PRELIMINARY OFFICIAL STATEMENT DATED JUNE 23, 2017

NEW ISSUE - BOOK- ENTRY ONLY

RATINGS:
S&P: AA (stable outlook)
Fitch: A (rating watch negative)
(See "RATINGS" herein)

DAC Bond®

In the opinion of Bond Counsel, under existing law, interest on the Series 2017 Warrants (1) will be excludable from gross income for federal income tax purposes if the County complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2017 Warrants in order that interest thereon be and remain excludable from gross income, and (2) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2017 Warrants will be exempt from State of Alabama income taxation. See "TAX MATTERS" herein for further information and certain other federal tax consequences arising with respect to the Series 2017 Warrants.

$344,145,000*
JEFFERSON COUNTY, ALABAMA
Limited Obligation Refunding Warrants, Series 2017

Dated: Date of Delivery **Due:** September 15, as shown below

The Series 2017 Warrants are issuable as fully registered warrants, in the denomination of $5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., a nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2017 Warrants will be made so long as Cede & Co. is the registered owner of the Series 2017 Warrants. Individual purchases of the Series 2017 Warrants will be made in Book-Entry Only form, and individual purchasers ("Beneficial Owners") of the Series 2017 Warrants will not receive physical delivery of warrant certificates.

Interest will be payable on the Series 2017 Warrants each March 15 and September 15, beginning March 15, 2018. The Series 2017 Warrants are being issued pursuant to a Trust Indenture (the "Indenture"), dated as of July 1, 2017, between Jefferson County (the "County") and Regions Bank, Birmingham, Alabama, as Trustee (the "Trustee"). So long as DTC or its nominee is the registered owner of the Series 2017 Warrants, disbursements of such payments to DTC is the responsibility of the Trustee, disbursements of such payments to Direct Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owner is the responsibility of Direct Participants or Indirect Participants as more fully described herein under the caption "DESCRIPTION OF THE SERIES 2017 WARRANTS – Book-Entry Only System."

The Series 2017 Warrants will not constitute general obligations of the County nor will the Series 2017 Warrants constitute a charge against the general credit or taxing power of the State of Alabama, the County or any other political subdivision of the State of Alabama. The Series 2017 Warrants will be limited obligations payable solely out of and secured by a pledge of the Pledged Tax Proceeds described herein. After the issuance of the Series 2017 Warrants, no additional obligations other than refunding obligations may be issued by the County which will be secured by the Pledged Tax Proceeds. See "SECURITY AND SOURCE OF PAYMENT."

The Series 2017 Warrants will be subject to redemption prior to their respective maturities at the time, in the manner and on the terms as described herein.

The Series 2017 Warrants are offered when, as and if issued, subject to approval of validity by Balch & Bingham LLP, Birmingham, Alabama, as Bond Counsel. Certain legal matters will be passed on by Waldrep, Stewart & Kendrick, LLC, Birmingham, Alabama, Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Bradley Arant Boult Cummings LLP, Birmingham, Alabama. Public Resources Advisory Group and Terminus Municipal Advisors, LLC are serving as Co-Financial Advisors to the County. It is expected that the Series 2017 Warrants in definitive form will be available for delivery through the facilities of DTC on or about July 31, 2017.

RAYMOND JAMES® **STIFEL**

CITIGROUP **SECURITIES CAPITAL CORPORATION** **PiperJaffray.** **DREXEL HAMILTON**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The date of this Official Statement is ________.

* Preliminary – subject to change.

MATURITIES, AMOUNTS, RATES, YIELDS & CUSIP NUMBERS

Maturity (September 15)	Principal Amount	Interest Rate	Yield	CUSIP(1)	Maturity (September 15)	Principal Amount	Interest Rate	Yield	CUSIP(1)
2018					2031				
2019					2032				
2020					2033				
2021					2034				
2022					2035				
2023					2036				
2024					2037				
2025					2038				
2026					2039				
2027					2040				
2028					2041				
2029					2042				
2030									

(1) The CUSIP numbers shown above have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the holders of the Series 2017 Warrants. Neither the Underwriters nor the County is responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness on the Series 2017 Warrants or as indicated herein.

JEFFERSON COUNTY, ALABAMA

JEFFERSON COUNTY COMMISSION

JIMMIE STEPHENS- DISTRICT 3
PRESIDENT

SANDRA LITTLE BROWN- DISTRICT 2
PRESIDENT PRO TEMPORE

GEORGE BOWMAN- DISTRICT 1
COMMISSIONER

JOE KNIGHT- DISTRICT 4
COMMISSIONER

DAVID CARRINGTON- DISTRICT 5
COMMISSIONER

COUNTY MANAGER
TONY PETELOS

DIRECTOR OF FINANCE
JOHN S. HENRY

COUNTY ATTORNEY
THEODORE LAWSON

BOND COUNSEL

BALCH & BINGHAM LLP
BIRMINGHAM, ALABAMA

DISCLOSURE COUNSEL

WALDREP, STEWART & KENDRICK, LLC
BIRMINGHAM, ALABAMA

UNDERWRITERS' COUNSEL

BRADLEY ARANT BOULT CUMMINGS LLP
BIRMINGHAM, ALABAMA

CO-FINANCIAL ADVISORS

PUBLIC RESOURCES ADVISORY GROUP
NEW YORK, NEW YORK
TERMINUS MUNICIPAL ADVISORS, LLC
ATLANTA, GEORGIA

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NOTICES TO INVESTORS

No dealer, broker, salesman or other person has been authorized by the County or the Underwriters to give any information or to make any representation with respect to the County or the Series 2017 Warrants other than as contained in this Official Statement, and, if given or made, such information or representation must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017 Warrants by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. Certain information contained herein has been obtained from the County and other sources which are believed by the Underwriters to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. In accordance with, and as part of, their responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction, the Underwriters have reviewed the information in this Official Statement, but do not guarantee the accuracy or completeness of such information. Neither the delivery of this Official Statement nor the sale of any of the Series 2017 Warrants shall imply that the information herein is correct as of any time subsequent to the date hereof.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports, agreements or other documents are referred to herein, reference should be made to such statutes, reports, agreements or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The Series 2017 Warrants have not been registered under the Securities Act of 1933, as amended, or any state securities laws, and neither the Securities and Exchange Commission nor any state regulatory agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

THE SERIES 2017 WARRANTS HAVE RISK CHARACTERISTICS WHICH REQUIRE CAREFUL ANALYSIS AND CONSIDERATION BEFORE A DECISION TO PURCHASE IS MADE. THE SERIES 2017 WARRANTS SHOULD BE PURCHASED BY INVESTORS WHO HAVE ADEQUATE EXPERIENCE TO EVALUATE THE MERITS AND RISKS OF THE SERIES 2017 WARRANTS. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS OFFICIAL STATEMENT OR ANY PRIOR OR SUBSEQUENT COMMUNICATION FROM THE UNDERWRITERS, THEIR AFFILIATES, OFFICERS AND EMPLOYEES OR ANY PROFESSIONAL ASSOCIATED WITH THIS OFFERING AS INVESTMENT OR LEGAL ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO FINANCIAL, LEGAL AND RELATED MATTERS CONCERNING THE INVESTMENT DESCRIBED HEREIN.

There can be no guarantee that there will be a secondary market for the Series 2017 Warrants or, if a secondary market exists, that it will continue to exist or that the Series 2017 Warrants can in any event be sold for any particular price.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create an implication that there has been no change in the affairs of the County since the date hereof. The delivery of this Official Statement does not imply that the information contained herein is correct on any date subsequent to the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 WARRANTS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 WARRANTS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE

DISCONTINUED AT ANY TIME. THE COUNTY HAS NO CONTROL OVER THE TRADING OF THE SERIES 2017 WARRANTS AFTER THEIR SALE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "believe," "expect," "estimate," "anticipate," "intend," "projected," "budget," "could," or other similar words. Additionally, all statements in this Official Statement, including forward-looking statements, speak only as of the date they are made, and the County and the Underwriters disclaim any obligation to update any of the forward-looking statements contained herein to reflect future events or developments.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including students, customers, suppliers, partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The County and the Underwriters disclaim any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

TABLE OF CONTENTS

OFFICIAL STATEMENT

REGARDING
$344,145,000*
LIMITED OBLIGATION REFUNDING WARRANTS, SERIES 2017
OF
JEFFERSON COUNTY, ALABAMA

INTRODUCTION

This Official Statement is furnished in connection with the issuance of the warrants referred to above (the "Series 2017 Warrants") by Jefferson County, Alabama (the "County"). The County is a political subdivision of the State of Alabama.

The Series 2017 Warrants will be issued pursuant to a Trust Indenture, dated as of July 1, 2017 (the "Indenture"), between the County and Regions Bank, Birmingham, Alabama (the "Trustee"). See Appendix D—"FORM OF THE INDENTURE."

The Series 2017 Warrants are not general obligations of the County or a charge against the general credit or taxing powers of the County, the State of Alabama, or any political subdivision of the State of Alabama. The Series 2017 Warrants are limited obligations of the County payable solely out of the proceeds (the "Pledged Tax Proceeds") of certain sales and use taxes (collectively, the "Sales Tax") levied in the County and the moneys in certain funds created under the Indenture. The Series 2017 Warrants are secured on a parity of lien with any Additional Parity Obligations subsequently issued under the Indenture. See "SECURITY AND SOURCE OF PAYMENT" and Appendix D—"FORM OF THE INDENTURE" herein.

The Series 2017 Warrants are being issued for the purpose of (i) refunding the County's Limited Obligation School Warrants, Series 2004-A, currently outstanding in the aggregate principal amount of $351,210,000 (the "Series 2004-A Warrants") and its Limited Obligation School Warrants, Series 2005-A, currently outstanding in the aggregate principal amount of $93,875,000 (the "Series 2005-A Warrants" and together with the Series 2004-A Warrants, herein collectively referred to as the "Refunded Warrants") and (ii) paying the costs of issuance of the Series 2017 Warrants. See "THE PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" herein.

The Series 2017 Warrants are subject to optional and mandatory redemption at the times and under the circumstances set forth herein. See "DESCRIPTION OF THE SERIES 2017 WARRANTS—Redemption Prior to Maturity."

The County has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE."

Capitalized terms used in this Official Statement and not defined in the body hereof shall have the meanings assigned in Appendix D – "FORM OF THE INDENTURE" hereto.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. For further information during the initial offering period with respect to the Series 2017

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*Preliminary; subject to change.

Warrants, contact John S. Henry, Director of Finance, Jefferson County Commission, 716 Richard Arrington Blvd. North, Birmingham, Alabama 35203, telephone (205) 325-5762.

DESCRIPTION OF THE SERIES 2017 WARRANTS

General Provisions

The Series 2017 Warrants will be fully registered warrants in the denomination of $5,000 or any integral multiple thereof and will be dated their date of delivery.

The Series 2017 Warrants will bear interest at the rates set forth on the inside cover page of this Official Statement, and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. Interest on the Series 2017 Warrants will be payable on each March 15 and September 15, beginning March 15, 2018. The Trustee will pay interest on the Series 2017 Warrants to The Depository Trust Company ("DTC"), and interest will be distributed to the beneficial owners in accordance with the rules and regulations of DTC and its book-entry only system (the "Book-Entry Only System"). See "DESCRIPTION OF THE SERIES 2017 WARRANTS – Book-Entry Only System" for a description of the Book-Entry Only System.

Payment, Registration, Transfer and Exchange Provisions

The transfer, registration, exchange and payment of the Series 2017 Warrants shall be governed by the Book-Entry Only System administered by DTC until the Book-Entry Only System is terminated pursuant to the terms and conditions of the Indenture. See "DESCRIPTION OF THE SERIES 2017 WARRANTS – Book-Entry Only System" for a description of the Book-Entry Only System. If the Book-Entry Only System is terminated, the Indenture provides alternate provisions for the transfer, registration, exchange and payment of the Series 2017 Warrants. See Appendix D – "FORM OF THE INDENTURE," ARTICLE 4.

Authority for Issuance

The Series 2017 Warrants are being issued pursuant to Chapter 28 of Title 11 of the Code of Alabama 1975, as amended (the "Alabama Code").

Redemption Prior to Maturity

The Series 2017 Warrants are subject to redemption prior to maturity as follows:

Optional Redemption. Any Series 2017 Warrant that matures on or after September 15, 2027 may be redeemed in whole or in part on any Business Day on or after March 15, 2027 at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest thereon to the date of redemption. If less than all Series 2017 Warrants Outstanding are to be redeemed, the principal amount of Series 2017 Warrants of each Tenor to be redeemed may be specified by the County by notice delivered to the Trustee not less than 3 Business Days prior to the date when the Trustee must give notice of the redemption to Holders (unless a shorter notice is acceptable to the Trustee), or, in the absence of timely receipt by the Trustee of such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Series 2017 Warrants of each Tenor to be redeemed may not be larger than the principal amount of Series 2017 Warrants of such Tenor then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

If less than all Series 2017 Warrants with the same Tenor are to be redeemed, the particular Series 2017 Warrants of such Tenor to be redeemed shall be selected by the Trustee from the Outstanding Series 2017 Warrants of such Tenor then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Series 2017 Warrants of such Tenor of a denomination larger than the smallest Authorized Denomination.

Scheduled Mandatory Redemption of Series 2017 Term Warrants. The Series 2017 Warrants maturing in ________ and ____________ are referred to herein as "Series 2017 Term Warrants". Series 2017 Term Warrants shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on dates and in principal amounts (after credit as provided below) as follows:

Series 2017 Term Warrants Maturing in _____

Redemption Date (September 15)	Principal Amount to be Redeemed
	(maturity)

Series 2017 Term Warrants Maturing in _______

Redemption Date (September 15)	Principal Amount to be Redeemed
	(maturity)

Not later than the date on which notice of scheduled mandatory redemption is to be given, the Trustee shall select affected Series 2017 Term Warrants for redemption by lot; provided, however, that the County may, by timely notice delivered to the Trustee, direct that any or all of the following amounts be credited against the principal amount of Series 2017 Term Warrants scheduled for redemption on such date: (i) the principal amount of Series 2017 Term Warrants of such Tenor delivered by the County to the Trustee for cancellation and not previously claimed as a credit; (ii) the principal amount of Series 2017 Term Warrants of such Tenor previously redeemed (other than Series 2017 Term Warrants of such Tenor redeemed pursuant to the scheduled mandatory redemption requirement) and not previously claimed as a credit; and (iii) the principal amount of Series 2017 Term Warrants of such Tenor otherwise defeased and not previously claimed as a credit. Series 2017 Warrants shall be redeemed in accordance with the applicable mandatory redemption provisions without any direction from or consent by the County.

Notice of Redemption

Notice of redemption shall be given to the affected Holder not less than 20 days prior to the redemption date. If the Book-Entry Only System is in effect, notice of redemption shall be given to DTC and shall be forwarded by DTC to Holders through methods established by the rules and regulations of the Book-Entry Only System. If the Book-Entry Only System is not in effect, notice of redemption shall be given to Holders by certified mail.

All notices of redemption shall state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount of Series 2017 Warrants to be redeemed, and, if less than all Outstanding Series 2017 Warrants are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2017 Warrants to be redeemed,

(4) that on the redemption date the redemption price of each of the Series 2017 Warrants to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date, and

(5) any conditions to such redemption specified in accordance with the provisions of the Indenture.

A notice of optional redemption may state that the redemption of Series 2017 Warrants is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the County shall not be required to redeem the Series 2017 Warrants (or portions thereof) identified in such notice, and any Series 2017 Warrants surrendered on the specified redemption date shall be returned to the Holders of such Series 2017 Warrants.

For so long as DTC or its nominee is the registered owner of any Series 2017 Warrant to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such Series 2017 Warrant. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any Series 2017 Warrant to be redeemed shall not affect the validity of the redemption of such Series 2017 Warrant. See "DESCRIPTION OF THE SERIES 2017 WARRANTS – Book-Entry Only System".

Book-Entry Only System

The information contained in this section concerning DTC and DTC's book-entry only system has been obtained from materials furnished by DTC. Neither the County, the Underwriters nor the Financial Advisors make any representation or warranty as to the accuracy or completeness of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2017 Warrants. The Series 2017 Warrants will be issued as fully-registered Warrants registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Warrant certificate will be issued for each maturity of the Series 2017 Warrants, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Series 2017 Warrants Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Warrants on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Warrant ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Warrants are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017 Warrants, except in the event that use of the book-entry system for the Series 2017 Warrants is discontinued.

To facilitate subsequent transfers, all Series 2017 Warrants deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Warrants with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Warrants; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Warrants are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 Warrants may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Warrants, such as redemptions, tenders, defaults, and proposed amendments to the Series 2017 Warrant documents. For example, Beneficial Owners of Series 2017 Warrants may wish to ascertain that the nominee holding the Series 2017 Warrants for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Warrants of a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2017 Warrants unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Warrants are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest and the redemption price on the Series 2017 Warrants will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2017 Warrants held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest the redemption price to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County and Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Warrants at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2017 Warrant certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2017 Warrant certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

THE COUNTY, THE UNDERWRITERS AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2017 WARRANTS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2017 WARRANTS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2017 WARRANTS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2017 WARRANTS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE COUNTY, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE SERIES 2017 WARRANTS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2017 WARRANTS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO WARRANTHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2017 WARRANTS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS WARRANTHOLDER.

SECURITY AND SOURCE OF PAYMENT

General

The Series 2017 Warrants are secured by a pledge and assignment of (i) the "General Trust Estate" established under the Indenture, which consists of (1) the Pledged Tax Proceeds, (2) money in the Reserve Fund, unless the Authorizing Document provides that the particular Parity Obligations are not secured by the Reserve Fund (the Indenture provides that the Series 2017 Warrants are <u>not</u> secured by the Reserve Fund), and (3) any and all property of every kind or description which may, from time to time, by delivery or by writing of any kind, be subjected to the lien of the Indenture as additional security for the Parity Obligations (collectively, the "General Indenture Funds") and (ii) the "Series 2017 Trust Estate" established under the Indenture, which consists of money in (1) the Series 2017 Debt Service Fund and (2) the Series 2017 Costs of Issuance Fund (collectively, the "Series 2017 Indenture Funds"). The General Trust Estate and the Series 2017 Trust Estate are referred to collectively as the "Trust Estate."

The Series 2017 Warrants are secured by the General Trust Estate (except for the Reserve Fund) on a parity of lien with any Additional Parity Obligations. The Series 2017 Trust Estate is for the sole benefit of the Holders of the Series 2017 Warrants. See Appendix D— "FORM OF THE INDENTURE," ARTICLE 2 and ARTICLE 3.

Application of Moneys in Indenture Funds

The Indenture establishes the following funds and accounts:

(1) Tax Proceeds Account;
(2) Reserve Fund;
(3) Series 2017 Debt Service Fund; and
(4) Series 2017 Costs of Issuance Fund.

Tax Proceeds Account. The County will establish and maintain the Tax Proceeds Account in its own name with a bank or financial institution (including the Trustee's commercial banking department) for the collection of receipts from the Sales Tax. Subject to the County's normal procedures for the recording, administration and application of tax revenues, the County is required to immediately deposit all receipts from the Sales Tax into the Tax Proceeds Account. The Tax Proceeds Account shall not be considered an Indenture Fund or otherwise part of the Trust Estate; provided, however, that if an Indenture Default exists the Trustee may exercise the remedies with respect to the Tax Proceeds Account described below.

During each Fiscal Year, the County is required to make monthly transfers of all funds on deposit in the Tax Proceeds Account to the Trustee until the Trustee confirms in writing that it has received funds sufficient to pay:

(i) all amounts payable as Debt Service on the Parity Obligations during such Fiscal Year;

(ii) any ongoing expenses of administration of the Parity Obligations;

(iii) any amounts necessary to restore the Reserve Fund to the Required Reserve Fund Balance;

(iv) Any amounts necessary to provide for the payment of rebate, if any, or other amounts due to the United States; and

(v) the fees and expenses of the Trustee for its services rendered and to be rendered during such Fiscal Year.

The amounts so transferred shall be deposited in the Series 2017 Debt Service Fund and in any Parity Obligation Debt Service Fund (if any), in the Reserve Fund, in the Trustee's separate account, or in such other Indenture Fund as may be appropriate. Upon receipt of the Trustee's confirmation that the amounts required in (i) through (v) above have been fully funded for a Fiscal Year, the County shall not be obligated to transfer any additional amounts from the Tax Proceeds Account during the remainder of such Fiscal Year and shall apply all additional receipts from the Sales Tax to the uses and in the priorities established in the Sales Tax Act.

If an Indenture Default exists, the Trustee may direct the County to terminate the Tax Proceeds Account, to transfer possession and control of any money remaining in the Tax Proceeds Account to the Trustee, and to transfer all additional receipts from the Sales Tax to the Trustee immediately upon receipt. The County shall complete such transfer of money remaining in the Tax Proceeds Account within three Business Days after receipt of such notice and shall transfer all additional receipts when received. In such event, the Trustee shall deposit all Sales Tax receipts into a separate account to be maintained by the Trustee, shall apply all such proceeds as described in subparagraphs (i) through (v) above, and shall release any excess Sales Tax receipts to the County to be applied as provided in the Sales Tax Act. If no Indenture

Default exists, the Trustee may, in its discretion, allow the County to resume use of a separate Tax Proceeds Account.

Reserve Fund. The Reserve Fund is held by the Trustee for the benefit of the Holders of all Parity Obligations; provided, however, that an Authorizing Document may provide that the related Additional Parity Obligations authorized are not secured by the Reserve Fund. The Indenture provides that the Series 2017 Warrants are not secured by the Reserve Fund.

The amount of the Required Reserve Fund Balance will be determined (i) on the date of initial delivery of any Additional Parity Obligations secured by the Reserve Fund and (ii) on any date when the County requests a withdrawal of any excess money in the Reserve Fund.

The Indenture provides that on each Parity Obligation Payment Date with respect to Parity Obligations secured by the Reserve Fund, money in the Reserve Fund shall be withdrawn by the Trustee and used to pay Debt Service on such Parity Obligations, but only if and to the extent that money on deposit in the related Parity Obligation Debt Service Fund is not sufficient for such purpose and payment from the Reserve Fund is necessary to prevent a default in the payment of such Debt Service. If any withdrawal from the Reserve Fund is made to prevent a default in the payment of Debt Service, the County is required to transfer funds from the Tax Proceeds Account to the Reserve Fund (but after transferring all amounts payable as Debt Service on the Parity Obligations during the Fiscal Year) until the balance in the Reserve Fund is equal to the Required Reserve Fund Balance.

Series 2017 Debt Service Fund. The Trustee is the depository, custodian and disbursing agent of the Series 2017 Debt Service Fund. This fund is part of the Series 2017 Trust Estate and is held by the Trustee for the benefit of the Holders of the Series 2017 Warrants. On each Warrant Payment Date, money in the Series 2017 Debt Service Fund shall be applied by the Trustee to pay Debt Service on the Series 2017 Warrants.

Series 2017 Costs of Issuance Fund. The Trustee is the depository, custodian and disbursing agent for the Series 2017 Costs of Issuance Fund. This fund is part of the Series 2017 Trust Estate and is held by the Trustee for the benefit of the Holders of the Series 2017 Warrants. Amounts in the Series 2017 Costs of Issuance Fund will be paid out by the Trustee from time to time for the purpose of paying Costs of Issuance with respect to the Series 2017 Warrants. Any amount remaining in the Series 2017 Costs of Issuance Fund after all Costs of Issuance have been paid shall be applied in such manner as the County may direct.

