9/30/2024	21,490,000	1,074,500	22,564,500
TOTAL	<u>\$ 135,515,000</u>	<u>\$ 63,757,926</u>	<u>\$ 199,272,926</u>

Note: The Series 2001-B Warrants have been excluded from this table. 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, although such redemptions are currently subject to a forbearance agreement between the County and the liquidity banks. A further description of the accelerated redemptions and the forbearance agreement can be found in material event notices previously filed by the County.

Jefferson County, Alabama Debt Ratios

Population ⁽¹⁾	658,779
Assessed Value of Taxable Property ⁽²⁾	\$9,189,669,881
General Obligation Debt	\$255,515,000
General Obligation Debt Per Capita	\$ 387.86
Ratio of General Obligation Debt to Assessed Value	2.78%

⁽¹⁾ Source: US Census Bureau, 2007 estimate

⁽²⁾ Source: Jefferson County Tax Assessor

Exhibit A

Jefferson County, Alabama Sewer Revenue Warrants

Fixed Rate Warrants

Series 1997 A

CUSIP

472682NV1
472682NW9
472682NX7
472682MC4
472682MD2

Series 2001 A

CUSIP

472682JB0
472682JC8
472682JD6
472682JE4
472682JF1
472682JG9
472682JH7
472682JJ3
472682JL8
472682JM6
472682JN4

Series 2003-B-8

CUSIP

472682ML4
472682MM2
472682MN0
472682MP5
472682MQ3
472682MR1
472682MS9

[Continued on following page]

**Jefferson County, Alabama
Sewer Revenue Warrants**

Variable Rate Demand Warrants

<i>Series 2002 A</i>	
CUSIP	Subseries
472682JW4	2002 A

<i>Series 2002 C</i>	
CUSIP	Subseries
472682KE2	2002 C-2
472682KF9	2002 C-3
472682KG7	2002 C-4
472682KJ1	2002 C-6
472682KK8	2002 C-7

<i>Series 2003 B</i>	
CUSIP	Subseries
472682LN1	2003 B-2
472682LP6	2003 B-3
472682LQ4	2003 B-4
472682LR2	2003 B-5
472682LS0	2003 B-6
472682LT8	2003 B-7

Auction Rate Warrants

<i>Series 2002 C</i>	
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

<i>Series 2003 B</i>	
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

<i>Series 2003 C</i>	
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

**Jefferson County, Alabama
General Obligation Warrants**

Fixed Rate Warrants

Series 2001-A

CUSIP

472628NN2
472628NP7
472628NQ5
472628NR3

Series 2003-A

CUSIP

472628PC4
472628PD2
472628PE0
472628PF7
472628PG5
472628PH3
472628PJ9
472628PK6
472628PL4
472628PM2

Series 2004-A

CUSIP

472628PQ3
472628PR1
472628PS9
472628PT7
472628PU4
472628PV2
472628PW0
472628PX8
472628PY6
472628PZ3
472628QA7
472628QB5
472628QC3
472628QD1

Variable Rate Demand Warrants

Series 2001-B

CUSIP

472628NS1

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

Fixed Rate

Series 2004-A

CUSIP
472653AC8
472653AD6
472653AE4
472653AF1
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

Alabama Water Pollution Control Authority

Revolving Fund Loan Refunding Bonds

Series 2003-B

CUSIP

010653QT3
010653QU0
010653QV8
010653QW6
010653QX4
010653QY2
010653QZ9
010653RA3

Jefferson County Public Building Authority

Lease Revenue Warrants

Series 2006

CUSIP

47267PAA1
47267PAB9
47267PAC7
47267PAD5
47267PAE3
47267PAF0
47267PAG8
47267PAH6
47267PAJ2
47267PAK9
47267PAL7
47267PAM5
47267PAN3
47267PAP8
47267PAQ6