The Sales Tax

Pursuant to Act No. 2015-226 adopted by the Alabama Legislature during the 2015 Regular Session (the "Sales Tax Act"), the County is authorized to levy and collect the Sales Tax in the County and to apply the proceeds thereof to pay the principal of and interest on the series 2017 Warrants, and certain other uses described below. Under the terms of the Sales Tax Act, upon the effective date of the Sales Tax, the County must cancel the levy of certain existing sales and use taxes levied for the benefit of the public school systems in the County (the "Prior Education Sales Tax") and simultaneously pay or defease the Refunded Warrants.

The Sales Tax Act provides that proceeds of the Sales Tax shall be distributed each fiscal year in the following priority and amounts:

> *First*, so long as the any warrants issued to refund the Refunded Warrants (i.e., the Series 2017 Warrants) or any warrants subsequently issued to refinance any such refunding warrants (collectively, the "refunding school warrants") are outstanding and not defeased or otherwise fully

paid, so much of the proceeds received during a fiscal year of the County as may be necessary to satisfy the County's obligations with respect to the refunding school warrants, including payment of principal or premium, if any, and interest on the refunding school warrants due during any such fiscal year of the County, any ongoing expenses of administration of the refunding school warrants, amounts required to be deposited in any debt service reserve fund for the refunding school warrants, and amounts necessary to provide for the payment of rebate to the United States Treasury, if any, or other amounts due to the United States shall be paid over to the trustee or paying agent for the refunding school warrants to be held solely for payment of such amounts;

Second, to the extent there remain additional proceeds of the Sales Tax following the application described above, up to $36,300,000 per fiscal year of the County shall be deposited to the general fund of the County for use as the Jefferson County Commission shall determine;

Third, to the extent there remain additional proceeds of the Sales Tax following the applications described above, up to $18,000,000 per fiscal year of the County shall be deposited into a fund created pursuant to the Sales Tax Act and shall be distributed to the public school systems in the County as provided therein;

Fourth, to the extent there remain additional proceeds of the Sales Tax following the applications described above, up to $3,600,000 per fiscal year of the County shall be deposited in the Jefferson County Community Service Fund and used for certain public purposes as determined in accordance with the Sales Tax Act;

Fifth, to the extent there remain additional proceeds of the Sales Tax following the applications described above, up to $2,000,000 per fiscal year of the County shall be paid over to the Birmingham-Jefferson County Transit Authority for each of the first 10 fiscal years of the County following the adoption of the Sales Tax Act, and thereafter up to $1,000,000 per fiscal year of the County;

Sixth, to the extent there remain additional proceeds of the Sales Tax following the applications described above, up to $500,000 per fiscal year of the County shall be paid over to the Birmingham Zoo; and

Seventh, to the extent there remain additional proceeds of the Sales Tax following the applications described above, such remaining proceeds shall be deposited in the general fund of the County for use as the Jefferson County Commission shall determine.

Accordingly, Sales Tax revenues received during a given fiscal year will not be available for payment of debt service in any subsequent fiscal year.

The County has provided for the levy of the Sales Tax pursuant to a resolution adopted by the governing body of the County on August 13, 2015 (the "Sales Tax Resolution"). Pursuant to the authority granted in the Sales Tax Act, the Sales Tax Resolution levies sales and use taxes at a general rate of 1% of gross sales or sale price, as appropriate. Vending machine sales are taxed at a rate of 0.750%. Automobiles and manufacturing equipment are taxed at a rate of 0.375%. The Sales Tax Act provides that exemptions applicable to the State sales and use taxes apply to the Sales Tax. The Sales Tax is currently administered by the County. The County has covenanted in the Indenture that it will continue to levy and collect the Sales Tax and will apply the proceeds as provided in the Indenture until the payment in full of the Series 2017 Warrants and any other Parity Obligations. See "Validation of the Series 2017 Warrants, the Sales Tax Act and the Sales Tax" herein for information about an additional covenant of the County in the event the Sales Tax is held to be invalid.

State, County and Municipal Sales and Use Tax Rates

The State, County and certain municipalities in the County levy sales and use taxes in addition to the Sales Tax levied by the County and pledged to secure the Parity Obligations. The following table shows the rates of the sales and use taxes levied by the State, the County and the three largest municipalities in the County:

Rate Type	State of Alabama	Jefferson County*	Birmingham	Hoover	Vestavia Hills
Sales: General	4.000%	2.000%	4.000%	3.000%	3.000%
Sales: Automobiles	2.000%	0.750%	2.000%	1.000%	1.000%
Sales: Farm Equip.	1.500%	0.750%	2.000%	1.000%	3.000%
Sales: Amusement	4.000%	1.000%	4.000%	3.000%	3.000%
Sales: Mfg. Machinery	1.500%	0.750%	2.000%	2.000%	1.000%
Sales: Vending	4.000%**	1.500%	4.000%	3.000%	3.000%
Use: General	4.000%	2.000%	4.000%	3.000%	3.000%
Use: Automobiles	2.000%	0.750%	2.000%	1.000%	1.000%
Use: Farm Equip.	1.500%	0.750%	2.000%	1.000%	3.000%
Use: Mfg. Machinery	1.500%	0.750%	2.000%	2.000%	1.000%

* Includes the Sales Tax and the County's other sales and use taxes.

** The rate is 3.000% for food products sold by vending machines.

Aggregate Sales and Use Tax Rates in County

The following table shows the aggregate sales and use tax rates (State, County and municipal, where applicable) levied in the three largest municipalities in the County and in the unincorporated areas of the County:

Rate Type	Unincorporated Jefferson County*	Birmingham**	Hoover **	Vestavia Hills **
Sales: General	6.000%	10.000%	9.000%	9.000%
Sales: Automobiles	2.750%	4.750%	3.750%	3.750%
Sales: Farm Equip.	2.250%	4.250%	3.250%	5.250%
Sales: Amusement	5.000%	9.000%	8.000%	8.000%
Sales: Mfg. Machinery	2.250%	4.250%	4.250%	3.250%
Sales: Vending	5.500%	9.500%	8.500%	6.500%
Use: General	6.000%	10.000%	9.000%	9.000%
Use: Automobiles	2.750%	4.750%	3.750%	3.750%
Use: Farm Equip.	2.250%	4.250%	3.250%	5.250%
Use: Mfg. Machinery	2.250%	4.250%	4.250%	3.250%

* Includes State and County sales and use taxes.

** Includes State, County and municipal sales and use taxes.

Prior Education Sales Tax

The County has been levying the Prior Education Sales Tax for the benefit of the public schools in the County for a number of years at the same rates, and subject to the same exemptions, applicable to the Sales Tax. The following table shows the gross receipts from the Prior Education Sales Tax for the fiscal years ended September 30, 2007 through 2016:

Fiscal Year	Prior Education Sales Tax Receipts
2016	$104,843,860
2015	103,732,427
2014	100,377,283
2013	96,612,882
2012	97,613,345
2011	90,914,208
2010	86,549,167
2009	85,836,200
2008	96,848,180
2007	97,123,665

The ten largest sales and use tax payors in the County for the fiscal year ended September 30, 2016, accounted for $20,233,896.79, or 19.3%, of total Prior Education Sales Tax receipts during such period.

Validation of the Series 2017 Warrants, the Sales Tax Act and the Sales Tax

On August 13, 2015, the County filed a petition in the Circuit Court of Jefferson County (the "Circuit Court") seeking to validate the proposed issuance of the Series 2017 Warrants, the validity of the Sales Tax Act, the levy of the Sales Tax and the pledge of the Sales Tax proceeds to the Series 2017 Warrants. On December 14, 2015, the Circuit Court entered a judgment denying validation and holding that the Alabama Legislature failed to comply with certain procedural requirements set forth in Section 71.01 of the Constitution of Alabama of 1901, as amended (the "Alabama Constitution"), in adopting the Sales Tax Act. The County appealed the judgment to the Alabama Supreme Court. A group of plaintiffs (the "Bennett Plaintiffs") also cross-appealed the Circuit Court's judgment asking the Alabama Supreme Court to also find that the Sales Tax Act violated Sections 104(15) (prohibiting local laws regulating either the assessment or collection of taxes), 104(17) (prohibiting local laws authorizing the issuance of securities) and 104(19) (prohibiting the creation of a lien by local law) and Section 105 (passage of local laws on matters provided for by general law) of the Alabama Constitution and that the County violated Section 45-37-162.02 (certain public hearing requirements applicable to the issuance of debt) of the Alabama Code.

While such appeal was pending, a constitutional amendment was ratified by the voters of the State of Alabama ("Amendment 14") that cured any defects with respect to the Alabama Legislature's procedures under said Section 71.01 for all local acts adopted prior to the November 8, 2016, referendum, including the Sales Tax Act. On March 17, 2017, the Alabama Supreme Court reversed the judgment of the Circuit Court and further held that there was no merit to the claims raised by the Bennett Plaintiffs on cross-appeal. On April 6, 2017, an order was entered by the Circuit Court validating the Series 2017 Warrants, the Sales Tax Act, the levy of the Sales Tax and the pledge of the Sales Tax proceeds to the Series 2017 Warrants. The validation order was not appealed, and the period in which an appeal can be filed has expired.

The Circuit Court's validation order validates and confirms that: (1) the County is authorized to execute, deliver and perform under the Series 2017 Warrants, (2) the Series 2017 Warrants to be executed by the County will be valid and legal obligations of the County in every respect, (3) the resolution of the County authorizing the issuance of the Series 2017 Warrants and the Indenture, and all covenants and provisions contained therein will be valid and legal obligations of the County in every respect, (4) the Sales Tax will be valid and legal in every respect upon the effective date of the Sales Tax Resolution, and (5) the pledge of the Pledged Tax Proceeds provided in the Indenture for the payment and retirement of the Series 2017 Warrants will be valid and legal in every respect.

Section 6-6-755 of the Alabama Code provides as follows:

> "If the circuit court shall enter a judgment validating and confirming the issuance of the obligations and no appeal shall be taken within the time prescribed in Section 6-6-754 or if taken and the judgment validating such obligations shall be affirmed by the Supreme Court, or if the circuit court shall enter a judgment refusing to validate and confirm the issuance of the obligations and on appeal such judgment shall be reversed by the Supreme Court, in which case the Supreme Court shall issue its mandate to the circuit court requiring it to enter a judgment validating and confirming the issuance of the obligations, the judgment of the circuit court validating and confirming the issuance of the obligations shall be forever conclusive as to the validity of such obligations against the unit issuing them and against all taxpayers and citizens thereof, and the validity of such obligations or of the tax or other means provided for their payment shall never be called in question in any court in this state."

While the County is not aware of any Alabama appellate court rulings that have materially limited the finality of validation judgments or the preclusion of subsequent suits provided by Section 6-6-755, no assurances can be given that the courts will not recognize exceptions in the future which could apply to the validation order issued with respect to the Series 2017 Warrants.

On June 15, 2017, the Bennett Plaintiffs petitioned the Supreme Court of the United States for a Writ of Certiorari (the "Petition"), alleging violations of the due process clause of the fourteenth amendment to the Constitution of the United States by the Alabama Legislature in the process of proposing and adopting Amendment 14, and its applicability retroactively to procedures with respect to the adoption of the Sales Tax Act. While the County cannot predict the outcome of the litigation with complete certainty, the County expects that the Petition will be denied. If however, the Petition is granted and the United States Supreme Court ultimately rules against the County and reverses the decision of the Alabama Supreme Court, the Sales Tax Act could be held to be invalid, resulting in the termination of the Sales Tax. The County has covenanted in the Indenture that if the Sales Tax is determined to be invalid by the Alabama Supreme Court or by the United States Supreme Court with the result that the Pledged Tax Proceeds are no longer available to pay debt service on the Series 2017 Warrants and any Additional Parity Obligations, the County will, in accordance with then applicable law, levy and collect a new tax under Section 40-12-4 of the Code of Alabama (or other applicable section at the time) in such amount as may be permitted by applicable State law and needed to (i) pay all amounts due on the Series 2017 Warrants and any Additional Parity Obligations, or (ii) pay the amounts due on a new series of warrants issued to refund and retire the Series 2017 Warrants and any Additional Parity Obligations. Such a covenant is dependent upon future Commission action.

Provisions for Payment

The Series 2017 Warrants shall, prior to the maturity or redemption date thereof, be deemed to have been paid, and the pledge and assignment of the Trust Estate for the benefit of the Series 2017 Warrants shall be terminated, if there shall have been deposited with the Trustee cash and/or Federal Securities which (assuming due and punctual payment of the principal of and interest on such Federal Securities) will provide money sufficient to pay the debt service on such Series 2017 Warrants as the same become due and payable until maturity or redemption, as the case may be. See Appendix D- "FORM OF THE INDENTURE," ARTICLE 14.

Additional Parity Obligations

The Sales Tax Act expressly provides that the County may not issue any obligations payable out of the Pledged Tax Proceeds other than (1) warrants to refund the Refunded Warrants (i.e., the Series 2017 Warrants) or (2) warrants subsequently issued to refinance the warrants described in (1).

Under certain circumstances, the Indenture permits the issuance of one or more series of Additional Parity Obligations secured by the General Trust Estate (which includes the Pledged Tax Proceeds) equally and ratably with the Series 2017 Warrants and all other Parity Obligations.

Additional Parity Obligations may be in the form of (i) additional warrants ("Additional Warrants") issued under the Indenture, (ii) debt obligations issued under a separate indenture, or (iii) a note or other debt obligation issued under a loan agreement or other financing document. The Additional Parity Obligations will be secured by the Reserve Fund unless the Authorizing Document expressly provides that the related Additional Parity Obligations are not secured by the Reserve Fund.

Among other requirements in the Indenture for the issuance of Additional Parity Obligations, the County must deliver to the Trustee a certificate executed by the Chief Financial Officer or the Director of Finance of the County confirming that after giving effect to the application of the proceeds of the Additional Parity Obligations proposed to be issued, either (i) the Maximum Annual Debt Service payable on all Parity Obligations Outstanding on the date of the proposed Additional Parity Obligations (including the Additional Parity Obligations proposed to be issued, but excluding the Parity Obligations to be defeased or otherwise retired by such Additional Parity Obligations) will not be increased, or (ii) the net proceeds of the Sales Tax received by the County during the Fiscal Year preceding the issuance of the proposed Additional Parity Obligations was not less than 200% of the Maximum Annual Debt Service on the Parity Obligations Outstanding on the date of the proposed Parity Obligations (including the Additional Parity Obligations proposed to be issued, but excluding the Parity Obligations to be defeased or otherwise retired by such Additional Parity Obligations). See Appendix D – "FORM OF THE INDENTURE," ARTICLE 8.

Remedies

The County is, under existing law, subject to suit in the event that it defaults in payment of the principal of or the interest on the Series 2017 Warrants. However, the extent of the remedies afforded to the holders of the Series 2017 Warrants by any such suit, and the enforceability of any judgment against the County resulting therefrom, are subject to those limitations inherent in the fact that the Series 2017 Warrants are limited obligations of the County payable solely out of the General Trust Estate, including the Pledged Tax Proceeds, and may be subject, among other things, to (1) the provisions of the United States Bankruptcy Code referred to below, and (2) the provisions of other statutes that may hereafter be enacted by the Congress of the United States or the Alabama Legislature extending the time for payment of county, municipal or public authority indebtedness or imposing other restraints upon the enforcement of rights of Warrantholders.

The United States Bankruptcy Code

The rights and remedies of Holders with respect to the County's obligations under the Series 2017 Warrants could be significantly limited by the provisions of Chapter 9 ("Chapter 9") of the United States Bankruptcy Code (the "Bankruptcy Code"). Chapter 9 permits, under prescribed circumstances, a "municipality" of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. For purposes of Chapter 9, the County is considered a "municipality" and is permitted to file a petition for relief under Chapter 9. As a result of the commencement of a federal bankruptcy case by the County, Holders could experience delays in receiving debt service payments on the Series 2017 Warrants, as well as partial or total losses of their investments in the Series 2017 Warrants.

The filing of a bankruptcy petition under Chapter 9 operates as an automatic stay of the commencement or continuation of any judicial or other proceeding against the debtor or its property. However, a petition filed under Chapter 9 does not operate as a stay of application of pledged "special revenues" (as defined in the Bankruptcy Code) to the payment of indebtedness secured by such revenues. Special revenues include, among other revenues, receipts derived from taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor. The Bankruptcy Code further provides that special revenues acquired by the debtor after commencement of a Chapter 9 case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement.

Based upon existing case law and the legislative history of the 1988 amendments to the Bankruptcy Code, the County believes that the Pledged Tax Proceeds are special revenues. However, this is not a settled question of law, and no assurances can be given that a bankruptcy court will determine that the Pledged Tax Proceeds constitute "special revenues" within the meaning of Chapter 9.

DEBT SERVICE REQUIREMENTS AND COVERAGE

Debt Service Requirements

The following table contains debt service requirements on the Series 2017 Warrants on a fiscal year basis:

Fiscal Year Ending September 30	Principal*	Interest*	Total Debt Service*
2018	$8,715,000	$18,652,388	$27,367,388
2019	11,045,000	16,318,450	27,363,450
2020	11,380,000	15,987,100	27,367,100
2021	11,835,000	15,531,900	27,366,900
2022	12,305,000	15,058,500	27,363,500
2023	12,925,000	14,443,250	27,363,250
2024	13,570,000	13,797,000	27,367,000
2025	14,245,000	13,118,500	27,363,500
2026	14,960,000	12,406,250	27,366,250
2027	15,705,000	11,658,250	27,363,250
2028	16,495,000	10,873,000	27,368,000
2029	17,320,000	10,048,250	27,368,250
2030	18,185,000	9,182,250	27,367,250
2031	19,095,000	8,273,000	27,368,000
2032	20,050,000	7,318,250	27,368,250
2033	21,050,000	6,315,750	27,365,750
2034	22,100,000	5,263,250	27,363,250
2035	23,210,000	4,158,250	27,368,250
2036	24,370,000	2,997,750	27,367,750
2037	25,585,000	1,779,250	27,364,250
2038	1,810,000	500,000	2,310,000
2039	1,900,000	409,500	2,309,500
2040	1,995,000	314,500	2,309,500
2041	2,095,000	214,750	2,309,750
2042	2,200,000	110,000	2,310,000

*Preliminary, subject to change.

Coverage

The estimated maximum amount of principal and interest on the Series 2017 Warrants payable during any fiscal year is $27,368,250*, which is payable during the fiscal year ending September 30, 2029*. The estimated average annual amount of principal and interest payable on the Series 2017 Warrants is $22,354,974*. The net amount of Prior Education Tax Proceeds received by the County during fiscal year ended September 30, 2016 is $100,650,106 [(1), (2)]. Based on the foregoing data, coverage is calculated as follows:

Fiscal year 2016 Prior Education Tax Proceeds is 3.68* times estimated maximum annual debt service on the Series 2017 Warrants.

Fiscal year 2016 Prior Education Tax Proceeds is 4.50* times estimated average annual debt service on the Series 2017 Warrants.

THE PLAN OF FINANCING

The Series 2017 Warrants are being issued for the purpose of (i) refunding the Refunded Warrants and (ii) paying the Costs of Issuance of the Series 2017 Warrants. See "SOURCES AND USES OF FUNDS."

The net proceeds of the Series 2017 Warrants, together with other funds held by U.S. Bank National Association, the trustee for the Refunded Warrants (the "Refunded Warrants Trustee"), will be deposited with the Refunded Warrants Trustee to defease the Refunded Warrants.

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*Preliminary, subject to change.

(1) As noted herein, upon issuance of the Series 2017 Warrants, the County must and will cancel the levy of the Prior Educational Sales Tax. See "SECURITY AND SOURCE OF PAYMENT - The Sales Tax" herein. Therefore, coverage of estimated maximum debt service on the Series 2017 Warrants by the Prior Educational Tax Proceeds is shown for illustrative purposes only.

(2) Sales tax revenues typically become available to the County at the end of each month. Amounts for September are expected, but not guaranteed, to be available by the September 15 debt service payment date; however, as noted under "SECURITY AND SOURCE OF PAYMENT – Application of Moneys in Indenture Funds and - The Sales Tax," all revenues from the Sales Tax beginning in October of each Fiscal Year are required to be transferred to the Trustee until the Trustee has received sufficient amounts to cover all payments due under the Indenture during the Fiscal Year.

SOURCES AND USES OF FUNDS

The expected sources and uses of funds for the plan of financing are as follows (rounded to the nearest whole dollar):

Sources of Funds

Principal amount of Series 2017 Warrants	
(Less: original issue discount)	
Plus: original issue premium	
Amounts held in funds established for benefit of Refunded Warrants	
Total Sources	

Uses of Funds

Deposit to Escrow Trust Agreement for Refunded Warrants	
Expenses of issuance (including underwriters' discount, legal, accounting and other issuance expenses)	
Total Uses	

THE COUNTY, ITS GOVERNMENT AND FINANCIAL SYSTEM

Certain information with respect to the County is attached as Appendix A hereto.

JEFFERSON COUNTY BANKRUPTCY

On November 9, 2011, the County filed a chapter 9 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Alabama (the "Bankruptcy Court"), thereby commencing case number 11-05736 (the "Bankruptcy Case"). During the Bankruptcy Case, the County proposed the *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated November 6, 2013)* (the "Plan of Adjustment"), in which the County, among other things, made certain modifications to, and eliminated certain events of defaults under, the indentures regarding the Refunded Warrants. On November 22, 2013, the Plan of Adjustment was confirmed by order of the Bankruptcy Court (the "Confirmation Order"). On December 3, 2013, the County proceeded to consummate substantially all the transactions contemplated by the Plan of Adjustment, and all other conditions to the effectiveness of the Plan of Adjustment were either satisfied or waived.

A group of individual sewer ratepayers (the "Ratepayers") appealed the Confirmation Order to the United States District Court for the Northern District of Alabama (the "District Court"), which appeal remains pending. The Ratepayers did not seek or obtain any stay of the Confirmation Order pending appeal. Although the precise issues raised and relief sought by the Ratepayers are unclear and have shifted over time, the County believes that the issues the Ratepayers seek to pursue on appeal relate to the Plan of Adjustment's treatment of the County's sewer indebtedness, including the terms of the new sewer indebtedness issued under the Plan of Adjustment, the sewer rate structure supporting such indebtedness, and the Bankruptcy Court's retention of continuing jurisdiction over these and related issues.

The County moved to dismiss the Ratepayers' appeal of the Confirmation Order as constitutionally, statutorily, and equitably moot. The County's motion was denied by the District Court. *See Bennett v. Jefferson County*, 518 B.R. 613 (N.D. Ala. 2014). The County sought and obtained certification to take an interlocutory appeal of the District Court's decision to the United States Court of Appeals for the Eleventh Circuit (the "Court of Appeals"), which appeal is pending as *Andrew Bennett, et al. v. Jefferson County, Alabama*, Case No. 15-11690 (11th Cir.) (the "Eleventh Circuit Appeal"). In the Eleventh Circuit Appeal, the County maintains that the District Court's order should be reversed and the matter remanded to the District Court with instructions to dismiss the Ratepayers' appeal of the Confirmation Order. Briefing is complete in the Eleventh Circuit Appeal, and oral argument before the Court of Appeals occurred on December 16, 2016. After oral argument, the Ratepayers filed a motion to supplement the appellate record, which motion was denied by the Court of Appeals. The Court of Appeals has not yet issued a decision in the Eleventh Circuit Appeal; the timeframe in which any decision will be issued is unknown.

If the Court of Appeals rules in the County's favor in the Eleventh Circuit Appeal, then the County anticipates that the Ratepayers' appeal of the Confirmation Order will be dismissed, subject to any relief that may be obtained by the Ratepayers on a petition for rehearing, petition for rehearing *en banc*, or petition for a writ of certiorari to the Supreme Court of the United States.

If the Court of Appeals rules against the County in the Eleventh Circuit Appeal, then the County anticipates that the matter would be remanded to the District Court so that the District Court may consider the merits of the Ratepayers' appeal. Although the County believes that the Ratepayers' appeal will fail on the merits, it is not possible to predict how the District Court would rule after any further briefing or hearings regarding that appeal. Nor is it possible to predict the outcome in any further appellate proceedings that may occur before the Court of Appeals or the Supreme Court of the United States.

One possible outcome if the Ratepayers' appeal of the Confirmation Order proceeds and prevails on the merits before all applicable courts is that the Confirmation Order will be vacated in its entirety and the matter will be remanded to the Bankruptcy Court. No prediction can be made regarding all the effects of such a scenario. Nevertheless, the County believes that the lien on the Pledged Tax Proceeds and other interests arising under Alabama Code section 11-28-3 would likely remain operative even in a scenario in which the Confirmation Order is vacated in its entirety on appeal. As noted above, the Plan of Adjustment has become effective and is now fully operative, and the issues raised by the Ratepayers on appeal pertain to the Plan of Adjustment's treatment and restructuring of the County's sewer indebtedness, not the Refunded Warrants. As such, vacatur of the Confirmation Order would likely not disturb the creation of obligations and property rights that have been validated under Alabama law as part of a duly-authorized refunding of the Refunded Warrants prior to such vacatur. Once again, however, because such a scenario would be unprecedented, no definitive conclusions can be reached regarding the ultimate effects on any party if the Confirmation Order were to be vacated in its entirety.

LITIGATION

Except for the appeal of the County Chapter 9 Confirmation Order described herein under "JEFFERSON COUNTY BANKRUPTCY" and the recently filed Petition for Writ of Certiorari described under "Validation of the Series 2017 Warrants, the Sales Tax Act and the Sales Tax," there is no litigation pending or, to the knowledge of the County, threatened questioning the validity of the Series 2017 Warrants, the proceedings under which they are to be issued, the security for the Series 2017 Warrants provided by the Indenture, the consummation of the transactions contemplated by the Indenture, the organization of the County, the operations of the County, or the election or qualification of the County's officers.

The County is involved in the litigation described herein under the caption "JEFFERSON COUNTY BANKRUPTCY," the recently filed Petition for Writ of Certiorari described under "Validation of the Series 2017 Warrants, the Sales Tax Act and the Sales Tax," and as described in Appendix A hereto under the caption "County Employees and County Employment Decisions." Additionally the County is involved in the following litigation. The County has determined that an unfavorable ruling in any of the disclosed litigation below or in Appendix A would not impair the ability of the County to timely pay debt service on the Series 2017 Warrants or to continue the County's operations in the normal course.

CSX Transportation v. Jefferson County, Case number CV-10-1490, and *BNSF v. Jefferson County,* Case number 10-903065, were filed in the Circuit Court of Jefferson County, Alabama, Birmingham Division. These cases seek a refund of County sales taxes that were paid on the retail sale of diesel fuel. These cases were stayed by commencement of the Bankruptcy Case and by the trial court pending the outcome of a similar case filed against the State of Alabama. The plaintiffs in these cases filed proofs of claims in the County's Bankruptcy Case asserting the same claims asserted against the County in their lawsuits.

In the State of Alabama's case, the Court of Appeals ruled against the State. The State filed a petition for writ of certiorari with the U.S. Supreme Court asking it to review the matter. The Supreme Court granted the State's petition for writ of certiorari on July 1, 2014. On March 4, 2015, the U.S. Supreme Court held that the State's sales tax on diesel fuel purchased and used by rail carriers-where motor and water carriers are exempt from the tax-discriminates against rail carriers only if the State cannot justify the differences in tax treatment between those similarly-situated taxpayers. The Court remanded the case to the Court of Appeals, directing it to consider Alabama's justifications for the differential tax treatment of rail carriers, motor carriers, and water carriers.

On August, 19, 2015, the Court of Appeals vacated its opinion and remanded the case to the District Court for proceedings consistent with the U.S. Supreme Court's decision. On remand, the Court of Appeals stated that the district court should consider whether the State had sufficient justification for exempting· a railroad's competitors from the sales and use taxes imposed on a railroad's purchase or consumption of diesel fuel, demonstrated by the imposition of an alternative comparable tax or otherwise.

The District Court, on March 29, 2017, held in favor of the State and dismissed CSX's case with prejudice. CSX has appealed this decision.

There is, thus, a potential for an adverse outcome to the County with respect to CSX's and BNSF's claims.

Pursuant to court orders entered in the lawsuits prior to the commencement of the Bankruptcy Case, CSX and BNSF had been paying their respective disputed tax obligations into escrow for a period of time.

If CSX and BNSF prevail with their respective claims, the escrowed funds would be released back to them, but they would still have claims against the County for the refund of the amount of their disputed taxes paid prior to the establishment of the escrow. Any claims that CSX and BNSF might have that are not covered by the escrowed funds would be treated as General Unsecured Claims under the County's confirmed Plan of Adjustment. Under the Plan of Adjustment, creditors holding Allowed General Unsecured Claims shall receive only their pro rata share of a $5,000,000 General Unsecured Claims Pool that the County funded in full on the December 3, 2013 effective date ("Effective Date" as defined in the Plan of Adjustment). The conclusion of this matter is uncertain. The County has accrued an estimated loss related to these cases as of September 30, 2016.

Request for Administrative Claim filed by Norfolk Southern Railway Company. On December 30, 2013, Norfolk Southern Railway Company filed with the Bankruptcy Court a motion for the allowance of an administrative claim against the County in the aggregate amount of $1,630,000. Norfolk Southern's motion seeks a refund of sales taxes paid on the retail sale of diesel fuel to the Commission between the commencement of the Bankruptcy Case and September 30, 2013. The Bankruptcy Court denied Norfolk Southern's motion on June 30, 2015. The County and Norfolk Southern reserved all rights with respect to the allowance of Norfolk Southern's claim against the General Unsecured Claims Pool. If allowed, Norfolk Southern will be entitled only to receive an appropriate pro rata distribution from the $5,000,000 General Unsecured Claims Pool funded by the County on the effective date pursuant to the Plan of Adjustment. The conclusion of this matter is uncertain.

RISK FACTORS

General

An investment in the Series 2017 Warrants involves certain risks that should be carefully considered by investors. In making a decision whether to purchase the Series 2017 Warrants, potential investors should consider certain risks and investment considerations which could affect the ability of the County to pay debt service on the Series 2017 Warrants in a timely manner and which could affect the marketability of or the market price for the Series 2017 Warrants. These risks and investment considerations are discussed throughout this Official Statement. Certain of these risks and investment considerations are set forth in this section for convenience, but this discussion is not intended to be a comprehensive or exhaustive compilation of all possible risks and investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. Each prospective purchaser of Series 2017 Warrants should read this Official Statement in its entirety, including the appendices hereto, and should consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when evaluating an investment such as the Series 2017 Warrants. Each prospective purchaser should carefully examine his, her or its own financial condition in order to make a judgment as to his, her or its ability to bear the risk of an investment in the Series 2017 Warrants and whether or not the Series 2017 Warrants are an appropriate investment for them.

Limitation on Remedies

The remedies available under the Indenture upon the occurrence of an Event of Default are in many respects dependent upon judicial actions, which are often subject to substantial discretion and delay. Remedies available to holders of the Series 2017 Warrants for Events of Default may be limited or restricted by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and general principles of equity, including the exercise of judicial discretion in appropriate cases. See "SECURITY AND SOURCE OF PAYMENT- The United States Bankruptcy Code."

Series 2017 Warrants are Limited Obligations

The Series 2017 Warrants will <u>not</u> constitute general obligations of the County or a charge against the general credit or taxing powers of the County, the State of Alabama, or any political subdivision of the State of Alabama. The Series 2017 Warrants will be limited obligations of the County payable solely from and secured by a pledge and assignment of the Pledged Tax Proceeds. See "SECURITY AND SOURCE OF PAYMENT." The sufficiency of Pledged Tax Proceeds to pay debt service on the Series 2017 Warrants may be affected by events and conditions relating to, among other things, population and employment trends and economic conditions in the County, the nature and extent of which are not presently determinable.

Economic Conditions

The availability of Pledged Tax Proceeds to the County will be affected by, and will be subject to, general economic and political events and conditions that will change in the future to an extent and with effects that cannot be determined at this time. These general economic and political events and conditions include, among other things, population, demographic and employment changes and trends; periods of inflation or deflation; variable patterns of national and regional economic growth, whether cyclical or structural in nature; disruptions in credit and financial markets; political gridlock concerning, among other matters, national tax and spending policies and health care policies; political developments in the County, State and the United States of America; budget and debt limit controversies nationally and at the State and local levels; unusually large numbers of business failures and business and consumer bankruptcies and policy responses, or lack thereof, to the foregoing.

The Pledged Tax Proceeds may also be affected by a number of local factors including, without limitation, the total sales and use tax rates in the County and the municipalities therein relative to surrounding areas, the available mix of retail shopping in the County versus surrounding areas, the opening or closing of businesses accounting for substantial amounts of taxable sales in the County, income levels in the County and surrounding areas, purchases from internet retailers that are not required to withhold County sales taxes, and changing population demographics that may impact spending and saving rates. It is not possible to predict the effect that local factors may have on future receipts from the Sales Tax.

Tax-Exempt Status of Series 2017 Warrants

It is expected that the Series 2017 Warrants will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX MATTERS." It is anticipated that Bond Counsel will render an opinion substantially in the form attached hereto as Appendix C, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion 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.

The tax status of the Series 2017 Warrants could be affected by post-issuance events. There are various requirements of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”) that must be observed or satisfied after the issuance of the Series 2017 Warrants in order for the Series 2017 Warrants to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2017 Warrants, use of the facilities financed or refinanced by the Series 2017 Warrants, investment of warrant proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the County. Failure to comply could result in the inclusion of interest on the Series 2017 Warrants in gross income retroactive to the date of issuance of the Series 2017 Warrants.

The Internal Revenue Service (“IRS”) conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2017 Warrants, the County would be treated as the taxpayer, and the owners of the Series 2017 Warrants may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2017 Warrants could adversely affect the market value and liquidity of the Series 2017 Warrants, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2017 Warrants do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2017 Warrants.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2017 Warrants could affect the tax-exempt status of the Series 2017 Warrants or the economic benefit of investing in the Series 2017 Warrants. For example, the United States Congress could eliminate the exemption for interest on the Series 2017 Warrants, it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax.

The Indenture does not provide for an increase in the interest rate on, or mandatory redemption of, the Series 2017 Warrants if a determination is made that the Series 2017 Warrants do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects the tax-exempt status of the Series 2017 Warrants or the economic benefit of investing in the Series 2017 Warrants.

Future Legislation Could Affect Tax-Exempt Obligations

The federal government is considering various proposals to reform the Internal Revenue Code and to reduce federal budget deficits and the amount of federal debt, including proposals that would eliminate or reduce indirect expenditures made through various deductions and exemptions currently allowed by the income tax laws.

The exemption for interest on tax-exempt obligations is one of the indirect expenditures that could be affected by such an initiative. Some deficit-reduction proposals would completely eliminate the exemption for interest on all tax-exempt obligations. Other proposals would place an aggregate cap on the total amount of exemptions and deductions that may be claimed by a taxpayer, or a cap on the exemption for interest on all tax-exempt obligations. Some proposals would limit the benefit of the exemption for interest on tax-exempt obligations for taxpayers with incomes above certain thresholds. Changes in the rate of the federal income tax, including so-called "flat tax" proposals, could also reduce the value of the exemption. Such legislative proposals, if enacted into law, could prevent the holders of the Series 2017 Warrants from realizing the full benefit of the tax status of interest on the Series 2017 Warrants under current federal tax law. The introduction or enactment of any such legislative proposal may also affect the market price for, or the marketability of, the Series 2017 Warrants.

Changes affecting the exemption for interest on tax-exempt warrants, if enacted, could apply to tax-exempt obligations already outstanding, including the Series 2017 Warrants, as well as obligations issued after the effective date of such legislation. It is not possible to predict whether Congress will adopt legislation affecting the exemption for tax-exempt warrants, what the provisions of such legislation may be, whether any such legislation will be retroactive in effect, or what effect any such legislation may have on investors in the Series 2017 Warrants. Investors should consult their own tax advisers about the prospects and possible results of future legislation that could affect the exemption for interest on tax-exempt obligations.

Lack of Liquidity for the Series 2017 Warrants

The County cannot assure potential investors that an active secondary market for the Series 2017 Warrants will exist. Moreover, even if an active secondary market for the Series 2017 Warrants does exist, depending on prevailing interest rates and market conditions generally, the Series 2017 Warrants could trade at a discount from their par amount. Holders of the Series 2017 Warrants may not be able to sell their Series 2017 Warrants in the future or such sale may not be at a price equal to or greater than the par amount of the Series 2017 Warrants. As a result, Holders of the Series 2017 Warrants may not be able to liquidate their investment quickly, at an attractive price or at all. See also "RISK FACTORS – Ratings" for information regarding possible consequences of the ratings on the liquidity of the Series 2017 Warrants.

Ratings

No assurance can be given that the ratings assigned to the Series 2017 Warrants at the time of issuance (see "RATINGS") will continue for any given period of time after their issuance, and the County makes no representations regarding the future ratings assigned to the Series 2017 Warrants. Further, there is no assurance that the ratings assigned to the Series 2017 Warrants will not be lowered or withdrawn at any time, which could adversely affect the market price for and liquidity of the Series 2017 Warrants.

Due to ongoing uncertainty regarding the economy of the United States of America, including, without limitation, future political uncertainty regarding limitations on the borrowing capacity of the United States, state and local government obligations such as the Series 2017 Warrants could be subject to rating downgrades. Additionally, if a default or other significant financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of, outstanding debt obligations, including the 2017 Warrants.

Online Commerce and Other Factors Could Erode the Sales Tax Base

The amount of Sales Tax revenues is subject to increase or decrease due to (1) increases or decreases in the dollar volume of taxable sales with the County, (2) legislative changes relating to the Sales Tax, which may include changes in the scope of taxable sales, and (3) other factors that may be beyond the control of the County, including, but not limited to, the potential for increased use of electronic commerce and other internet-related sales activity that could have a material adverse effect upon the amount of Sales Tax revenues. While Alabama residents are required to report and pay use tax on products purchased from out-of-state sellers on their state income tax returns, it is estimated that only about two percent of individual tax returns report any such liability. In 2015, the Alabama Legislature adopted an act that created the Simplified Use Tax Program, pursuant to which out-of-state sellers with no stores or physical presence in Alabama could voluntarily collect and remit to the State an eight percent use tax on sales to Alabama customers. To date about eighty-five retailers have joined the program, including Amazon and other large online retailers. The State estimates it will collect approximately $40,000,000 from the program this fiscal year. The proceeds from the tax are divided among (i) the State (50%) and (ii) the Counties (25%) and the Municipalities in the State (25%), each proportionately by population. Amounts paid the County pursuant to the Simplified Use Tax Program are not part of the proceeds of the Sales Tax, and are not Pledged Tax Proceeds.

Litigation and Future Legislation

As noted above under "SECURITY AND SOURCE OF PAYMENT-The United States Bankruptcy Code" and under "JEFFERSON COUNTY BANKRUPTCY," while the County believes the Pledged Tax Proceeds are "special revenues," that is not a settled question of law. Further, because of the unprecedented nature of the County's Confirmation Order and its appeal, it is impossible to predict the ultimate effects on the lien on the Pledged Tax Proceeds in the event the County's Confirmation Order is vacated in its entirety.

As discussed under "Validation of the Series 2017 Warrants, the Sales Tax Act and the Sales Tax," the County cannot assure potential investors that the Petition will be denied, or, if granted, that the County would prevail on the merits of the appeal. Although the County has covenanted that, in such event, the County would levy and collect a new tax as permitted under State law, there is no assurance that such a levy would not be challenged and, if challenged, that the County would prevail, and further, the levy of a new tax is contingent upon the actions of a future Commission.

Additionally, under State law, the Alabama Legislature may amend the Sales Tax Act to redirect the Pledged Tax Proceeds to other governmental functions of the County when necessary; however, any such amendment would be limited by the Contracts Clause of the United States Constitution.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2017 Warrants by the County are subject to the approval of Balch & Bingham LLP, Birmingham, Alabama, Bond Counsel, whose approving opinion is expected to be delivered with the Series 2017 Warrants in substantially the form attached hereto as Appendix C. Certain legal matters will be passed upon by Waldrep, Stewart & Kendrick, LLC, Birmingham, Alabama, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bradley Arant Boult Cummings LLP, Birmingham, Alabama.

The various legal opinions to be delivered concurrently with the delivery of the Series 2017 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 MATTERS

Under existing law, the tax status of the Series 2017 Warrants will include the following characteristics:

Federal Tax-Exempt Status of Series 2017 Warrants

Interest on the Series 2017 Warrants will be excluded from gross income for federal income tax purposes if the County complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2017 Warrants in order that interest thereon be and remain excluded from gross income. Failure to comply with such requirements could cause the interest on the Series 2017 Warrants to be included in gross income, retroactive to the date of issuance of such Series 2017 Warrants. The County has covenanted to comply with all such requirements.

Federal Tax Preference Treatment

Interest on the Series 2017 Warrants will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

State Tax-Exempt Status

Interest on the Series 2017 Warrants will be exempt from State of Alabama income taxation.

Certain Collateral Federal Tax Consequences

Investors and prospective investors of the Series 2017 Warrants should be aware that the ownership of the Series 2017 Warrants may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, certain S corporations with "excessive net passive income," foreign corporations subject to a branch profits tax, other foreign persons and organizations, life insurance companies, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry the Series 2017 Warrants. Prospective purchasers of the Series 2017 Warrants should consult their tax advisors as to whether the collateral tax consequences described in this paragraph or other tax consequences may be applicable to their financial situation.

Information Reporting and Backup

In addition to other types of income, information reporting requirements apply to interest on tax-exempt obligations, including the Series 2017 Warrants. In general, such requirements are satisfied if the recipient of payments of interest provides the payor with a completed IRS Form W-9, "Request for Taxpayer Identification Number and Certification," or if such recipient is one of a limited class of persons exempt from information reporting. Foreign persons and organizations and other non-U.S. holders may be asked or required to provide an appropriate completed IRS Form W-8 in lieu of Form W-9 in order to establish their U.S. tax status. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from each interest payment received, calculated in the manner set forth in the Internal Revenue Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient, such as a broker-dealer or bank.

If a prospective purchaser considering buying a Series 2017 Warrant through a brokerage account has executed a Form W-9 (or Form W-8 where appropriate) in connection with the establishment of such account, as generally can be expected, no backup withholding should occur, unless such prospective purchaser is for another reason, subject to backup withholding. Whether or not a prospective purchaser is subject to backup withholding does not affect the exclusion of interest on the Series 2017 Warrants from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service. Prospective purchasers of the Series 2017 Warrants should consult their tax advisors as to whether backup withholding may be applicable to their financial situation.

Opinion of Bond Counsel

The form of Bond Counsel's opinion with respect to the Series 2017 Warrants is expected to be substantially as set forth in Appendix C to this Official Statement.

The opinion of Bond Counsel expresses the professional judgment of Bond Counsel relating to the legal issues explicitly addressed therein. By rendering the opinion, Bond Counsel does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future performance of parties to such transaction, and the rendering of such opinion does not guarantee the outcome of any legal dispute that may arise in connection with the transaction.

Original Issue Discount

Under existing law, the original issue discount in the selling price of a Series 2017 Warrant, to the extent properly allocable to each holder of such Series 2017 Warrant, is excludable from gross income for federal income tax purposes with respect to such holder. The original issue discount is the excess of the stated redemption price at maturity of such Series 2017 Warrant over its initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2017 Warrants of such maturity were sold.

Under Section 1288 of the Internal Revenue Code, original issue discount on tax-exempt warrants accrues on a compound basis. The amount of original issue discount that accrues to a holder of a Series 2017 Warrant during any accrual period generally equals (i) the issue price of such Series 2017 Warrant plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2017 Warrant (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Series 2017 Warrant during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the holder's tax basis in such Series 2017 Warrant. Purchasers of any Series 2017 Warrant at an original issue discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2017 Warrant.

Original Issue Premium

An amount equal to the excess of the purchase price of a Series 2017 Warrant over its stated redemption price at maturity constitutes premium on such Series 2017 Warrant. A purchaser of a Series 2017 Warrant must amortize any premium over such Series 2017 Warrant's term using constant yield principles, based on the Warrant's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2017 Warrant and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Series 2017 Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2017 Warrants at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2017 Warrants.

Other Considerations

The foregoing discussion does not address the effects of any applicable federal income, state, local or foreign tax laws other than those specifically discussed above. Prospective purchasers are urged to consult their own tax adviser concerning the federal income tax consequences of owning and disposing of the Series 2017 Warrants, as well as any consequences under the laws of any state, local or foreign taxing jurisdiction.

See "RISK FACTORS—Tax-Exempt Status of the Series 2017 Warrants" and "RISK FACTORS—Future Legislation Could Affect Tax-Exempt Obligations" herein for a discussion of certain risk factors relating to investment in the Series 2017 Warrants.

No Bank Qualification

Any financial institution purchasing any of the Series 2017 Warrants should note that such obligations will <u>not</u> qualify as "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code with respect to the deduction of interest costs attributable to carrying or purchasing the Series 2017Warrants.

VERIFICATION OF CERTAIN COMPUTATIONS RELATING TO SERIES 2017 WARRANTS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters and the County's financial advisors relating to (a) computation of forecasted receipts of principal and interest on the investments in the escrow fund (the "Escrow Fund") established in the Escrow Trust Agreement between the County and the Refunded Warrants Trustee to provide for the payment or redemption of the Refunded Warrants, and (b) computation of the yield on the Series 2017 Warrants and the investments in the Escrow Fund was examined by The Arbitrage Group, Inc., Tuscaloosa, Alabama. Such computations were based solely upon assumptions and information supplied by the Underwriters and financial advisors. The Arbitrage Group has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

FINANCIAL ADVISORS

Public Resources Advisory Group and Terminus Municipal Advisors, LLC, are serving as Co-Financial Advisors (the "Financial Advisors") to the County with respect to the sale of the Series 2017 Warrants. The Financial Advisors assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2017 Warrants and provided other advice. The Financial Advisors do not guaranty the accuracy or completeness of the information in this Official Statement.

Public Resources Advisory Group is an independent financial and investment advisor, based in New York, New York, and Terminus Municipal Advisors, LLC, is an independent financial and investment advisor, based in Atlanta, Georgia. Both are regularly engaged in the business of providing financial advisory services. The Financial Advisors will not participate in underwriting any of the Series 2017 Warrants.

UNDERWRITING

The Series 2017 Warrants are being purchased from the County by Raymond James & Associates, Inc., as representative of the underwriters identified on the cover page of this Official Statement (the "Underwriters"). The Underwriters have agreed to purchase the Series 2017 Warrants for an aggregate purchase price of $_____________(which represents the face amount of the Series 2017 Warrants less underwriters' discount of $____________ and [less /plus] net original issue [discount/premium] of $____________). The initial public offering price set forth on the inside cover page may be changed by the Underwriters, and the Underwriters may offer and sell the Series 2017 Warrants to certain dealers (including dealers depositing the Series 2017 Warrants into investment trusts) and others at prices lower than the offering price set forth on the inside cover page. The Underwriters will purchase all the Series 2017 Warrants if any are purchased.

Citigroup Global Markets Inc., as one of the underwriters of the Series 2017 Warrants, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the Series 2017 Warrants.

CONTINUING DISCLOSURE

Upon issuance of the Series 2017 Warrants, the County will enter into a Disclosure Dissemination Agent Agreement (the "Continuing Disclosure Agreement") with Digital Assurance Certification, L.L.C. ("DAC"), pursuant to which the County is covenanting for the benefit of the beneficial owners of the Series 2017 Warrants to provide, on an annual basis, certain financial information and operating data relating to the County, and to provide notices of certain enumerated events, through the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board (the "MSRB") (or such other system as may be subsequently authorized by the MSRB). The form of Continuing Disclosure Agreement is attached as Appendix E hereto. A failure by the County to comply with the Continuing Disclosure Agreement must be reported in accordance with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission of the United States of America and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2017 Warrants in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2017 Warrants and their market price.

Compliance with Prior Continuing Disclosure Undertakings

As more particularly described in this Official Statement under "JEFFERSON COUNTY BANKRUPTCY", the County's Bankruptcy Case commenced on November 9, 2011, when the County filed a petition for relief under Chapter 9 of the United States Bankruptcy Code with the Bankruptcy Court. The pendency of the Bankruptcy Case and the County's subsequent emergence from Chapter 9 on December 3, 2013 occurred within the previous five years. During the Bankruptcy Case, the County was required to remit all revenues generated by its Sewer System to the trustee for the Sewer Warrants (the "Sewer Warrant Trustee") for payment of debt service on the then-outstanding sewer revenue warrants (the "Sewer Warrants"). Due to debt service acceleration of certain variable rate series of Sewer Warrants pursuant to related liquidity agreements, debt service was not timely paid on such Sewer Warrants. In February 2013, the Sewer Warrant Trustee notified holders of the Sewer Warrants that the Sewer Warrant Trustee had determined to suspend payment of debt service on the Sewer Warrants altogether, as well as suspend any draws on insurance policies securing the Sewer Warrants. Pursuant to the County's Sewer Warrant continuing disclosure undertakings, the County filed material event notices of the aforementioned payment defaults as well as the February 2013 suspension of debt service payments by the Sewer Warrant Trustee on EMMA. From time to time during the pendency of the Bankruptcy Case and pursuant to its continuing disclosure undertakings, the County filed additional material event notices on EMMA respecting other material events in relation to its Sewer Warrants and other outstanding obligations, although it is possible that the County may not have provided notice for each material event relating to its Sewer Warrants and other outstanding obligations.

RATINGS

"S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of AA (stable outlook) and A (rating watch negative), respectively, to the Series 2017 Warrants. Any explanation of the significance of a rating must be obtained from the applicable rating agency. A rating is not a recommendation to buy, sell or hold the Series 2017 Warrants and should be evaluated independently. There is no assurance that such ratings will remain in effect for any given period of time or will not be lowered or withdrawn entirely, if, in the judgment of the applicable rating agency, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Series 2017 Warrants could have an adverse effect on the market price thereof. Neither the County, the Financial Advisors, nor the Underwriters takes or is undertaking to take any responsibility after the issuance of the Series 2017 Warrants to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL STATEMENTS

The audited financial statements of the County as of and for the fiscal year ended September 30, 2016, attached as Appendix B hereto, have been audited by Warren Averett, LLC, independent auditors, as set forth in their report attached as Appendix B. Warren Averett, LLC has not been engaged to perform and has not performed, since the date of its report, any procedures on the financial statements addressed in that report. Likewise, Warren Averett, LLC has not performed any procedures relating to this Official Statement. The County's audited financial statements have been included for general information purposes only. The Series 2017 Warrants will not constitute general obligations of the County or a charge against the general credit or taxing powers of the County. The Series 2017 Warrants will be limited obligations of the County payable solely from and secured by the Trust Estate (except for the Reserve Fund, which does not secure the Series 2017 Warrants). See "SECURITY AND SOURCE OF PAYMENT."

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2017 Warrants.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

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.

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.

The Series 2017 Warrants will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

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 an implication that there has been no change as to the affairs of the County since the date hereof.

Insofar as any statements are made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement should not be construed as a contract with holders of any of the Series 2017 Warrants.

This Official Statement is being provided to prospective purchasers either in bound printed format or in electronic format. This Official Statement may be relied upon only if it is in its bound printed format or as printed in its entirety in such electronic format.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

ADDITIONAL INFORMATION

For further information during the initial offering period with respect to the Series 2017 Warrants, contact John S. Henry, Director of Finance, Jefferson County Commission, 716 Richard Arrington Blvd. North, Birmingham, Alabama 35203, telephone (205) 325-5762.

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

JEFFERSON COUNTY, ALABAMA

By: ______________________________

President of the
Jefferson County Commission

APPENDIX A

INFORMATION RESPECTING JEFFERSON COUNTY

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APPENDIX A

INFORMATION RESPECTING JEFFERSON COUNTY, ALABAMA

General

The County is a political subdivision of the State of Alabama ("Alabama" or the "State") that was created by the legislative branch of the state government of Alabama (the "Alabama Legislature") on December 13, 1819. The County is located in the north-central portion of the State, on the southern extension of the Appalachian Mountains, in the center of the iron, coal, and limestone belt of the South. The County is approximately 1,047 square miles in size.

The County is Alabama's most populous county and is the principal center of finance, trade, manufacturing, transportation, health care and education in the State. Birmingham, the State's largest city and the county seat, and 43 other incorporated and unincorporated cities and towns are located within the County. Since 2003, the Birmingham Metropolitan Statistical Area (officially designated the "Birmingham-Hoover MSA" by the federal Office of Management and Budget)[1] has included Bibb, Blount, Chilton, Jefferson, Shelby, St. Clair and Walker Counties and covers approximately 5,332 square miles.[2]

The area's economy was originally based on steel production, but has diversified over the past several decades as healthcare, banking and professional services emerged to become leading industries in the metro area. Heavy industry continues to be an important component of the local economy. Automotive manufacturing has become prominent in the greater metro area, as several auto assembly plants and related suppliers have established businesses in North and Central Alabama in the past two decades.

The healthcare sector has become a primary driver of economic activity in the Birmingham-Hoover MSA, and is anchored by the University of Alabama School of Medicine, which is ranked among the top three medical schools in the Southeast in allocations from the National Institutes of Health ("NIH")[3]

Banking and finance also contribute significantly to the region's economic base. Birmingham is the Southeast's largest banking center outside Charlotte, North Carolina, and is headquarters to two of the nation's top fifty largest banks, Regions Financial Corporation and BBVA Compass (the U.S. subsidiary of Banco Bilbao Vizcaya Argentaria, S.A., Spain's second largest bank).

Mercedes-Benz, Honda and Hyundai have major automobile assembly facilities within an eighty- five mile radius of the County. The region's economy has benefited from its proximity to these major manufacturing facilities, as several automotive suppliers have established businesses in the area.

Demographic Information

The City of Birmingham has served as the county seat of the County since 1873, and the County continues to maintain its primary offices and courthouse in Birmingham. Pursuant to acts passed in the early 1900s, the Alabama Legislature assigned certain obligations to the County with regard to the

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[1] The Birmingham Standard Metropolitan Statistical Area (SMSA) was established in 1967, and originally included Jefferson, Shelby and Walker Counties. St. Clair County was added to the SMSA in 1973. Blount County was added in 1983, at which time the official federal government designation became the Birmingham Metropolitan Statistical Area (MSA). Walker County was removed from the Birmingham MSA in 1993. Bibb, Chilton and Walker Counties were added in 2003, at which time the official federal government designation became the Birmingham-Hoover MSA.
[2] Source: National Telecommunications and Information Administration State Broadband Initiative
[3] Source: NIH, NIH Awards by Location

maintenance of an additional courthouse and other County offices in a region of the County commonly known as the "Bessemer Cutoff." That term references the City of Bessemer, the largest city in the Bessemer Cutoff, which, as of 2015, had a population of approximately 26,730 people.

Cities and Towns

The City of Birmingham, with an estimated population of 212,461 in 2015, is the largest city in the County and remains the largest city in the State. Though Birmingham has decreased considerably from its population of 348,500 in 1960, that rate of decline has slowed in recent years. From 2010 to 2015, Birmingham's population is estimated to have decreased by 0.1%.

The City of Hoover, the sixth largest city in the State, is located primarily within the County, with approximately 72.5% of its citizens residing within the County and the remainder living in Shelby County. Hoover had an estimated population of 84,848 in 2015. From 2010 to 2015, Hoover's population is estimated to have increased by 2.8%.

Other incorporated cities and towns located within the County (either wholly or in part) include Adamsville, Adger, Argo, Bessemer, Brighton, Brookside, Cardiff, Center Point, Clay, Fairfield, Fultondale, Gardendale, Graysville, Homewood, Hueytown, Irondale, Kimberly, Leeds, Lipscomb, Maytown, Midfield, Morris, Mountain Brook, Mulga, North Johns, Pinson, Pleasant Grove, Sylvan Springs, Tarrant, Trafford, Trussville, Vestavia Hills, Warrior, and West Jefferson. The County is also home to numerous unincorporated communities.

Population

The County is the center of the seven-county Birmingham-Hoover MSA. The Birmingham-Hoover MSA had an estimated population of 1,145,647 as of July 1, 2015, and was the 48th most populous area among the 381 Metropolitan Statistical Areas in the United States, according to figures from the U.S. Census Bureau.

As reflected in the table below, during the period from 2000 to 2015, the population of the County decreased by approximately 0.25%, compared to population increases of approximately 8.8% for the Birmingham- Hoover MSA, 9.1% for the State, and 13.9% for the United States, during the same time frame.

15-YEAR POPULATION TRENDS

Year	Jefferson County	Birmingham-Hoover MSA	State of Alabama	United States
2000	662,033	1,053,306	4,452,173	282,162,411
2001	660,197	1,059,082	4,647,634	284,968,955
2002	657,518	1,062,966	4,480,089	287,625,193
2003	657,513	1,070,886	4,503,491	290,107,933
2004	656,023	1,078,204	4,530,729	292,805,298
2005	654,919	1,086,318	4,569,805	295,516,599
2006	655,893	1,098,818	4,628,981	298,379,912
2007	655,163	1,107,256	4,672,840	301,231,207
2008	656,510	1,117,101	4,718,206	304,093,966
2009	658,441	1,125,271	4,757,938	306,771,529

2010	658,116	1,128,879	4,785,161	309,346,863
2011	657,779	1,130,905	4,801,108	311,718,857
2012	657,704	1,133,993	4,816,089	314,102,623
2013	658,913	1,139,018	4,830,533	316,427,395
2014	660,368	1,142,823	4,846,411	318,907,401
2015	660,367	1,145,647	4,858,979	321,418,820

Source: U.S. Census Bureau

The County is projected by the U.S. Census Bureau to experience population growth lower than that of the Birmingham-Hoover MSA, the State, and the United States between 2015 and 2040. The County's population growth from 2015 through 2040 is projected at 0.2%, while the Birmingham-Hoover MSA's, the State's, and the U.S.'s projected population growth are 15.1%, 14.6%, and 18.2%, respectively.

FUTURE POPULATION PROJECTIONS

Year	Jefferson County	Birmingham-Hoover MSA	State of Alabama	United States
2020	662,040	1,206,843	5,101,172	333,896,000
2030	663,525	1,271,790	5,365,245	358,471,000
2040	661,881	1,319,205	5,567,024	380,016,000

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

Housing and Construction

The following tables contain information about housing units and households in the State, the Birmingham-Hoover MSA, and the County:

HOUSING UNITS

	Housing Units			Percent Change	
	2000	2010	2015	2000-2010	2010-2015
State of Alabama	1,963,711	2,171,853	2,199,329	10.6	1.2
Birmingham-Hoover MSA	395,295	500,025	505,097	26.5	1.0
Jefferson County	288,162	300,552	303,755	4.3	1.0

Source: U.S. Census Bureau, American Fact Finder.

CHARACTERISTICS OF HOUSING UNITS, 2015

	Total Housing Units	Occupied Total	Owner	Renter
State of Alabama	2,218,391	1,846,390	1,253,595	592,795
Birmingham-Hoover MSA	510,137	441,762	304,498	137,264
Jefferson County	303,755	260,929	164,894	96,035

Source: U.S. Census Bureau, American Fact Finder.

AVERAGE VALUE OF OWNER-OCCUPIED HOUSING UNITS
2015

Alabama	$ 134,100
Birmingham-Hoover MSA	$ 156,900
Jefferson County	$ 155,000

Source: U.S. Census Bureau, American Fact Finder, American Community Survey, 2015 1-Year Estimates.

Construction activity data is not available on a county by county basis in Alabama. The following table presents information about the value of residential and non-residential construction in the Birmingham-Hoover MSA over the past five years, as well as projections of such data for 2013 and 2014:

CONSTRUCTION VALUE
BIRMINGHAM-HOOVER MSA

Year	Residential	Non-Residential	Total
2008	$ 611,267,000	$ 889,578,000	$ 1,500,845,000
2009	453,241,000	1,064,476,000	1,517,717,000
2010	497,674,000	508,448,000	1,006,122,000
2011	477,699,000	631,306,000	1'109,005,000
2012	589,640,000	356,266,000	945,906,000
2013[1]	685,554,000	451,635,000	1,137,189,000
2014[2]	1,065,749,000	565,154,000	1,630,903,000

[1] 2013 Projection (based on data available as of March 31, 2013)
[2] 2014 Projection
Source: McGraw-Hill Construction, Research and Analytics.

Residential building permits issued in the County have averaged just over 2,000 per year since 2007, with 1,985 issued in 2016. The following table sets forth the number of units permitted each year from 2007 to 2016:

RESIDENTIAL BUILDING PERMITS
JEFFERSON COUNTY

Year	Units
2007	2,991
2008	2,339
2009	1,034
2010	1,277
2011	1,718
2012	2,330
2013	1,819
2014	2,280
2015	2,477
2016	1,985

Source: U.S. Census Bureau, Building Permit Estimates.

Healthcare and Technology

Numerous hospitals and specialized health care facilities are located in the County. The University of Alabama at Birmingham, the area's largest employer, is home to a world-class patient care and research medical center. The Kirklin Clinic, opened in June 1992 by the University of Alabama Health Services Foundation, houses over 600 physicians in 35 specialties and services more than 2,000 patients daily from throughout the State and the Southeast. Children's Hospital of Alabama has been ranked by U.S. News & World Report magazine as among the nation's best children's hospitals for at least the past four years.

Birmingham is Alabama's center for advanced technology, with high-technology firms involved in industries such as telecommunications, engineering, aerospace design and computer services, in addition to health care. Southern Research Institute, located in Birmingham's Oxmoor Valley Mixed-Use Development, is the largest nonprofit independent research laboratory located in the Southeast. In 2016, the NIH reported that the University of Alabama at Birmingham received $238,000,000 in NIH funding, ranking 21st among institutions nationally.

Employment

According to preliminary data provided by the Alabama Department of Labor, the County's civilian labor force totaled 311,708 as of April, 2017. Of those persons, 298,298 were employed and 13,410 were unemployed, reflecting an unemployment rate for the County of 4.3%.

The following tables summarize the labor force, employment, and unemployment figures for the period from 2007 through 2016 for the County, the Birmingham-Hoover MSA, the State, and the United States.

ANNUAL AVERAGE LABOR FORCE ESTIMATES
JEFFERSON COUNTY

Employment Status	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Civilian Labor Force	315,210	309,490	303,911	304,414	307,055	305,558	314,709	311,833	311,276	309,112
Employment	304,780	294,831	274,790	276,382	281,342	284,866	293,633	292,161	293,807	291,175
Unemployment	10,430	14,659	29,121	28,032	25,713	20,692	21,076	19,672	17,469	17,937
Rate[1]	3.3	4.7	9.6	9.2	8.4	6.8	6.7	6.3	5.6	5.8

[1] Expressed as a percentage
Source: Alabama Department of Labor, Bureau of Labor Statistics.

AVERAGE ANNUAL LABOR FORCE ESTIMATES
BIRMINGHAM-HOOVER MSA

Employment Status	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Civilian Labor Force	535,660	529,686	521,408	526,394	532,668	530,609	539,163	536,142	533,750	532,372
Employment	519,245	506,311	473,832	480,212	490,496	496,639	505,145	504,054	505,289	503,032
Unemployment	16,415	23,375	47,576	46,182	42,172	33,970	34,018	32,088	28,461	29,340
Rate[1]	3.1	4.4	9.1	8.8	7.9	6.4	6.3	6.0	5.3	5.5

[1] Expressed as a percentage

Source: Alabama Department of Labor, Bureau of Labor Statistics.

ANNUAL AVERAGE LABOR FORCE ESTIMATES
STATE OF ALABAMA

Employment Status	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Civilian Labor Force	2,178,480	2,160,934	2,140,379	2,171.716	2,181,859	2,156,301	2,168,411	2,162,386	2,152,289	2,168,608
Employment	2,104,157	2,053,747	1,930,230	1,969,557	1,992,522	1,999,182	2,011,636	2,015,436	2,020,675	2,038,775
Unemployment	74,323	107,187	210,149	202,159	189,337	157,119	156,775	146,950	131,614	129,833
Rate[1]	3.4	5.0	9.8	9.3	8.7	7.3	7.2	6.8	6.1	6.0

[1] Expressed as a percentage

Source: Alabama Department of Labor, Bureau of Labor Statistics.

ANNUAL AVERAGE LABOR FORCE ESTIMATES
UNITED STATES

Employment Status	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Civilian Labor Force[1]	153,125	154,286	154,142	153,889	153,616	154,975	155,389	155,922	157,130	159,187
Employment[1]	146,047	145,362	139,877	139,064	139,869	142,469	143,929	146,305	148,833	151,436
Unemployment[1]	7,078	8,924	14,265	14,825	13,747	12,506	11,460	9,616	8,296	7,751
Rate[2]	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9

[1] Expressed in thousands
[2] Expressed as a percentage

Source: Alabama Department of Labor, Bureau of Labor Statistics.

Industries and Employers

According to the Alabama Department of Labor, the region's workforce is employed within the following occupational categories:

JOBS BY NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM INDUSTRY ("NAICS") BIRMINGHAM-HOOVER MSA

	2012		2013		2014		2015		2016	
NAICS Industry	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent .of Total
Agriculture, Forestry, Fishing and Hunting	879	0.2%	941	0.2%	927	0.2%	958	0.2%	969	0.2%
Utilities	9,097	1.9	8,733	1.9	9,055	1.9	9,432	2.0	9,398	1.9
Construction	24,597	5.2	24,635	5.3	24,834	5.1	25,116	5.2	25,243	5.2
Manufacturing	37,098	7.9	37,793	8.0	38,386	8.0	38,080	7.9	37,512	7.7
Wholesale Trade	28,537	6.0	28,884	6.1	29,141	6.0	28,712	6.0	28,783	5.9
Retail Trade	61,927	13.2	61,722	13.1	62,976	13.1	64,180	13.3	64,740	13.3
Transportation and Warehousing	13,775	2.9	14,123	3.0	14,446	3.0	14,965	3.1	15,286	3.1
Information	9,669	2.0	9,748	2.1	9,360	2.0	9,202	1.9	8,967	1.8
Finance and Insurance	36,168	7.7	36,806	7.8	38,038	7.9	37,727	7.8	37,459	7.7
Real Estate and Rental and Leasing	6,764	1.4	6,902	1.5	6,966	1.4	7,078	1.5	7,343	1.5
Professional, Scientific, and Technical Services	28,063	6.0	26,465	5.6	26,641	5.5	27,156	5.6	27,697	5.7
Administration & Support, Waste Management and Remediation	27,990	6.0	28,565	6.1	29,371	6.1	30,678	6.3	30,672	6.3
Educational Services	39,815	8.5	39,504	8.4	38,689	8.0	38,427	8.0	39,009	8.1
Health Care and Social Assistance	65,830	14.0	70,747	15.1	71,530	15.8	72,868	15.1	73,409	15.1
Arts, Entertainment, and Recreation	5,475	0.9			6,068	1.3				
Accommodation and Food Services	39,656	8.5	40,843	8.7	42,520	8.8	44,155	9.2	45,472	9.4
Other Services (excluding Public Administration)	14,330	3.0	14,383	3.1	14,286	3.0	14,418	3.0	14,595	3.0
Public Administration	19,723	4.2	19,250	4.1	19,083	4.0	19,071	4.0	19,244	4.0

Source: Alabama Department of Labor, Longitudinal Employer Household Dynamics Partnership between Alabama Department of Labor, Labor Market Information and the U.S. Census Bureau, On the Map Application.

Numerous governmental entities and private companies are major employers within the County. The following table lists the largest employers in the Birmingham-Hoover MSA and their approximate number of employees as of 2016:

LARGEST EMPLOYERS
BIRMINGHAM-HOOVER MSA

Company	Employment	Product	Type of Presence
University of Alabama at Birmingham (includes University of Alabama Health Services Foundation	28,700	Education and Healthcare Services	Headquarters
Regions Financial Corporation	7,700	Financial Services (Banking)	Headquarters
Baptist Health System, Inc.	4,703	Healthcare and Management Services	Headquarters
Children's Health System/Children's of Alabama	4,585	Healthcare and Management Services	Headquarters
City of Birmingham	4,544	City Government	Headquarters
St. Vincent's Health System	4,524	Education and Healthcare	Headquarters
AT&T	4,517	Information	Major Operations
Alabama Power Company	3,982	Utility	Headquarters
Blue Cross-Blue Shield of Alabama	3,105	Financial Services (Insurance)	Headquarters
BBVA Compass	2,765	Financial Services (Banking)	Headquarters
Jefferson County	2,429	Government	Headquarters
Birmingham VA Medical Center	2,232	Healthcare and Management Services	Regional
Buffalo Rock Company	2,200	Food Products/Bottle Manufacturer	Headquarters
Southern Company Services	2,116	Utility	Major Operations
U.S. Postal Service	2,000	Government/ Mail Processing/Delivery	Regional
U.S. Steel-Fairfield Works	1,900	Metal Fabrication	Major Operations
United States Social Security Administration	1,800	U.S. Government, Benefits	Regional
Wells Fargo	1,795	Financial Services (Banking)	Major Operations
EBSCO Industries, Inc.	1,771	Publishing and Other	Headquarters
Grandview Medical Center	1,629	Healthcare and Management Services	Headquarters
American Cast Iron Pipe Company	1,500	Metal Fabrication	Headquarters

Source: Birmingham Business Alliance

The number of business establishments in the County was relatively unchanged from 2000 through 2015. The recession in 2008 affected business establishments negatively.

BUSINESS ESTABLISHMENTS JEFFERSON COUNTY

Year	Total Establishments
2007	17,638
2008	17,329
2009	16,789
2010	16,614
2011	16,278
2012	16,271
2013	16,232
2014	16,213
2015	16,365

Source: County Business Patterns, U.S. Census Bureau

Although agriculture is a major industry in the State, relatively small portions of the County are directly involved in agriculture. Moreover, the level of agricultural activity in the area has decreased from 2007 to 2015, though such activity in Alabama has increased generally. The following table summarizes the most recently-available information regarding the size and value of the agriculture industry in the County.

LAND AND VALUE OF AGRICULTURE INDUSTRY IN STATE OF ALABAMA AND JEFFERSON COUNTY

	Alabama		Jefferson County	
	2007	2012[2]	2007	2012[2]
Farms (number)	48,753	43,223	470	394
Land in Farms (acres)	9,033,537	8,902,654	40,455	39,003
Average size of farm (acres)	185	206	86	99
Value of Land and Buildings				
Average per farm ($)	424,674	547,524	295,663	446,143
Average per acre ($)	2,292	2,658	3,435	4,507
Total Crop Land (acres)	3,142,958	2,758,521	12,245	9,086
Market Value of Agriculture Products sold ($1,000)	4,415,550	5,571,173	[1]	10,353
Average per farm ($)	90,570	128,894	[1]	26,276

1 Information withheld by source in order to avoid disclosing data for individual farms.

2 The Census of Agriculture is taken once every five years. NASS (National Agricultural Statistics Service) plans to release Census of Agriculture data, in both electronic and print formats, beginning in February 2019. Detailed reports will be published for all counties, states and the nation.

Source: United States Department of Agriculture, National Agricultural Statistics Service

Although non-forestry agriculture makes up a shrinking portion of the County's economy, timber remains a key component of the County's economy, as over half of the acres in the County are forested. Approximately three-quarters of the land in the System service area is forested. The following charts show the forestry industry's impact on the County:

SUMMARY OF FORESTRY INDUSTRY IN JEFFERSON COUNTY

Forested Area (acres)	390,292
Softwoods	178,433
Oak-Pine	66,364
Hardwoods	145,497
Stand Acreage by Tree Size (acres)	
Total	390,292
Sawtimber	212,075
Pulpwood	112,256
Seedling/Sapling	65,961
Average Annual Cut[1] (tons)	
Total	523,522
Softwoods	378,915
Hardwoods	144,608
Stumpage Revenue ($)	
Total	4,345,717
Pine Sawtimber	2,076,637
Hardwood Sawtimber	452,754
Pine Pulpwood	902,041
Hardwood Pulpwood	887,716
Poles and Piling	26,569

Source: Alabama Forestry Commission, Forest Resource Report 2016

Median Family Income

Median Family Income is defined by the U.S. Census as the amount which divides the income distribution of families into two equal groups, half having incomes above the median, and half having incomes below the median.

ESTIMATED MEDIAN FAMILY INCOME (IN DOLLARS)

	2010	2011	2012	2013	2014	2015	2016
United States	64,440	64,200	65,000	64,400	63,900	65,800	65,700
Alabama	54,100	54,600	55,400	53,600	54,100	55,500	55,500
Birmingham-Hoover MSA	61,700	62,000	62,800	57,100	61,000	62,500	64,000

Source: HUD Office of Economic Affairs, Economic and Market Analysis Division.

Personal Income

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

PER CAPITA PERSONAL INCOME

	Jefferson County		Birmingham-Hoover MSA		Alabama		United States	
	Income	% of National Average	Income	% of National Average	Income	% of National Average	Income	% of National Average
2015	*	*	*	*	$38,965	82%	$47,669	100%
2014	48,582	106%	44,256	96%	37,512	81%	46,049	100%
2013	45,961	103%	42,570	95%	36,481	81%	44,765	100%
2012	45,414	103%	42,124	95%	35,942	81%	44,200	100%
2011	44,074	102%	40,816	95%	34,880	81%	43,169	100%
2010	42,256	102%	39,368	93%	33,516	79%	42,331	100%
2009	41,745	105%	38,592	97%	33,411	84%	39,635	100%
2008	43,308	106%	39,949	98%	33,928	83%	40,674	100%
2007	42,824	111%	39,401	102%	32,419	84%	38,615	100%
2006	40,581	111%	37,331	102%	30,894	84%	36,714	100%
2005	38,373	110%	35,448	102%	29,306	84%	34,757	100%
2004	36,939	112%	33,900	102%	28,007	85%	33,123	100%
2003	33,991	108%	31,361	100%	26,371	84%	31,504	100%
2002	33,038	107%	30,572	99%	25,461	83%	30,821	100%
2001	31,799	104%	29,590	97%	24,740	81%	30,574	100%
2000	30,399	102%	28,382	95%	23,767	80%	29,845	100%
1990	19,054	98%	18,024	93%	15,723	81%	19,477	100%
1980	9,608	95%	9,078	90%	7,836	77%	10,114	100%
1970	3,591	88%	3,373	83%	2,957	72%	4,085	100%

*Total Income and Per Capita Income is not yet available for 2015 for Jefferson County and the Birmingham-Hoover MSA.
Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

Poverty Estimates

The following tables set forth poverty estimates and rates for the United States, the State, the County, and the Birmingham-Hoover MSA:

Poverty Estimates (All People)	2009	2010	2011	2012	2013	2014	2015
United States	42,868,163	46,215,956	48,452,035	48,760,123	48,810,868	48,208,387	46,153,077
State of Alabama	805,223	833,078	896,117	896,515	889,091	905,682	875,853
Jefferson County	107,081	119,809	120,760	120,153	122,167	125,778	115,897
Birmingham-Hoover MSA	162,060	187,110	186,270	169,885	179,083	187,575	187,065

Poverty Estimates (Percentage)	2009	2010	2011	2012	2013	2014	2015
United States	14.3%	15.3%	15.9%	15.9%	15.8%	15.5%	14.7%
State of Alabama	17.5	18.9	19.1	19.0	18.9	19.2	18.5
Jefferson County	16.5	18.6	18.7	18.6	18.9	19.5	18.0
Birmingham-Hoover MSA	14.6	16.9	16.8	15.3	16.1	16.9	16.8

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates Program, and Center for Business and Economic Research, The University of Alabama

Education

The Jefferson County Board of Education operates 56 schools with a combined enrollment of approximately 36,000 students. The Birmingham City Board of Education operates 43 schools and approximately 24,449 students. Eleven other public school systems in the County encompass 63 schools and more than 41,357 students in the aggregate. In addition, 96 private and denominational schools with grades ranging from kindergarten through high school operate in the Birmingham-Hoover MSA.

The County is home to four colleges and universities, two business schools, and four junior colleges and trade schools, with a combined enrollment of over 40,000 students. The largest such institution is the University of Alabama at Birmingham (UAB), which includes undergraduate and graduate programs and the UAB Medical Center. Considered as a separate division of the University of Alabama System, UAB is the third largest educational institution in the State, with a total enrollment of approximately 19,500. The UAB Medical Center consists of the University of Alabama Schools of Medicine, Dentistry, Nursing, Optometry, and Public Health, and the School of Community and Allied Health.

INSTITUTIONS OF HIGHER EDUCATION IN JEFFERSON COUNTY

	Type	Approximate Student Enrollment
Four-Year Institutions		
Birmingham-Southern College	Private	1,218
Miles College	Private	1,700
Samford University	Private	5,471
University of Alabama at Birmingham	State Supported	19,500
Two-Year Institutions		
Herzing College of Business and Technology	Private	305
Jefferson State Junior College	State Supported	10,033
Lawson State Community College	State Supported	3,130
Virginia College	Private	2,800

Transportation

The County enjoys road, rail, air, and waterway transportation. It is the nexus for three interstate highways: I-65 between Huntsville-Decatur to the north and Montgomery to the south; and I-59 from Gadsden in the northeast and I-20 from Anniston in the east, which interstates merge in the County as I-59/20 serving Tuscaloosa to the southwest. Also, a new interstate highway, I-22, connects the County and Memphis, Tennessee.

Rail freight service is provided by three Class I major railroads: Norfolk Southern Railway; CSX Transportation; and Burlington Northern Santa Fe Railway Corporation. AmTrak provides passenger service to the County through the Crescent, a daily passenger train running from New Orleans to New York. Over 100 truck lines maintain terminals in the area.

The County is home to Birmingham-Shuttlesworth International Airport, the largest airport in the State. The airport offers over 100 daily flights to 23 cities throughout the United States. Commercial airline service is provided by four major carriers (American, Delta, Southwest and United Express). The airport presently ranks in the country's top 75 airports in terms of passengers served annually, which totals more than 2.6 million passengers per year.

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

County Growth Patterns

Similar to many urban areas in the United States, growth in Jefferson County has occurred in the suburbs, away from the original center of the City of Birmingham. The out-migration that occurred after 1950, coupled with the mountainous topography of the County outside of the city center, led to significant demand for sewer service in the growth areas during a time period when regulatory requirements increased the cost of wastewater treatment.

The growth in the housing stock in Jefferson County does not mirror the County's population growth. Despite modest population growth in the County over the past several decades, housing units have nearly doubled since 1950, as the following table depicts:

HOUSING UNITS JEFFERSON COUNTY

Year	Total Establishments
1950	159,377
1960	194,751
1970	212,726
1980	259,843
1990	273,097
2000	288,162
2010	300,552
2015	303,755

Source: Summary Population and Housing Characteristics, U.S. Census Bureau.

Several socio-economic factors have influenced the growth in housing, including a lower birthrate, smaller family size, and an increase in multifamily housing units. Several other factors have negatively impacted growth in Jefferson County, including moratoria on sanitary sewer facilities during the 1970s and economic downturns.

During the 1980s and 1990s, while Jefferson County's population declined by nearly 20,000, the population of Shelby County grew dramatically. The growth in Shelby County was facilitated by the completion of Interstate 459 in southern Jefferson County. Population growth was also occurring in other surrounding counties during the 1980s and 1990s, as the Birmingham MSA (then comprised of Blount, Jefferson, Shelby, St. Clair and Walker Counties) increased by 24,000.

Despite some variations, the general population growth trend over the past several decades has been away from the City of Birmingham's core and out to the suburbs. Commuting patterns substantiate these trends, as the U.S. Census Bureau's American Community Survey currently estimates that businesses within the County employ more than 94,000 residents of other counties, the majority of whom live in Shelby and St. Clair Counties.

Jefferson County Commission

Pursuant to Alabama Code Title 11, Act No. 97-147 and the case of *Michael Taylor et al. v. Jefferson County Commission, et al.,* CV 84-C-1730-S (1985), in the United States District Court for the Northern District of Alabama, the County is governed by a five (5) member Commission (each member, a "Commissioner", who is elected concurrently with the other members of the Commission). Each Commissioner serves and is elected from one of five geographical districts. Each Commissioner serves as the chair of one of the Commission's standing committees, which are identified as (1) Health Services and General Services, (2) Community Services and Roads and Transportation, (3) Finance and Information Technology, (4) Courts, Emergency Management, Land Planning and Development Services and (5) Administrative Services. All five Commissioners sit on each of the five standing committees. The standing committees exist to evaluate proposed items of Commission business and to advance or decline to advance such items to the agenda for a Commission meeting. Committees and their members have no operational responsibilities of the County - those responsibilities are expressly delegated to the County Manager under applicable state law.

The Commissioners elect one of their members to serve as President of the Commission at the beginning of each four-year Commission term. The President's duties include serving as presiding officer at all Commission meetings, executing all contracts and other agreements which require approval of the Commission and executing all checks and/or warrants on the Commission accounts.

The five current Commissioners are:

James A. "Jimmie" Stephens. Commissioner Stephens was re-elected in November 2014 to his second term on the Commission, where he represents District 3. Commissioner Stephens attended Samford University, where he obtained both a Bachelor of Science in business Administration and a Masters of Business Administration. He previously served as a city councilor on the Bessemer City Council and is past chairman of the Bessemer Board of Zoning Adjustments, the Bessemer Airport Authority and the Bessemer Commercial Development Authority. In addition, he is a former high school educator, where he taught business education courses. Commissioner Stephens has extensive business experience, primarily in the wholesale and retail fields. He lives in Bessemer, Alabama.

Commissioner Stephens currently serves as the President of the Commission.

Sandra Little Brown. Commissioner Brown was re-elected in November 2014 to her second term on the Commission, where she represents District 2. Her public service background includes having served as an elected member of the Birmingham City Council for four years. While on the City Council, she chaired the Birmingham Parks and Recreation & Cultural Arts Committees where she served as Park Board Commissioner and chaired the Birmingham Regional Arts Commission. Commissioner Brown is also an entrepreneur with over 20 years in sales. She is the owner of JJs T-shirts and Team World. She resides in Birmingham, Alabama.

Commissioner Brown is President Pro Tempore of the Commission.

George Bowman. Major General (ret.) Bowman first served on the Commission when he was appointed in 2007 by the Governor of Alabama to fill the remaining, one-year unexpired term of a resigning commissioner. He returned to the Commission in mid-2010 when he won a special election to replace the resigning District 1 Commissioner. In November 2010 and 2014, he was re-elected to that position in the regular elections. Major General Bowman holds a Master's in Public Administration from Shippensburg University in Pennsylvania. He also served a distinguished career in the United States Army and the Army Reserve, earning numerous decorations and awards during his service. Commissioner Bowman also worked for Liberty National Life Insurance Company at its home office in Birmingham. He resides in Center Point, Alabama.

David Carrington. Commissioner Carrington was re-elected in 2014 to term on the Commission, where he represents District 5 of the County. Commissioner Carrington graduated with honors from the University of Houston with an undergraduate degree in mathematics and a Master's of Business Administration. Prior to being elected to the Commission, he was a member for six years on the City Council of Vestavia Hills, a suburb of Birmingham, and served for four years as the City Council president. He has a wide and varied business background and is currently the president of Racing USA, Inc. He lives in Vestavia Hills, Alabama.

Joe Knight. Commissioner Knight was re-elected in November 2014 to his second term as Commissioner for District 4. Commissioner Knight has practiced as an attorney for the past twenty-seven years and is the principal in T. Joe Knight, LLC, located in Birmingham. He is a member of the Alabama State Bar and Birmingham Bar Association. Prior to becoming an attorney, Commissioner Knight was Certified Registered Nurse Anesthetist (CRNA), a Nurse Clinician at UAB Hospital and Registered Nurse specializing in trauma. Commissioner Knight is General Counsel for the Alabama Association of Nurse Anesthetists. He is a member of the Alabama Association of Nurse Anesthetists and the American Association of Nurse Anesthetists. He lives in Trussville, Alabama.

Commissioner Stephens chairs the Administrative, Public Works & Infrastructure Committee, which is comprised of the Roads and Transportation Department, Environmental Services and Storm Water Management. Commissioner Bowman serves as Chair of the Health and General Services Committee, which is comprised of the General Services Department, Cooper Green Mercy Health Services and the County Coroner's Office. Commissioner Brown chairs the Community Development and Human Resources Committee, which is comprised of Human Resources and the Human-Community Services and Economic Development. Commissioner Knight chairs the Judicial Administration, Emergency Management and Land Planning Committee, which is comprised of the County's Emergency Management Agency, the Board of Registrars, Inspection Services and Land Planning and Development Services. Commissioner Carrington is Chair of the Finance, Information Technology and Business Development Committee, which is comprised of the Finance Department, Purchasing, Revenue, Budget Management Office, Information Technology and Board of Equalization.

Other Elected Officials

Sheriff. The Sheriff of Jefferson County is an elected official who serves as the chief law enforcement officer of the County. The Sheriff maintains full law enforcement jurisdiction throughout the County, with particular regard for providing service to the unincorporated areas of the County. These enforcement duties include handling criminal investigations and traffic accident investigations. The Sheriff also is responsible for the service of legal process for County courts, the conduct of public elections, and the operation and maintenance of the County jails.

The Sheriff is a member of the executive department of the State under Alabama Constitution §112 and regarded as a State official under Alabama law. *See Marsh v. Butler Co., Ala.,* 268 F.3d 1014, 1028 (11th Cir. 2001). Under Alabama Code (1975) § ll-8-3(c), as amended, and Alabama Code (1975) § 36-22-18, the County is required to fund the operations of the Sheriff's office.

Mike Hale is the current Sheriff of Jefferson County, having served in that position since 1998. In 2014, he was re-elected to a four-year term.

Countv Treasurer. The County Treasurer is an elected position whose office is responsible for receiving and keeping the money of the County and disbursing the same as provided for by State law.

Mike Miles is the current County Treasurer, having won re-election for a four-year term in 2016. Mr. Miles succeeds Jennifer Parsons Champion, who served as County Treasurer as of the Filing Date. Sherry McClain is the current Deputy County Treasurer of the "Bessemer Cutoff" division, having won re-election in 2016. She succeeded Doris Britton.

Tax Assessor. The Jefferson County Tax Assessor is responsible for processing tax returns on real and personal property, discovering and assessing taxable property, recording the ownership of property, and maintaining the County's tax roll.

Gaynell Hendricks is the current County Tax Assessor. She was elected to her first four-year term in 2008, and was re-elected in 2012 and 2016. Charles R. Winston, Jr. is the current Assistant Tax Assessor, serving the "Bessemer Cutoff" division of the County.

Tax Collector. The County Tax Collector is an elected officer who is responsible for the collection of real property and other taxes assessed by the County.

J.T. Smallwood currently serves as County Tax Collector, holding that position since first elected in 2002. Grover Dunn is the current Assistant Tax Collector, serving the "Bessemer Cutoff" division of the County.

Probate Court Judges. The County Probate Judges are responsible for a variety of tasks, including issuing marriage licenses, recording real estate documents and other public records, probating wills and administering estates, issuing letters of guardianship and conservatorship, hearing adoptions and name change matters, hearing adult mental health involuntary commitment cases, processing applications for notaries public, and serving as the chief election official for the County.

The Honorable Alan King and the Honorable Sherri Friday both currently serve as Probate Judges, with the Honorable Elizabeth North serving as Deputy Probate Judge in the Bessemer Division.

District Attorney. The District Attorney is a publicly elected official who represents the State in the prosecution of criminal offenses within the County. Danny Carr is the District Attorney Pro-Tem.

County Management

County Manager /Chief Executive Officer. In August 2009, the Alabama Legislature passed Act 2009-662 and Act 2009-812 (the "County Manager Act"), pursuant to which the Alabama Legislature directed the Commission to hire a county manager to serve as the County's chief executive officer on or before April 1, 2011. The legislation provided that the votes of four of the five Commissioners would be necessary to select a county manager. The legislation further mandated that the County engage a qualified national search firm to recruit candidates at any time the county manager position was vacant.

Since September 27, 2011, Tony Petelos has served as the County's County Manager. Mr. Petelos came to the position with extensive public service and management experience. From 2004 to 2011, Mr. Petelos served as the Mayor of the City of Hoover, the County's second largest city and the sixth largest city in Alabama. Before that, he served in the Alabama House of Representatives from 1986 through 1997, where he also served as chair of the House's Jefferson County Delegation from 1990 to 1996. In 1997, Mr. Petelos was appointed by Governor Fob James as Commissioner of the Alabama Department of Human Resources after the department entered a federal consent decree. He was subsequently re-appointed by Governor Don Siegelman.

As County Manager, Mr. Petelos has assumed day-to-day management authority for the County's operations, a responsibility that previously had been borne by the Commissioners themselves, on top of their legislative functions. Centralizing the executive functions of the County in the County Manager's office has resulted in substantial efficiencies and improvements in the County's operations. Mr. Petelos oversees the implementation of authorized projects and programs, ensures appropriate coordination of departmental operations, analyzes and implements organizational changes to improve the efficient and economical operation of County government, and recommends policies and adopts procedures for the orderly conduct of the County's administrative affairs. Mr. Petelos' office also is charged with the County's budget planning and oversight process, which entails reviewing and evaluating budget estimates of all

County departments, submitting an annual budget to the Commission for its review and approval, reviewing County revenues and expenditures throughout the year to insure budgetary control and to keep the Commission advised of the financial condition and needs of the County, implementing necessary and prudent fiscal controls, and providing recommendations as to supplemental appropriations and budget transfers which require Commission approval. Mr. Petelos (or Deputy County Manager Walter Jackson) attends all Commission meetings, where he, as County Manager, may discuss any matter before the Commission, although he has no vote on Commission matters.

The County Manager is the appointing authority for all County employees with the exception of the County Attorney, the County Attorney's staff attorneys and their merit system staff, elected County officials and their appointed staff. Aside from the limited exceptions stated above, the County Manager has the authority to select, appoint, evaluate, terminate and retain department heads and county employees. This arrangement will be impacted by the appointment of the Employment Discrimination Receiver.

Director of Finance. John Henry is the Director of Finance for the County, and in such capacity, is filling the currently unfilled role of Chief Financial Officer of the County established pursuant to the County Manager Act. Mr. Henry brings more than 20 years of finance and accounting experience in both the public and private sectors. As Director of Finance, Mr. Henry is responsible for Risk Management, General Accounting and Accounts Payable and Purchasing.

Prior to joining Jefferson County, Mr. Henry served as Associate Treasurer for asset management in the Office of Finance and Treasury (OFT) for the District of Columbia managing the District's investment programs, including the general fund, the Districts 401(a) and 457(b) retirement programs, the 529 College Savings program and the District's Other Post Employment Benefit's Fund. These programs have combined assets of more than \$4.3 billion. Mr. Henry also managed the Unclaimed Property unit within OFT, with assets of more than \$300 million.

Prior to joining OFT, Mr. Henry was with MW Logistics as Director of Financial Operations and Analysis. Prior to joining MW Logistics, he was with JPMorgan Securities where he executed debt and equity offerings and he was later responsible for selling fixed-income products to government and corporate clients. Prior to his banking career, Mr. Henry was a 1st Lieutenant in the U.S. Army with the 82nd Airborne Division and is a graduate from the U.S. Army Ranger and Airborne Schools. He is a certified public accountant and holds the certified treasury professional designation. He earned, with honors, a master's in business administration, finance, from Howard University and a bachelor's with honors in accounting from Virginia State University.

As Director of Finance, Mr. Henry reports directly to the County Manager. The Director of Finance, in his current role as Chief Financial Officer, has primary executive responsibility for the County's finance, revenue, purchasing, information technology and budget management offices.

Countv Attorney. Theo Lawson is a graduate of the University of Alabama-Tuscaloosa, the Birmingham School of Law, and the Jefferson County Law Enforcement Academy. He began his law career with the law firm of Barnes, Zinder, and Lawson in the general practice of law; while also serving as the night court and Ensley court prosecutor for the City of Birmingham. Lawson then began a career with the Jefferson County District Attorney's Office where he prosecuted many high profile and multi-defendant criminal cases. He has also served on the faculty of the National College of District Attorneys. He was appointed Chief Assistant City Attorney for the City of Birmingham under Mayor Bernard Kincaid serving as second in command of the City of Birmingham's legal department. In 2004, Lawson was appointed as an Assistant County Attorney for Jefferson County representing Jefferson County in civil litigation and serving as legal officer to EMA. In November of 2016, Mr. Lawson was unanimously appointed to the position of County Attorney. Lawson was the first African American to ever hold this position within the County. Theo Lawson also serves as a professor of criminal law and procedure at Miles Law School and Police Academy Instructor for the Birmingham Police Department. He is a retired reserve Captain and firearms instructor with the Fairfield Police Department and former Director of Public Safety of the Miles College Police Department.

As County Attorney, Mr. Lawson reports directly to the Commission. He supervises a staff of four in-house attorneys and oversees the work of numerous outside law firms retained from time to time by the County. The County Attorney's office is responsible for representing and advising the County, its elected officials and appointed officers and department heads. The elected officials and appointed officers include the Commission, the County Manager, the Deputy County Manager, the Chief Financial Officer, the Tax Collector and Tax Assessor, the Probate Judges, the Election Commission (comprised of the Sheriff, Clerk of Court and Probate Judge) and the Treasurer. The operating departments include the Finance Department, Revenue Department, Roads and Transportation Department, Environmental Services Department, Land Development Department, the Board of Equalization, the Cooper Green Mercy Health Services, the Coroner, the General Services Department, the Family Court, the Juvenile Detention facility, the Human Resources Department, the Budget Management Department, the Board of Registrars, the Inspection Services Department, the Community and Economic Development Department, the Department of Information Technology, the General Retirement System for Employees of Jefferson County, Alabama and the Jefferson County Emergency Management Agency. The County Attorney’s office represents these persons in a variety of matters, including the defense of claims, negotiation of contracts, compliance, and a variety of litigation matters.

County Employees and County Employment Decisions

The number of permanent filled employee positions with the County decreased by more than 42% from 2008 to 2013, before a gradual increase since that time. County employment for the past six years has been as follows:

2016	2,429
2015	2,365
2014	2,267
2013	2,251
2012	2,736
2011	3,381
2010	3,625
2009	3,741
2008	3,878

The Personnel Board of Jefferson County (the “Personnel Board”) possesses substantial administrative responsibility over the County’s employment practices. The Personnel Board is a human resources organization established by the Alabama Legislature in 1935 to administer the civil service, or merit, system for the County and certain other municipalities within the County. The Personnel Board is responsible for establishing and administering rules and regulations to assure compliance with Act 248, H.580, adopted by the Alabama Legislature in 1945 (as amended, the “Enabling Act”), and to ensure that the County’s civil service employees are treated in accordance with the Enabling Act’s provisions. To that end, the Personnel Board classifies positions throughout the County, tests potential candidates for employment, establishes hiring registers, develops and administers pay schedules, coordinates the adjudication of grievances, and maintains employee history records. The County’s participation in the Personnel Board system is not optional, but is mandated by the Enabling Act.

The Personnel Board operates under the auspices of a three-member panel. This three-member panel is appointed by a Citizens' Supervisory Commission comprised of 17 civic leaders from throughout the County. The composition of the Citizens' Supervisory Commission is defined in the Enabling Act. Each panel member serves a staggered six-year term. A personnel director reports directly to the three-member panel and is responsible for the day-to-day operations of the Personnel Board.

The Personnel Board's expenses throughout its fiscal year are paid by the County, as required by the Alabama Legislature pursuant to the Enabling Act. At the end of each fiscal year, the County submits to the Personnel Board the total sum the County has expended on Personnel Board operations. Once these expenses have been approved, the County and the other municipalities that participate within the Personnel Board system are billed for their respective shares of such annual expenses. For fiscal year 2011, the percentage of the Personnel Board's expenses allocated to the County was 34.9% of the total amount billed.

On December 11, 2012 at the conclusion of a contempt hearing in the long-standing employment discrimination Consent Decree case *United States v. Jefferson County,* CV-75-666 (N.D. Ala.), the U.S. District Court ordered that all hiring activity at the County be halted. The U.S. District Court allowed, however, that limited and essential recall, hiring and promotion could occur pursuant to interim selection procedures under a court-approved process. This process was subsequently pronounced under a set of temporary orders.

The United States District Court on August 20, 2013, entered its decision and order finding the Commission in contempt of court and informing the parties that a receiver would be appointed over the Human Resources Department. On October 25, 2013, the Court appointed Dr. Ronald Sims, Ph.D., from the College of William and Mary in Williamsburg, Virginia to serve as the receiver (the Employment Discrimination Receiver) under the direction of and reporting only to the Court. On May 28, 2015, The United States District Court advised the parties that it had called for Dr. Sims to step down as the Receiver and terminated his appointment. On June 11, 2015, the United States District Court appointed Lorren Oliver, Executive Director of the Personnel Board of Jefferson County, to serve as Interim Receiver. On November 25, 2015, the United States District Court appointed Lorren Oliver to the position of Receiver in which he continues to serve under a Modified Order Appointing Receiver. The Employment Discrimination Receiver's authority is to exercise full control over nearly all employment decisions of the Commission, subject to a court-approved budget, until full and sustainable compliance with the employment discrimination consent decree has been achieved. The District Court's modified order contemplates the Employment Discrimination Receiver's duties and obligations be substantially completed in three years or less. Pursuant to the Employment Discrimination Order, the County may challenge any actions proposed or taken by the Employment Discrimination Receiver if the Commission in good faith believes such actions materially interfere with the functions of Jefferson County.

Under the Employment Discrimination Receiver, the Commission will be required to undertake certain (work in progress) actions with regard to its hiring and promotion processes. Such changes are expected to be financially burdensome. Currently, the Commission has unanswered questions about individual damages claims, and it is impossible to predict the likely outcome of this issue at this time. For reference and although these budgets overlap to a certain extent with costs and expenses already included in the Commission's budget, the Receiver's budget for fiscal year 2014-15 was close to $17.0 million. The Receiver's budget for fiscal year 2015-16 was $14.0 million. The Receiver's budget for fiscal year 2016-2017 is $12.67 million.

The County anticipates being able to manage all personnel in the future; however, all hiring and termination practices will be subject to the oversight and approvals set forth above. At the present time, the Receiver is working with the County Manager to ensure proper and appropriate staffing, and is working with all parties to ensure effective, nondiscriminatory hiring processes are in place. The County's recognized cooperation and collaborative efforts with the receiver and his staff have resulted in positive steps towards the County's goal of complete compliance as expeditiously as possible.

Department of Finance

The Department of Finance is responsible for the administration of the financial affairs of the County and the maintenance of its accounting records. The Finance Department, a division of the Department of Finance, directs the County's financial program by assembling, maintaining and preparing the County's financial records and statements and by assisting in budget hearings.

Historically, the County was audited by the State Department of Examiners of Public Accounts. In 2006, the County decided to have its financial statements audited by a certified public accounting firm. A copy of the financial statements of the County, and the associated notes to such financial statements, as of and for the fiscal year ended September 30, 2016, as audited by Warren Averett, LLC, Independent Certified Public Accountants, Birmingham, Alabama, is attached as Appendix B hereto.

Budget System

The budget for the County consists of an operating budget for each of the funds maintained by the County. Together, these separate operating budgets constitute a complete financial plan for the County and reflect the projection of the receipts, disbursements and transfers from all sources. Pursuant to Act 2011-69 of the Alabama Legislature, all of the operating budgets are developed by the County Manager, who reviews and evaluates budget estimates from the County's various departments and then submits the recommended annual budget to the Commission. Under Alabama law, the County Manager is charged with causing the planning process for the County's budget to be compatible with approved County policies and long range plans.

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

The Commission is required to adopt the annual budgets before October 1 of the fiscal year in which the budgets are to take effect. Upon adoption by the Commission, the budgets are printed for distribution to all departments of the County, as well as financial institutions and the general public. Appropriations in addition to those in the original budgets may be made by the Commission if unencumbered and unappropriated moneys sufficient to meet such appropriations are available.

Accounting System

The basic financial statements include both the government-wide (based on the County as a whole) and fund financial statements.

Government-Wide Financial Statements. The statement of net assets and the statement of activities display information about the County as a whole and its blended component units. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between program revenues and direct expenses for each segment of the business-type activities of the County and for each function of the County's governmental activities. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. During 2012, indirect expenses were allocated to the various functions using different bases, as deemed appropriate for the individual expense.

Fund Financial Statements. The fund financial statements provide information about the County's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

<u>Measurement Focus, Basis of Accounting and Financial Statement Presentation.</u> The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. As a general rule, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes and grants are recognized in the fiscal year for which the taxes and grants are both due and collectible and available to fund operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

The following major governmental funds are included in the County's financial statements:

- *General Fund* - This fund is the primary operating fund of the County. It is used to account for financial resources except those required to be accounted for in another fund. The County primarily receives revenues from collections of property taxes, county sales taxes and revenues collected by the State of Alabama and shared with the County.

- *Limited Obligation School Fund* - This fund is used to account for the sales tax collected for the payment of principal and interest on the Limited Obligation School Warrants.

- *Indigent Care Fund* - This fund is used to account for the expenditure of beverage and sales taxes designated for indigent residents of the County. The Indigent Care Fund also includes the operations of Cooper Green Mercy Health Services, in which net patient revenues are derived from patient charges and reimbursement from third parties, including Medicare and Medicaid, and which are funded by the taxes collected by the Indigent Care Fund.

- *Bridge and Public Building Fund* - This fund is used to account for the expenditure of special County property taxes for building and maintaining public buildings, roads and bridges.

Other nonmajor governmental funds are as follows:

- *Debt Service Fund* - This fund is used to account for the accumulation of resources for and the payment of the County's principal and interest on governmental bonds.

- *Community Development Fund* - This fund is used to account for the expenditure of federal block grant funds.

- *Capital Improvements Fund* - This fund is used to account for the financial resources used in the improvement of major capital facilities.

- *Public Building Authority* - This fund is used to account for the operations of the Jefferson County Public Building Authority. This authority was incorporated in 1998 for the general purpose of providing public facilities for the use of the County and its agencies.

- *Road Construction Fund* - This fund is used to account for the financial resources expended in the construction of roads.

- *Home Grant Fund* - This fund is used to account for the expenditure of funds received to create affordable housing for low income households.

- *Board of Equalization Fund* - This fund is used to account for property taxes restricted by the State for the operation of the Board of Equalization.

- *Senior Citizens Fund* - This fund is used to account for the expenditure of funds received for senior citizens services and programs.

- *Economic Development Fund* - This fund is used to account for the expenditures of the Workforce Investment Act.

The County currently reports enterprise funds as its only type of proprietary fund. Enterprise funds report the activities for which fees are charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees. Proprietary funds distinguish operating revenues and expenses from nonoperating items in their statement of revenues, expenses and changes in fund net assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for the purchase or use of the proprietary fund's principal product or service. Operating expenses for the County's enterprise funds include the cost of providing those products or services, administrative expenses, depreciation on capital assets and closure and postclosure care costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major enterprise funds are included in the County's financial statements:

- *Sanitary Operations Fund* - This fund is used to account for the operations of the County's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated property and ad valorem taxes.

Other nonmajor enterprise funds are as follows:

- *Landfill Operations Fund* - This fund is used to account for the operations of the County's landfill systems. Revenues are generated primarily through user charges and lease payments from a third- party lessee.

- *Jefferson County Economic and Industrial Development Authority* - This fund is used to account for the operations of the Jefferson County Economic and Industrial Development Authority. This authority was incorporated in 1995 to engage in the solicitation and promotion of industry and industrial development and to induce industrial and commercial enterprises to locate, expand or improve their operations or remain in Jefferson County.

The County currently reports fiduciary funds as its only type of agency fund. Fiduciary funds are used to report assets held by the County in a purely custodial capacity. The County collects these assets and transfers them to the proper individual, private organizations or other government.

The following fiduciary fund is presented with the County's financial statements:

- *City of Birmingham Revolving Loan Fund* - This fund is used to account for resources held by the County in a custodial capacity for the City of Birmingham's revolving loan program.

- *Emergency Management Agency Fund* - This fund is used to account for resources held by the County on behalf of the Jefferson County Management Association which oversees disaster assistance programs.

- *Personnel Board Fund* - This fund is used to account for resources held by the County on behalf of the Jefferson county Personnel Board, which oversees personnel management for various municipalities located in Jefferson County.

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As a governmental unit, the County is exempt from federal and state income taxes.

County Revenues and Expenditures

Summary of General Fund Revenues and Expenditures.

The following table sets forth the consolidated revenues, expenditures and changes in fund balance with respect to the County's General Fund for each of the past five years. Such information is taken from the audited financial statements for the County for the fiscal years ended September 30, 2012 through and including September 30, 2016:

	2012	2013	2014	2015	2016
Revenues					
Taxes	$97,758	$84,848	$91,327	$80,018	$87,081
Licenses and Permits	7,610	9,309	10,213	9,419	11,893
Intergovernmental	31,606	26,986	17,582	12,994	8,019
Charges for services, net	31,881	28,168	29,254	29,656	28,695
Miscellaneous	4,492	3,941	6,462	9,992	5,281
Interest and Investment Income	242	231	156	557	415
	173,589	153,483	154,994	142,636	141,384
Expenditures					
Current:					
General government	104,372	106,451	87,018	83,399	91,752
Public safety	59,224	53,722	65,239	60,566	68,771
Highway and roads	14,792	2,686	-	-	-
Health and welfare	-	-	-	-	-
Education – other	1	-	-	-	-
Capital outlay	306	1,934	40	507	20
Indirect expenses	(7,071)	(7,829)	(6,696)	(6,168)	(6,649)
Debt service:					
Principal retirement	54	217	228	240	34
Interest and fiscal	38	38	27	15	8
	171,716	157,219	145,856	138,559	153,936
Excess (Deficiency) of Revenues over Expenditures	1,873	(3,736)	9,138	4,077	(12,552)
Other Financing Sources (Uses)					
Proceeds from capital leases/Sale of capital assets	400	343	120	137	221
Transfers in	15,456	38,262	481	5,009	7,427
Transfers out	(9,042)	(1,025)	(1,279)	(3,943)	(2,392)
Net Changes in Fund Balance	8,687	33,844	8,460	5,280	(7,296)
Fund Balance – beginning of year, as previously report	79,379	85,691	119,535	119,467	122,492
Prior Period Adjustments	-	-	-	(2,255)	6,617
Fund Balance – beginning of year, as restated	79,379	85,691	119,535	117,212	129,109
Fund Balance – end of year	$88,066	$119,535	$127,995	$122,492	$121,813

General Sales and Use Tax Revenues

The County levies and collects sales and use taxes (the "General Sales and Use Tax") at a rate of 1.0% pursuant to the provisions of Act No. 405 enacted at the 1967 Regular Session of the Legislature of Alabama, as amended by Act No. 659 enacted at the 1973 Regular Session of the Legislature of Alabama. The following table sets forth the gross general Sales and Use Tax revenues for the fiscal years ended September 30, 2007 through September 30, 2016:

Fiscal Year Ending September 30	Total Amount
2007	$96,818,757
2008	$96,087,534
2009	$85,291,553
2010	$86,370,576
2011	$91,361,692
2012	$96,506,712
2013	$97,380,228
2014	$99,182,627
2015	$104,513,296
2016	$102,752,402

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

Ad Valorem Taxes

General

The levy and collection of ad valorem taxes in Alabama is subject to the provisions of the Constitution of Alabama of 1901, which limit the ratios at which property may be assessed, specifies the maximum millage rates that may be levied on property and limits total ad valorem taxes on any property in any year. The Warrants will not constitute general obligations of or a charge against the general credit or taxing power of the County but instead are limited obligations of the County payable solely out of the Trust Estate.

Classification of Taxable Property

For purposes of ad valorem taxation, all taxable property in Alabama is required under current law to be divided into the following four classes:

Class I	All property of utilities used in their business*
Class II	All property not otherwise classified
Class III	All agricultural, forest and single family, owner-occupied residential property, and historic buildings and sites
Class IV	Private passenger automobiles and pickup trucks

*Under applicable law, railroad property is not considered Class I (utility) property and is instead Class II.

Taxable property designated as "Class III" may, upon the request of the owner of such property, be appraised at its "current use value" rather than its "fair and reasonable market value." "Current use value" was originally defined in a legislative act as the value of such property based on the use being made of it on October 1 of the preceding year, without taking into consideration the "prospective value such property might have if it were put to some other possible use." Amendatory legislation, effective since the beginning of the 1981-82 tax year, extensively revised the formulas and methods to be used in computing the current use property value of agricultural and forest property. However, the original statutory definition, though somewhat modified, remains applicable to residential and historical property.

There are exempted from all ad valorem taxes household and kitchen furniture, farm tractors, farming implements when used exclusively in connection with agricultural property, and inventories of goods, wares and merchandise.

Assessment Ratios

The following are the assessment ratios now in effect in the County for purposes of state and local taxation.

Class I	-	30%
Class II	-	20
Class III	-	10
Class IV	-	15

Although current law provides in effect that with respect to ad valorem taxes levied by the County, the governing body of the County may, subject to the approval of the Legislature and of a majority of the electorate of the County at a special election, and in accordance with criteria established by legislative act, adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or its current use value (as the case may be), the governing body of the County has not heretofore sought to make any adjustment of the assessment ratio applicable to any class of taxable property in the County and has no present plans for any such adjustment. The Legislature has no power over the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The assessment ratio applicable to each class of taxable property must in any event be uniform with respect to ad valorem taxes levied by the County.

Current Ad Valorem Tax Rates

Pursuant to the Constitution and laws of the State, ad valorem taxes on property in the County (excluding, however, municipal and school district ad valorem taxes levied in the County) are currently levied at the following rates:

	Rates in Mills (Dollars per 1,000 of Assessed Value)
State of Alabama	6.5
Jefferson County:	
General	5.6
Road	2.1
Bridge	5.1
Sewer	0.7
County-wide School	8.2
	21.7
TOTAL MILLS	28.2

Source: Alabama Department of Revenue, 2016 Millage Rates

Existing law provides that the rate of any ad valorem tax levied by the County may be increased only after the approval of the Alabama Legislature and of a majority of the electorate of the County at a special election. The constitutional limitation on the total ad valorem taxes *(i.e.,* state, county, municipal, school district, etc.) on any property in any one year to certain percentages of the fair and reasonable market value of such property is by its terms not applicable to property in two municipalities in the County.

Homestead Exemption

The governing body of the County is authorized by law to grant a homestead exemption of not exceeding $4,000 in assessed value against any County ad valorem tax except one "earmarked for public school purposes."

Assessment and Collection

Ad valorem taxes on taxable properties, except motor vehicles and public utility properties, are assessed by the County Tax Assessor and collected by the County Tax Collector. Ad valorem taxes on motor vehicles in the County are assessed and collected by the Jefferson County License Director, and ad valorem taxes on public utility properties are assessed by the State Department of Revenue and collected by the County Tax Collector.

Ad valorem taxes are due and payable on October 1 and delinquent after December 31 in each year (except for taxes with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the March 1 following the due date, a tax sale is required to be held.

The Jefferson County Tax Collector has in recent years collected, on average, in excess of 98% of ad valorem taxes (state, county, municipal and school district) levied.

Property Re-evaluation Program

Under existing procedures of the State Department of Revenue, each county in the State is effectively required to carry out a property reappraisal program over a four-year cycle so that at least 25% of the taxable property in the County is reappraised each year for ad valorem tax purposes. The Department of Revenue also annually reviews the appraised values and the fair market values of a representative sample of taxable property in each county in the State. A county property reappraisal program is customarily ordered by the Department of Revenue if such annual review indicates that the appraised value of property in such county has fallen below 85% of its then current fair market value.

The current level of property tax collection is dependent on many factors, including possible taxpayer appeals from increased property assessments. There can be no assurance that the current level of property tax collection will continue.

Assessed Valuation

The following table sets forth the Net Assessed Value of taxable property in the County for the fiscal years ended September 30, 2007 through September 30, 2016:

Net Assessed Value [1]

Tax Year Ending September 30 [2]	**Real & Personal Property and Public Utility Property**	**Motor Vehicle**	**Total Net Assessed Values**
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
2013	$ 7,882,513,300	$ 947,476,600	$ 8,829,989,900
2014	$ 8,051,541,180	$ 955,622,913	$ 9,007,164,093
2015	$ 8,374,355,060	$ 970,132,998	$ 9,344,488,058
2016	$ 8,578,419,100	$1,037,058,545	$ 9,615,477,645

[1] Reflects 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.
Sources: Jefferson County Tax Assessor, Jefferson County Revenue Commissioner.

Principal Ad Valorem Taxpayers

The following sets forth the principal Ad Valorem Taxpayers in the County for 2016:

	Company	**Assessed Value**	**County Tax**
1	Alabama Power Company	$ 601,038,780	$ 8,114,024
2	BellSouth Telecommunications LLC	106,715,700	1,440,662
3	United States Steel	90,020,740	1,215,280
4	Affinity Hospital LLC	66,826,524	902,158
5	Norfolk Southern Combined Rail	44,837,080	605,301
6	Wells Fargo Bank	36,438,680	491,922

7	Alabama Gas Corp	33,052,520	446,209
8	Hoover Mall Limited LP	32,684,180	441,236
9	American Cast Iron Pipe Company	30,936,500	417,643
10	AT&T Services	27,733,020	374,396

Source: Jefferson County Tax Assessor

Ad Valorem Tax Collections

The following table sets forth the Ad Valorem Tax collections for the fiscal years ended September 30, 2007 through September 30, 2016, collected by all tax collectors, and levied by all ad valorem taxing authorities, within the County:

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	Percent of Total Tax Collection to Tax Levy
2016	$597,336,653	$580,276,117	97.14%	$10,161,740	$590,437,857	98.85%
2015	$565,752,046	$556,568,482	98.38%	$8,780,460	$565,348,942	99.93%
2014	$550,902,710	$540,580,509	98.13%	$7,552,620	$548,133,128	99.50%
2013	$542,537,038	$532,280,137	98.11%	$7,768,542	$540,048,678	99.54%
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%

(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

Employee Retirement Plan

Defined Benefit Pension Plan

General Overview. The County sponsors a defined benefit pension plan (the "Pension Plan") for certain employees and officers of the County. The General Retirement System for Employees of Jefferson County (the "Pension System"), which administers the Pension Plan, was established pursuant to Act No. 497 enacted at the 1965 Regular Session of the Legislature of Alabama (as amended, the "Pension Act"). With certain limited exceptions, the Pension System covers all employees of the County who are subject to the Civil Service System.

County officers and those employees not subject to the Civil Service System may elect to participate in the Pension System. Membership in the Pension System for those employees automatically covered under the Pension Act is compulsory. As of the most recent actuarial valuation of the Pension Plan (September 30, 2016) (the "2016 Pension Valuation") prepared by Cavanaugh Macdonald Consulting, LLC (the "Independent Actuary"), there were 2,263 active members in the Pension System with aggregate annual compensation of $124,769,019, and 2,293 retired members and beneficiaries in the Pension System with aggregate annual benefits of $59,660,444.

Pension Plan Funding. The Pension Act requires that members of the Pension System contribute 6% of their gross salary to the Pension Plan and that the County contribute an equivalent amount for each member, for a total annual contribution equal to 12% of each member's gross salary. Certain proceeds from the sale of pistol permits in the County are also contributed to the Pension Plan. The following is a summary of actuarial assumptions and a schedule of trend information pertaining to funding of the Pension Plan, taken from the 2016 Pension Valuation:

Valuation date	10/1/2016
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	48 years
Asset valuation method	5-year market related value
Actuarial assumptions	
Investment rate of return*	7.00%
Projected salary increases*	4.25-7.25%
Cost-of-living adjustments	None

* Includes inflation at 3.25%

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2014	$6,587,000	100.0%	$0
9/30/2015	$6,732,000	100.0	0
9/30/2016	$7,393,000	100.0	0

Fiscal Summary. As of the September 30, 2016, the unfunded actuarial accrued liability ("UAAL") for the Pension Plan was $(77,711,745) (i.e., actuarial plan assets exceed actuarial plan liabilities). The following is a schedule of funding progress and trend information pertaining to the Pension Plan:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	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)
2011	$949,368,266	$899,515,895	($49,852,371)	105.5%	$138,971,377	(35.9%)
2012	931,092,938	913,822,368	(17,270,570)	101.9	118,895,660	(14.5)
10/1/2013	955,105,311	929,234,406	(25,870,905)	102.8	107,002,185	(24.2)
10/1/2014	1,005,020,061	952,157,824	(52,862,237)	105.6	109,723,029	(48.2)
10/1/2015	1,038,953,354	970,675,625	(68,277,729)	107.0	113,089,076	(60.4)
10/1/2016	1,084,866,713	1,007,174,968	(77,711,745)	107.7	124,769,019	(62.3)

In the 2016 Pension Valuation, the Independent Actuary concluded that the Pension Plan was operating on an actuarially sound basis and that the sufficiency of the assets in the Pension Plan may be safely anticipated. See Note L to the County's audited financial statements, and the associated notes to such financial statements, as of and for the fiscal year ended September 30, 2016, attached as Appendix B hereto, for more information about the Pension Plan.

Other Post-Employment Benefits (OPEB)

General Overview. In addition to the Pension Plan, the County sponsors a single-employer postretirement welfare benefit plan (the "OPEB Plan") in accordance with a resolution first approved by the Commission on September 25, 1990, and approved annually each year thereafter. The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents by subsidizing a portion of the retirees' health insurance premiums. As of the most recent actuarial valuation of the OPEB Plan (September 30, 2016) (the "2016 OPEB Valuation") prepared by the Independent Actuary, there were 2,383 active participants, no vested terminated participants and 470 retired participants in the OPEB Plan.

OPEB Plan Funding. Unlike the Pension Plan, the County does not set aside assets in a qualifying trust fund for the purpose of paying future benefits. The County operates the OPEB Plan on a "pay-as-you-go" basis. Employees of the County and retirees and their dependents are not required to contribute to the OPEB Plan. The following is a summary of the actuarial assumptions and a schedule of trend information pertaining to funding of the OPEB Plan, taken from the 2016 OPEB Valuation:

Valuation date	09/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, Closed
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions	
Investment rate of return*	4.00%
Medical Cost trend rate **	7.75%
Ultimate trend rate**	5.00%
Year of Ultimate trend rate	2022

* Includes inflation at 3.25%

** Pre-Medicare; includes inflation at 3.25%

(In Thousands)

Actuarial Valuation Date	Fiscal Year Ended	Annual Required Contribution (a)	Interest on Existing NOO* (b)	Adjustment to ARC (c)	Annual OPEB Cost (a+b+c=d)	Annual Contribution Amount €	Percentage of OPEB Cost Contributed (e/d)	Net Increase (Decrease) in NOO (d-e=f)	NOO at Beginning of Year (g)	NOO at End of Year (f+g)
09/30/16	09/30/16	$5,903	$503	$(465)	$5,941	$4,423	74.4%	$1,518	$12,580	$14,098
09/30/14	09/30/15	5,903	472	(436)	5,939	5,148	86.7	791	11,789	$12,580
09/30/14	09/30/14	4,779	448	(413)	4,814	4,219	87.6	595	11,194	11,789

* NOO =Net OPEB Obligation

Fiscal Summary. As of the 2016 OPEB Valuation, the net OPEB obligation for the OPEB Plan, as shown on the County's Statement of Net Assets for the fiscal year ended September 30, 2016, included in the County's audited financial statements attached as Appendix B hereto, was $14,098,000, and the unfunded actuarial accrued liability for the OPEB Plan was $97,566,000. The following is a schedule of funding progress respecting the OPEB Plan:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	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)
09/30/2016	$0	$97,566,000	$97,566,000	0.0%	$126,645,000	77.0%
09/30/2015	0	$77,272,000	$77,272,000	0.0	$109,723,000	70.4

In the 2016 OPEB Valuation, the Independent Actuary concluded that if the required contributions to the OPEB Plan are made by the County from year to year in the future at the levels required on the basis of successive actuarial valuations, the OPEB Plan will operate in an actuarially sound manner. See Note M to the County's audited financial statements as of and for the fiscal year ended September 30, 2016, attached as Appendix B hereto, for more information about the OPEB Plan.

New Accounting Pronouncements. In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans,* and Statement No. 68, *Accounting and Financial Reporting for Pensions* (the "GASB Statements"), which are effective for the County beginning with its fiscal year ending September 30, 2015. See Note U to the County's audited financial statements as of and for the fiscal year ended September 30, 2016, attached as Appendix B hereto, for more information regarding the GASB Statements and the effect implementation thereof may have on the County's fiscal condition.

Treatment of Pension System and OPEB Plan Obligations under the Plan of Adjustment

The Plan of Adjustment provides that all claims of the OPEB Plan and all claims of the Pension System will not be impaired. Accordingly, the legal, equitable, and contractual holders of these claims will be unaltered by the Confirmed Plan of Adjustment, and the Confirmed Plan of Adjustment will leave unaltered the legal, equitable, and contract rights of all persons with respect to such claims. Without limitation, the County will retain all causes of action, defenses, deductions, assessments, setoffs, recoupment, and other rights under applicable nonbankruptcy law with respect to such claims.

Debt Management

General

The principal forms of indebtedness that the County is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, special or limited obligation warrants and various revenue anticipation bonds and warrants relating to enterprises. In addition, the County has the power to enter into certain leases which constitute a charge upon the general credit of the County. Under existing law, the County may issue general obligation bonds only after a favorable vote of the electorate of the County. General and special obligation warrants issued for certain specified purposes may be issued without voter approval. The Series 2017 Warrants will not constitute general obligations of or a charge against the general credit or taxing power of the County but instead are limited obligations of the County payable solely out of the Trust Estate.

Limited Tax and Revenue Bonds and Warrants

As of the date of issuance and delivery of the Series 2017 Warrants, the County will have no other warrants payable from the Pledged Tax Proceeds. The County is also obligated to make lease payments for use of a courthouse in the City of Bessemer, Alabama, that are pledged for payment of the Lease Revenue Warrants, Series 2006, of the Jefferson County Public Building Authority (the "Bessemer Courthouse Warrants"). In August 2006, the Jefferson County Public Building Authority (the "PBA") issued a series of warrants (the "Bessemer Lease Warrants") to finance, among other things, a new County courthouse building in Bessemer, Alabama. The PBA and the County entered into a lease (the "Bessemer Lease") pursuant to which the County agreed to make rental payments on such dates and in such amounts sufficient to provide for the payment of debt service on the Bessemer Lease Warrants. As of the Filing Date, the County's rent obligations under the Bessemer Lease exceeded $8 million per year on an annualized basis. After evaluating its options, the County concluded that, given its cash flow constraints, it could no longer continue to maintain its obligations under the Bessemer Lease as originally structured. The County engaged in settlement discussions, but was unable to reach a settlement prior to the lease rejection deadline under the Bankruptcy Code with respect to the Plan of Adjustment. Consequently, prior to such rejection deadline, the County moved to reject the Bessemer Lease. Objections to the motion to reject were filed, but the County continued negotiations which resulted in a stipulation among various interested parties that contemplated, among other things, the execution of a new lease (the "New Bessemer Lease"), which would extend the term of the Bessemer Lease from 2026 to 2037 and substantially reduce the annual rent payments due from the County. Following a hearing to consider the objection of one creditor, the Bankruptcy Court entered an order on December 20, 2012 approving the New Bessemer Lease, which was executed by the PBA and the County in January, 2013. Under the Plan of Adjustment, in full, final, and complete settlement, satisfaction, release and exchange of all Claims relating to the Bessemer Lease, the County agrees to recognize and perform all of its obligations under the New Bessemer Lease.

Projected Annual Debt Service Requirements for all County Warrants

The following table reflects the estimated annual debt service requirements respecting all warrants of the County following the issuance of the Warrants:

	Outstanding General Obligation Warrants	Sewer Revenue Warrants	Bessemer Courthouse Warrants[1]	The 2017 Limited Obligation Refunding Warrants[2]		
Fiscal Year	Debt Service	Debt Service	County Rental Payments	Principal	Interest	Total Debt Service
2018	21,846,473	84,397,075	5,172,348	8,715,000	18,652,388	138,688,734
2019	21,751,923	84,936,825	5,172,348	11,045,000	16,318,450	139,145,498
2020	21,672,875	70,366,450	5,172,348	11,380,000	15,987,100	124,491,798
2021	21,585,900	70,366,450	5,172,348	11,835,000	15,531,900	125,467,948
2022	22,562,250	78,892,825	5,172,348	12,305,000	15,058,500	133,991,423
2023	22,562,750	80,634,700	5,172,348	12,925,000	14,443,250	135,739,798
2024	22,564,500	120,034,541	5,172,348	13,570,000	13,797,000	175,138,389
2025	-	141,128,883	5,020,220	14,245,000	13,118,500	173,512,603
2026	-	145,828,883	2,434,046	14,960,000	12,406,250	175,629,179
2027	-	150,728,883	-	15,705,000	11,658,250	178,092,133
2028	-	155,808,883	1,527,554	16,495,000	10,873,000	184,704,437
2029	-	161,078,883	4,598,330	17,320,000	10,048,250	193,045,463
2030	-	166,468,883	4,598,330	18,185,000	9,182,250	198,434,463
2031	-	172,053,883	4,598,330	19,095,000	8,273,000	204,020,213
2032	-	177,848,883	4,598,330	20,050,000	7,318,250	209,815,463
2033	-	183,828,883	4,598,330	21,050,000	6,315,750	215,792,963
2034	-	190,003,883	4,598,330	22,100,000	5,263,250	221,965,463
2035	-	196,383,883	4,598,330	23,210,000	4,158,250	228,350,463
2036	-	202,983,883	4,598,330	24,370,000	2,997,750	234,949,963
2037	-	208,901,258	4,598,330	25,585,000	1,779,250	240,863,838
2038	-	214,135,395	-	1,810,000	500,000	216,445,395
2039	-	221,292,645	-	1,900,000	409,500	223,602,145
2040	-	222,953,913	-	1,995,000	314,500	225,263,413
2041	-	191,456,433	-	2,095,000	214,750	193,766,183
2042	-	192,167,048	-	2,200,000	110,000	194,477,048
2043	-	192,929,573	-	-	0	192,929,573
2044	-	173,493,935	-	-	0	173,493,935
2045	-	179,654,654	-	-	0	179,654,654
2046	-	185,639,591	-	-	0	185,639,591
2047	-	192,349,004	-	-	0	192,349,004
2048	-	199,178,524	-	-	0	199,178,524
2049	-	206,144,379	-	-	0	206,144,379
2050	-	212,976,448	-	-	0	212,976,448
2051	-	220,747,900	-	-	0	220,747,900
2052	-	229,166,413	-	-	0	229,166,413
2053	-	237,477,988	-	-	0	237,477,988
2054	-	246,433,125	-	-	0	246,433,125

1 Amounts shown are the County's revised lease rental payment obligations calculated pursuant to the New Bessemer Lease.
2 See "DEBT SERVICE REQUIREMENTS -Projected Debt Service Requirements" herein (presented on a fiscal year basis).

County Financial Policies

General. The Commission adopted a comprehensive set of fiscal policies (collectively, the "Fiscal Policies") on September 28, 2011. The following information reflects certain elements of those of the Fiscal Policies presently in place, and recent actions of the Commission pursuant to the guidelines set forth in such Fiscal Policies.

The County's fiscal year begins October 1 and ends on September 30. The main sources of income for the County are property taxes, sales taxes, licenses and permits and intergovernmental revenues. In addition to governmental revenues, the County also generates income for its enterprise funds through collection of rates and charges for related services. As described under sections of this document relating to the County's bankruptcy, the Occupational Tax, which had been a major contributor to revenues, has been invalidated, and is therefore not addressed in this discussion.

The County Manager and the Chief Financial Officer bear primary responsibility for the major financial functions of the County. The County Manager reports directly to the Commission.

The Chief Financial Officer ("CFO") is the County's fiscal and chief accounting officer. The duties associated with this role include the preparation and maintenance of accurate books and records, the custody and supervision of County funds, the preparation of annual budgets, management of County debt obligations, and the management of the investment of County money. The CFO also recommends financial policies to the County Manager and implements policies as set by the Manager. As noted herein under "County Management," the office of CFO is currently unfilled, and the Director of Finance is serving in that capacity.

The County Tax Assessor and the Tax Collector are elected officials in charge of the assessment, levying, collection and distribution of ad valorem taxes within the County. The Treasurer is also an elected official, whose primary responsibilities include managing the receipt of funds into various bank accounts, reconciling and reporting on monthly funds, and managing the investment of funds which the Treasurer's department oversees. The Treasurer is also by state law the treasurer of the Pension System.

Budgeting and Audited Financial Statements. The CFO is responsible for the preparation of the annual budgets of the County. Budgets for governmental funds are prepared on the modified accrual basis. The modified accrual basis means that County obligations are recognized as expenditures but revenues are only recognized when they become measurable and available. The budgets of proprietary funds are prepared on the accrual basis of accounting. Budgets may be adjusted during the fiscal year when approved by the Commission, but changes to the budget must be within the revenues and reserves estimated to be available.

The County provides audited financial statements on an annual basis. The firm of Warren Averett, LLC has performed audits of the County's financial statements since fiscal year 2007. The audited financial statements of the County provide certain unaudited comparisons of revenue and expenditures on a GAAP basis to the budget.

In fiscal year 2015, the Commission commenced and successfully completed a software implementation project to port its existing financial system to a Munis ERP software solution delivered by Tyler Technologies, Inc. The Munis system significantly improves the Commission's ability to access real-time, relevant data regarding the County's finances. In addition, the Munis implementation improves the Commission's reporting capabilities for long-term debt related continuing disclosure and other purposes.

Expenditure Policies. The County has implemented a performance-based budgeting system with special emphasis on labor costs. The Critical Needs Committee is staffed by the County Manager, the CFO, the Human Resources Director and the Budget Director. All job requests are reviewed by the Critical Needs Committee, and approved job requests are presented to the Commission for its approval. Only after securing the Commission's approval, and only after proceeding through the receiver appointed pursuant to the Employment Discrimination Order, may job interviews begin.

Over the last two years, the Commission, County Manager and the CFO have made significant progress in paring back activities requiring subsidies from the General Fund. During that time, the nursing home was sold, future costs associated with laundry operations have been sold or eliminated, and Cooper Green Hospital was converted from an inpatient hospital to an urgent care facility and clinic.

Debt Issuance. Since emerging from bankruptcy, the County has not issued any new general obligation debt. The Bessemer Courthouse was financed through the Public Building Authority in 2006 and the County is obligated, on an annual appropriation basis, for that debt through a lease of the building. See Footnote 2 under "**Debt Management**- *Limited Tax and Revenue Bonds and Warrants"* above for a discussion with respect to the County's lease payments. Other than the lease obligation associated with the Bessemer Courthouse, the County has been on a "pay-as-you-go" basis since 2004 for capital maintenance.

The Commission does not plan to access the debt market for General Fund needs unless there is a compelling need to do so and if access to the capital market can be made at reasonable interest rates.

Investment Monitoring and Management. The County has several types of investment funds including revenue funds, bond proceeds funds, capital funds, and pension funds. Generally, State statutes authorize the County to invest in obligations of the U.S. Treasury and securities of federal agencies and certificates of deposit. Investments are reported at fair value based on quoted prices except for money market investments and repurchase agreements, which are reported at amortized cost. The primary objective of the investment program is safety.

In accordance with formal Investment Policies adopted by the Commission in January, 2011, the County has a designated Investment Committee to monitor pension investment decisions made by or on behalf of the County. The Investment Committee consists of the County Finance Committee Chairman, the County Manager, the County Treasurer, the Tax Collector (Birmingham), the Tax Collector (Bessemer), and the Revenue Commissioner. The Commission makes decisions based on recommendations from the Investment Committee.

The Commission maintains an investment policy which manages its exposure to market movements by limiting the average maturity of its investment portfolio, depending on liquidity and growth goals, to between 0.5 and 4.5 years.

The Commission has set strict limits on the types of derivatives and illiquid investments allowable for use in its investment program. Generally, derivatives are to be avoided, and a list of prohibited investments may be found in the Fiscal Policies.

Pension funds are administered by the Pension System, which covers substantially all of the County's employees and was established by Alabama law in 1965. The Commission does not manage funds in the Pension System. See "Employee Retirement Plan" above.

Economic Development. The Commission is keenly interested in developing the economic base of the County, and it has a policy of employing incentives to encourage economic growth. However, incentives are limited to enterprises that enhance the employment base or assessed valuation of the County, increase the infrastructure of the County, or increase access to other public services. The Commission makes decisions regarding economic development based on recommendations from the Economic Development Committee and a finding thereby that the project for which the incentive is being made constitutes a good and sufficient public purpose for the expenditure of public funds. In addition, funding for incentives must be identified in advance of approval.

Pension and Retirement Funding. Annual required contributions for current pension liabilities are to be funded on an annual basis. The County also provides certain other-than-pension post-employment benefits ("OPEB") for qualified retired employees. The County's goal with regard to OPEBs is to maintain and manage a non-fiduciary OPEB fund that will be funded periodically with such allocations as are approved by the Commission until the balance of the OPEB fund is equal to its OPEB liability. Net OPEB obligation for the fiscal year ended September 30, 2016, was $14,098,000. The actuarial valuation of the Pension System was funded at 107.7% as of the September 30, 2016 actuarial valuation.

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APPENDIX B

FINANCIAL STATEMENTS OF JEFFERSON COUNTY, ALABAMA
FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2016

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JEFFERSON COUNTY COMMISSION

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Warren Averett
CPAs AND ADVISORS

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JEFFERSON COUNTY COMMISSION
TABLE OF CONTENTS
SEPTEMBER 30, 2016

JEFFERSON COUNTY COMMISSION
TABLE OF CONTENTS
SEPTEMBER 30, 2016

BASIC FINANCIAL STATEMENTS – CONTINUED

NOTES TO FINANCIAL STATEMENTS – Continued

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

ADDITIONAL INFORMATION

JEFFERSON COUNTY COMMISSION

JAMES A. "JIMMIE" STEPHENS – PRESIDENT
SANDRA LITTLE BROWN – PRESIDENT PRO TEMPORE
GEORGE F. BOWMAN
T. JOE KNIGHT
DAVID CARRINGTON

TONY PETELOS
Chief Executive Officer

FINANCE DEPARTMENT
JOHN S HENRY, CPA, CTP
Director of Finance
716 Richard Arrington, Jr. Blvd. N. Suite 820
Birmingham, Alabama 35203

March 24, 2017

We are pleased to submit the Jefferson County Commission's (the "Commission") financial statements for the fiscal year ended September 30, 2016 along with the Independent Auditors' Report. This report was prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) for the purpose of disclosing the Commission's financial condition to its residents, elected officials and other interested parties.

Introduction

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission. We believe the data presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Commission and that the disclosures necessary to enable the reader to gain an understanding of the Commission's financial affairs have been included.

Warren Averett, LLC, Certified Public Accountants, have issued an unmodified opinion on the Commission's financial statements for the fiscal year ended September 30, 2016. The Independent Auditors' Report is located at the front of the financial section of this report.

Adherence to GAAP

GAAP requires that the Commission provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). Due to the Commission's past economic issues and the resulting litigation described in *Chapter 9 Bankruptcy* below, the Commission elected to forego providing MD&A in conjunction with financial statements provided in prior years. The Commission has elected to forego providing MD&A for its fiscal year 2016 financial statements, but plans to meet GAAP requirements for MD&A with its financial statements for the fiscal year ending September 30, 2017.

Profile of Jefferson County

Jefferson County (the "County") is a political subdivision of the State of Alabama ("Alabama" or the "State") that was created by the legislative branch of the state government of

Alabama (the "Alabama Legislature") on December 13, 1819. The County is located in the north-central portion of the State, on the southern extension of the Appalachian Mountains, in the center of the iron, coal, and limestone belt of the South. The County is approximately 1,047 square miles in size.

The County is Alabama's most populous county and is the principal center of finance, trade, manufacturing, transportation, health care and education in the State. Birmingham, the State's largest city and the county seat, and 43 other incorporated and unincorporated cities and towns are located within the County.

Government

The County is governed by a five (5) member Commission (each member, a "Commissioner", who is elected concurrently with the other members of the Commission). Each Commissioner serves and is elected from one of five geographical districts. Each Commissioner serves as the chair of one of the Commission's standing committees, which are identified as (1) Health Services and General Services, (2) Community Services and Roads and Transportation, (3) Finance and Information Technology, (4) Courts, Emergency Management, Land Planning and Development Services and (5) Administrative Services. All five Commissioners sit on each of the five standing committees. The standing committees exist to evaluate proposed items of Commission business and to advance or decline to advance such items to the agenda for a Commission meeting. Committees and their members have no operational responsibilities of the County - those responsibilities are expressly delegated to the County Manager under applicable state law.

The Commissioners elect one of their members to serve as President of the Commission at the beginning of each four-year Commission term. The President's duties include serving as presiding officer at all Commission meetings, executing all contracts and other agreements which require approval of the Commission and executing all checks and/or warrants on the Commission accounts.

In 2009, the Alabama Legislature passed legislation directing the Commission to hire a county manager (the "County Manager") to serve as the County's chief executive officer. The County Manager has day-to-day management authority for the County's operations, a responsibility that previously had been borne by the Commissioners themselves, on top of their legislative functions. Centralizing the executive functions of the County in the County Manager's office has resulted in substantial efficiencies and improvements in the County's operations. The County Manager oversees the implementation of authorized projects and programs, ensures appropriate coordination of departmental operations, analyzes and implements organizational changes to improve the efficient and economical operation of County government, and recommends policies and adopts procedures for the orderly conduct of the County's administrative affairs.

The County Manager's office is also charged with the County's budget planning and oversight process, which entails reviewing and evaluating budget estimates of all County departments, submitting an annual budget to the Commission for its review and approval, reviewing County revenues and expenditures throughout the year to insure budgetary control and to keep the Commission advised of the financial condition and needs of the County, implementing necessary and prudent fiscal controls, and providing recommendations as to supplemental appropriations and budget transfers which require Commission approval. The County Manager attends all Commission meetings, where he, as County Manager, may discuss any matter before the Commission, although he has no vote on Commission matters.

The budget for the County consists of an operating budget for each of the funds maintained by the County. Together, these separate operating budgets constitute a complete financial plan for the County and reflect the projection of the receipts, disbursements and transfers from all sources. All of the operating budgets are developed by the County Manager, who reviews and evaluates budget estimates from the County's various departments and then submits the recommended annual budget to the Commission. Under Alabama law, the County Manager is charged with causing the planning process for the County's budget to be compatible with approved County policies and long range plans.

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

The Commission is required to adopt the annual budgets before October 1 of the fiscal year in which the budgets are to take effect. Upon adoption by the Commission, the budgets are printed for distribution to all departments of the County, as well as financial institutions and the general public. Appropriations in addition to those in the original budgets may be made by the Commission if unencumbered and unappropriated moneys sufficient to meet such appropriations are available.

Local Economy

The area's economy was originally based on steel production, but has diversified over the past several decades as healthcare, banking and professional services emerged to become leading industries in the metro area. Heavy industry continues to be an important component of the local economy. Automotive manufacturing has become prominent in the greater metro area, as several auto assembly plants and related suppliers have established businesses in North and Central Alabama in the past two decades.

The healthcare sector has become a primary driver of economic activity in the Birmingham-Hoover MSA, and is anchored by the University of Alabama at Birmingham, which ranked eighteenth nationally in federally financed research among public universities in 2015.

Banking and finance also contribute significantly to the region's economic base. Birmingham is the Southeast's largest banking center outside Charlotte, North Carolina, and is headquarters to two of the nation's top fifty largest banks, Regions Financial Corporation and BBVA Compass (the U.S. subsidiary of Banco Bilbao Vizcaya Argentaria, S.A., Spain's second largest bank).

Mercedes-Benz, Honda and Hyundai have major automobile assembly facilities within an eighty-five mile radius of the County. The region's economy has benefited from its proximity to these major manufacturing facilities, as several automotive suppliers have established businesses in the area.

Fiscal Policies

The Commission adopted a comprehensive set of fiscal policies (collectively, the "Fiscal Policies") on September 28, 2011. The following information reflects certain elements of those of the Fiscal Policies presently in place, and recent actions of the Commission pursuant to the guidelines set forth in such Fiscal Policies.

The County's fiscal year begins October 1 and ends on September 30. The main sources of income for the County are property taxes, sales taxes, licenses and permits and intergovernmental revenues. In addition to governmental revenues, the County also generates income for its enterprise funds through collection of rates and charges for related services.

The County Manager and the Chief Financial Officer (the "CFO") bear primary responsibility for the major financial functions of the County. The County Manager reports directly to the Commission. The CFO is the County's fiscal and chief accounting officer. The duties associated with this role include the preparation and maintenance of accurate books and records, the custody and supervision of County funds, the preparation of annual budgets, management of County debt obligations, and the management of the investment of County money. The CFO also recommends financial policies to the County Manager and implements policies as set by the County Manager. The position of the CFO was vacated in September 2016 and has not yet been filled.

The County Tax Assessor and the Tax Collector are elected officials in charge of the assessment, levying, collection and distribution of ad valorem taxes within the County. The Treasurer is also an elected official, whose primary responsibilities include managing the receipt of funds into various bank accounts, reconciling and reporting on monthly funds, and managing the investment of funds which the Treasurer's department oversees. The Treasurer is also by state law the treasurer of the Pension System.

Chapter 9 Bankruptcy

On November 9, 2011, the Commission filed a petition for relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Proceeding") in the United States Bankruptcy Court for the Northern District of Alabama (the "Bankruptcy Court"). The Bankruptcy Proceeding was styled *In re: Jefferson County, Alabama, Case No. 11-05736-9*. On November 6, 2013, the Commission filed a Chapter 9 Plan of Adjustment with the Bankruptcy Court which further modified the Commission's Chapter 9 Plan of Adjustment originally filed with the

Bankruptcy Court on June 30, 2013 (as subsequently further supplemented, amended, or modified, the "Plan"). The Bankruptcy Court held a hearing on confirmation of the Plan on November 20-21, 2013, and entered an order confirming the Plan on November 22, 2013 (the "Confirmation Order"). Upon entry by the Bankruptcy Court, the Confirmation Order became immediately effective and enforceable. On December 3, 2013, the Commission proceeded with consummation of substantially all the transactions contemplated by the Plan, and all other conditions to the effectiveness of the Plan were either satisfied or waived. Pursuant to the Commission's Plan, many litigation matters to which the Commission had been a party were compromised, settled and dismissed with prejudice, and the underlying claims against the Commission discharged, as of the December 3, 2013 "Effective Date" of the Plan. An appeal of the order confirming the Plan has been filed with the U.S. District Court for the Northern District of Alabama (the "District Court") and remains pending. The Commission has moved to dismiss that appeal on the grounds that, among other things, the appeal is moot. The Commission subsequently asked the District Court to certify its ruling for interlocutory appeal to the United States Court of Appeals for the Eleventh Circuit (the "11th Circuit"). On December 2, 2014 the District Court certified its order for appeal on the issue of mootness. On December 10, 2014, the Commission filed a petition for interlocutory appeal with the 11th Circuit and on April 22, 2015, the 11th Circuit granted the Commission permission to appeal. The County and the appellants completed their briefing and the 11th Circuit heard oral argument on the merits of the County's appeal on December 16, 2016. The 11th Circuit has not yet ruled on the County's appeal.

See Note T (Bankruptcy Settlement and Confirmation) for more details on the Commission's Chapter 9 bankruptcy.

Copies of the Plan and the related disclosure statement can be found on the website of the Commission's Claims and Noticing Agent and Ballot Tabulator, Kurtzman Carson Consultants LLC, at http://www.jeffersoncountyrestructuring.com.

Financial Highlights

- In fiscal year 2016, the Commission fully implemented the Munis ERP software solution delivered by Tyler Technologies, Inc. The Munis software has allowed the Commission to efficiently provide financial data as required. The Munis system has improved the Commission's ability to access real-time, relevant data and it has improved the Commission's reporting capabilities for long-term debt related continuing disclosure and other purposes.

- The Sanitary Operations Fund reported a Net Position at September 30, 2016 of $844.3 million. Sanitary Operations Fund Revenue increased to $199.8 million for the year ended September 30, 2016 from $193.7 million for the year ended September 30, 2015.

- The Unassigned General Fund Balance at September 30, 2016 was $76.1 million, which was approximately 49.4 percent of General Fund Operating Expenditures for fiscal year 2016.

- The Commission ended the fiscal year with a General Fund balance of $121.8 million. In the prior year financial statements, the Commission reported a General Fund balance of

$122.5 million. The change of $0.7 million consisted of a decrease in the current year of $7.3 million, offset by an increase of $6.6 million resulting from the removal from the governmental fund balance sheet of certain liabilities that were not considered to be outflows of current financial resources (See Note B - Prior Period Adjustments).

Request for Information

This report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jefferson County Finance Department, Jefferson County Courthouse - Suite 810, 716 Richard Arrington Jr. Blvd. North, Birmingham, AL 35203. The report is accessible on the County's web site at http://jeffconline.jccal.org/.

Respectfully Submitted,

John S. Henry, CPA, CTP
Director of Finance

Warren Averett
CPAs AND ADVISORS

2500 Acton Road
Birmingham, AL 35243
205.979.4100
warrenaverett.com

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Jefferson County Commission

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jefferson County Commission (the Commission) as of and for the year ended September 30, 2016, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jefferson County Economic and Industrial Development Authority (the Development Authority), a blended component unit, which represents less than one percent of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Development Authority, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the report of the other auditors are sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 93 through 96 and the pension and other post-employment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Commission has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The transmittal letter and the combining and individual nonmajor fund financial statements, included in the supplementary information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Warren Averett, LLC

Birmingham, Alabama
March 24, 2017

JEFFERSON COUNTY COMMISSION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016
(IN THOUSANDS)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and investments	$ 186,262	$ 8,468	$ 194,730
Accounts receivable, net	900	21,927	22,827
Taxes receivable, net	162,425	5,807	168,232
Patient accounts receivable, net	119	-	119
Due from other governments	-	1,821	1,821
Prepaid expenses and other current assets	287	-	287
Bond insurance costs	271	959	1,230
Restricted assets - current	139,498	352,899	492,397
Total Current Assets	489,762	391,881	881,643
Noncurrent Assets			
Advances due from (to) other funds	22,675	(22,675)	-
Bond insurance costs	2,495	33,468	35,963
Loans receivable, net	18,878	-	18,878
Net pension asset	49,207	9,006	58,213
Restricted assets	11,831	255	12,086
Capital assets:			
Depreciable assets, net	285,856	2,294,322	2,580,178
Nondepreciable assets	43,673	87,668	131,341
	434,615	2,402,044	2,836,659
Deferred Outflows of Resources			
Pension-related deferred outflows	36,860	6,746	43,606
	$ 961,237	$ 2,800,671	$ 3,761,908

See notes to financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities			
Accounts payable	$ 23,488	$ 9,079	$ 32,567
Deposits payable	1,246	-	1,246
Unearned revenue	57	-	57
Accrued wages and benefits	5,177	822	5,999
Accrued interest	10,351	36,047	46,398
Retainage payable	722	-	722
Due to other governments	5,948	-	5,948
Estimated liability for compensated absences	6,315	1,255	7,570
Estimated claims liability	1,804	254	2,058
Estimated third-party payor settlements	322	-	322
Warrants payable	71,160	7,345	78,505
Add: Unamortized premiums (discounts)	2,457	(947)	1,510
	73,617	6,398	80,015
Total Current Liabilities	129,047	53,855	182,902
Noncurrent Liabilities			
Capital lease obligations	167	-	167
Estimated liability for landfill closure and postclosure care costs	-	13,308	13,308
Estimated liability for other postemployment benefits	11,072	2,920	13,992
Estimated liability for compensated absences	11,175	2,091	13,266
Estimated litigation liability	14,708	-	14,708
Estimated claims liability	2,406	1,290	3,696
Warrants payable	651,490	1,907,311	2,558,801
Add: Unamortized premiums (discounts)	17,689	(33,054)	(15,365)
	669,179	1,874,257	2,543,436
Total Liabilities	837,754	1,947,721	2,785,475
Deferred Inflows of Resources			
Property taxes	124,455	6,076	130,531
Pension-related deferred inflows	3,154	577	3,731
Net Position			
Net investment in capital assets	276,510	535,762	812,272
Restricted for:			
Debt service or capital improvements	57	352,899	352,956
Debt service	137,865	-	137,865
Closure and postclosure care	-	255	255
Net pension assets and deferred outflows/inflows	82,913	15,175	98,088
Other purposes	84,510	-	84,510
Unrestricted	(585,981)	(57,794)	(643,775)
	$ (4,126)	$ 846,297	$ 842,171

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

			Program Revenues		Net (Expenses) Revenues and Changes in Net Position Primary Government		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating and Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	$ 113,601	$ (6,549)	$ 28,695	$ 11,315	$ (67,042)	$ -	$ (67,042)
Public safety	70,733	-	-	-	(70,733)	-	(70,733)
Highways and roads	29,883	-	447	1,132	(28,304)	-	(28,304)
Health and welfare	55,840	3,046	-	3,138	(55,748)	-	(55,748)
Community development	6,871	-	-	4,485	(2,386)	-	(2,386)
Interest and fiscal charges	33,405	-	-	-	(33,405)	-	(33,405)
Total Governmental Activities	310,333	(3,503)	29,142	20,070	(257,618)	-	(257,618)
Business-Type Activities:							
Economic and Industrial Development Authority	868	-	-	-	-	(868)	(868)
Landfill operations	3,273	20	-	-	-	(3,293)	(3,293)
Sanitary operations	315,096	3,458	193,372	-	-	(125,182)	(125,182)
Total Business-Type Activities	319,237	3,478	193,372	-	-	(129,343)	(129,343)
Total Primary Government	$ 629,570	$ (25)	$ 222,514	$ 20,070	(257,618)	(129,343)	(386,961)
General Revenues and Transfers							
Taxes:							
Property taxes					105,814	5,726	111,540
Sales tax					191,022	-	191,022
Other taxes					8,754	-	8,754
Licenses and permits					13,878	-	13,878
Unrestricted investment earnings					1,030	3,725	4,755
Miscellaneous					14,693	2,160	16,853
Contributions of infrastructure assets					-	5,699	5,699
Transfers to agency funds					(2,386)	-	(2,386)
Total General Revenues and Transfers					332,805	17,310	350,115
Change in Net Position					75,187	(112,033)	(36,846)
Net Position - beginning of year					(79,313)	958,330	879,017
Net Position - end of year					$ (4,126)	$ 846,297	$ 842,171

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
BALANCE SHEET -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

ASSETS	General Fund	Limited Obligation School Fund	Indigent Care Fund	Bridge and Public Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	$ 91,873	$ -	$ 20,062	$ 1,960	$ 72,367	$ 186,262
Accounts receivable, net	865	-	-	-	35	900
Taxes receivable, net	68,972	18,240	9,045	42,307	5,478	144,042
Taxes receivable, net, highways and roads	-	-	-	-	18,383	18,383
Patient accounts receivable, net	-	-	119	-	-	119
Prepaid expenses and other current assets	3	-	284	-	-	287
Restricted assets	11,831	132,445	-	-	7,053	151,329
Advances due from (to) other funds	18,543	(56)	-	-	4,188	22,675
	$ 192,087	$ 150,629	$ 29,510	$ 44,267	$ 107,504	$ 523,997
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 9,755	$ 20	$ 6,657	$ -	$ 7,056	$ 23,488
Deposits payable	2	-	-	-	1,244	1,246
Unearned revenue	-	-	57	-	-	57
Accrued wages and benefits	4,037	-	429	-	711	5,177
Retainage payable	87	-	-	-	635	722
Due from (to) other governments	(996)	-	-	-	6,944	5,948
Estimated third-party payor settlements	-	-	322	-	-	322
Estimated claims liability	907	-	108	-	189	1,204
Total Liabilities	13,792	20	7,573	-	16,779	38,164
Deferred Inflows of Resources						
Property taxes	56,482	-	-	44,267	23,706	124,455
Fund Balances						
Nonspendable	24,324	-	-	-	9,598	33,922
Restricted	11,831	150,609	21,937	-	28,526	212,903
Assigned	9,541	-	3,690	-	41,710	54,941
Unassigned	76,117	-	(3,690)	-	(12,815)	59,612
	121,813	150,609	21,937	-	67,019	361,378
	$ 192,087	$ 150,629	$ 29,510	$ 44,267	$ 107,504	$ 523,997

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016
(IN THOUSANDS)

Total Fund Balances - Governmental Funds		$ 361,378
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets were added as net capital assets.		329,529
Loans receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		18,878
Amounts related to premiums on long-term liabilities are not reported in the funds.		(20,146)
Amounts related to bond insurance costs on long-term liabilities are not reported in the funds.		2,766
Net pension asset and pension-related deferred outflows and inflows are not reported in the funds		82,913
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of:		
Warrants payable	(722,650)	
Capital lease obligations	(167)	
Accrued interest	(10,351)	
Estimated liability for other postemployment benefits	(11,072)	
Estimated liability for compensated absences	(17,490)	
Estimated litigation liability	(14,708)	
Estimated claims liability	(3,006)	
Total long-term liabilities		(779,444)
Total Net Position - Governmental Activities		$ (4,126)

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

	General Fund	Limited Obligation School Fund	Indigent Care Fund	Bridge and Public Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 87,081	$ 100,774	$ 49,626	$ 43,348	$ 26,141	$ 306,970
Licenses and permits	11,893	-	-	-	1,985	13,878
Intergovernmental	8,019	-	-	779	11,272	20,070
Charges for services, net	28,695	-	-	-	447	29,142
Miscellaneous	5,281	-	1,690	-	6,315	13,286
Interest and investment income	415	166	-	129	320	1,030
	141,384	100,940	51,316	44,256	46,480	384,376
Expenditures						
Current:						
General government	91,752	55	-	-	9,983	101,790
Public safety	68,771	-	-	-	-	68,771
Highways and roads	-	-	-	5,912	17,590	23,502
Health and welfare	-	-	47,791	-	5,632	53,423
Community development	-	-	-	-	6,865	6,865
Capital outlay	20	-	586	-	21,603	22,209
Indirect expenses	(6,649)	-	3,046	-	100	(3,503)
Debt service:						
Principal retirement	34	77,690	118	-	22,140	99,982
Interest and fiscal charges	8	25,065	-	-	10,917	35,990
	153,936	102,810	51,541	5,912	94,830	409,029
Excess (Deficiency) of Revenues over Expenditures	(12,552)	(1,870)	(225)	38,344	(48,350)	(24,653)
Other Financing Sources (Uses)						
Sale of capital assets	221	-	-	-	1,186	1,407
Transfers in	7,427	-	-	-	30,923	38,350
Transfers out	(2,392)	-	-	(38,344)	-	(40,736)
	5,256	-	-	(38,344)	32,109	(979)
Net Changes in Fund Balances	(7,296)	(1,870)	(225)	-	(16,241)	(25,632)
Fund Balances - beginning of year, as previously reported	122,492	152,142	21,559	-	77,623	373,816
Prior Period Adjustments (Note B)	6,617	337	603	-	5,637	13,194
Fund Balances - beginning of year, as restated	129,109	152,479	22,162	-	83,260	387,010
Fund Balances - end of year	$ 121,813	$ 150,609	$ 21,937	$ -	$ 67,019	$ 361,378

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

Net Changes in Fund Balances - Governmental Funds		$ (25,632)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($22,209) exceeded depreciation ($20,143) in the current period.		2,066
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Change in loans receivable		60
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of principal exceeded amortization of debt-related items:		
Amortization of bond premiums	2,457	
Amortization of bond insurance costs	(273)	
Repayments of principal - warrants payable	99,982	102,166
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued interest	1,092	
Change in other postemployment benefits	(1,193)	
Change in compensated absences	(2,111)	
Change in estimated litigation liability	(472)	
Change in claims liability	(246)	(2,930)
Change in net pension asset and change in pension - related deferred outflows and inflows are not reported in the funds		(543)
Change in Net Position - Governmental Activities		$ 75,187

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Current Assets			
Cash and investments	$ 7,042	$ 1,426	$ 8,468
Accounts receivable, net	21,659	268	21,927
Taxes receivable, net	5,807	-	5,807
Due from (to) other governments	3,121	(1,300)	1,821
Bond insurance costs	959	-	959
Restricted assets - current	352,899	-	352,899
Total Current Assets	391,487	394	391,881
Noncurrent Assets			
Advances due to other funds	-	(22,675)	(22,675)
Restricted assets	-	255	255
Bond insurance costs	33,468	-	33,468
Net pension asset	9,006	-	9,006
Capital assets:			
Depreciable assets, net	2,275,663	18,659	2,294,322
Nondepreciable assets	68,962	18,706	87,668
	2,387,099	14,945	2,402,044
Deferred Outflows of Resources			
Pension-related deferred outflows	6,746	-	6,746
	$ 2,785,332	$ 15,339	$ 2,800,671

See notes to financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Current Liabilities			
Accounts payable	$ 9,058	$ 21	$ 9,079
Accrued wages and benefits	822	-	822
Accrued interest	36,047	-	36,047
Estimated liability for compensated absences	1,255	-	1,255
Estimated claims liability	254	-	254
Warrants payable	7,345	-	7,345
Less: Unamortized discounts	(947)	-	(947)
	6,398	-	6,398
Total Current Liabilities	53,834	21	53,855
Noncurrent Liabilities			
Estimated liability for landfill closure and postclosure care costs	-	13,308	13,308
Estimated liability for other postemployment benefits	2,920	-	2,920
Estimated liability for compensated absences	2,091	-	2,091
Estimated claims liability	1,290	-	1,290
Warrants payable	1,907,311	-	1,907,311
Less: Unamortized discounts	(33,054)	-	(33,054)
	1,874,257	-	1,874,257
Total Liabilities	1,934,392	13,329	1,947,721
Deferred Inflows of Resources			
Property taxes	6,076	-	6,076
Pension-related deferred inflows	577	-	577
Net Position			
Net investment in capital assets	498,397	37,365	535,762
Restricted for:			
Debt service or capital improvements	352,899	-	352,899
Closure and postclosure care	-	255	255
Net pension assets and deferred outflows/inflows	15,175	-	15,175
Unrestricted	(22,184)	(35,610)	(57,794)
	$ 844,287	$ 2,010	$ 846,297

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Operating Revenues			
Taxes	$ 5,726	$ -	$ 5,726
Intergovernmental	107	-	107
Charges for services, net	193,372	-	193,372
Other operating revenue	583	1,550	2,133
	199,788	1,550	201,338
Operating Expenses			
Salaries	19,125	241	19,366
Employee benefits and payroll taxes	6,473	16	6,489
Materials and supplies	2,838	-	2,838
Utilities	8,870	27	8,897
Outside services	10,254	142	10,396
Office expenses	5,689	138	5,827
Depreciation	139,263	2,097	141,360
Closure and postclosure care	-	1,100	1,100
Indirect expenses	3,458	20	3,478
	195,970	3,781	199,751
Operating Income (Loss)	3,818	(2,231)	1,587
Nonoperating Revenues (Expenses)			
Interest expense, net	(71,123)	(380)	(71,503)
Interest expense (accretion)	(49,605)	-	(49,605)
Interest revenue	3,648	77	3,725
Warrant related costs	(1,856)	-	(1,856)
Contributions of infrastructure assets	5,699	-	5,699
Gain (loss) on sale or retirement of capital assets	150	(230)	(80)
	(113,087)	(533)	(113,620)
Change in Net Position	(109,269)	(2,764)	(112,033)
Net Position - beginning of year	953,556	4,774	958,330
Net Position - end of year	$ 844,287	$ 2,010	$ 846,297

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from services	$ 189,319	$ 288	$ 189,607
Cash payments to employees	(24,205)	(364)	(24,569)
Cash payments for goods and services	(29,933)	(312)	(30,245)
Other receipts and payments, net	6,738	(1,067)	5,671
Net Cash Provided (Used) by Operating Activities	141,919	(1,455)	140,464
Cash Flows from Capital and Related Financing Activities			
Repayment of warrants payable	(2,285)	-	(2,285)
Acquisition of capital assets	(41,215)	(201)	(41,416)
Sale of capital assets	150	92	242
Interest paid	(71,180)	(380)	(71,560)
Net Cash Used by Capital and Related Financing Activities	(114,530)	(489)	(115,019)
Cash Flows from Investing Activities			
Investment income	3,648	77	3,725
Net Cash Provided by Investing Activities	3,648	77	3,725
Change in Cash and Investments	31,037	(1,867)	29,170
Cash and Investments - beginning of year	328,904	3,548	332,452
Cash and Investments - end of year	$ 359,941	$ 1,681	$ 361,622
Displayed As			
Cash and investments	$ 7,042	$ 1,426	$ 8,468
Restricted assets - current and noncurrent cash and investments	352,899	255	353,154
	$ 359,941	$ 1,681	$ 361,622

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)
(Continued)

	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ 3,818	$ (2,231)	$ 1,587
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	139,263	2,097	141,360
Provision for bad debts	(702)	-	(702)
Change in accounts receivable	(2,650)	(1)	(2,651)
Change in taxes receivable, net	322	-	322
Change in due from (to) other governments	(701)	-	(701)
Change in advances due to other funds	-	(2,401)	(2,401)
Change in accounts payable	1,176	15	1,191
Change in accrued wages and benefits	216	(107)	109
Change in estimated claims liability	(67)	-	(67)
Change in estimated liability for compensated absences	337	-	337
Change in estimated liability for landfill closure and postclosure care costs	-	1,173	1,173
Change in estimated liability for other postemployment benefits	314	-	314
Change in net pension asset and pension related deferred inflows and outflows	454	-	454
Change in deferred inflows - property taxes	139	-	139
	138,101	776	138,877
Net Cash Provided (Used) by Operating Activities	$ 141,919	$ (1,455)	$ 140,464

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

ASSETS AND DEFERRED OUTFLOWS	
Current Assets	
Cash and investments	$ 1,467
Accounts receivable, net	643
Other receivables	14
Loans receivable, net	38
Net pension asset	2,415
Property and equipment, net	710
	5,287
Pension-related deferred outflows	1,809
	$ 7,096
LIABILITIES, DEFERRED INFLOWS AND NET POSITION	
Accounts payable	$ 535
Accrued employee expenses	1,275
	1,810
Pension-related deferred inflows	155
Net position	5,131
	$ 7,096

See notes to financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Jefferson County Commission (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

All dollar amounts in the notes are in thousands.

Reporting Entity
The Commission is a general purpose local government governed by five separately elected commissioners, representing Jefferson County, Alabama (the County). The accompanying financial statements present the activities of the Jefferson County Commission (the primary government) and its component units, as required by GAAP. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability is generally defined as the appointment of a voting majority of the component unit's governing body and either (a) the Commission's ability to impose its will on the component unit's governing body or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the Commission. Based on the application of the above criteria, the financial position and results of operations for the Jefferson County Public Building Authority (Building Authority) and the Jefferson County Economic and Industrial Development Authority (the Development Authority) have been included in the accompanying financial statements as blended component units, which are defined as legally separate entities that exist solely to provide services exclusively to the Commission. Complete financial information of the Building Authority and the Development Authority may be reviewed at the Jefferson County Courthouse, Finance Department, Room 810, Birmingham, Alabama.

Government-Wide and Fund Financial Statements
The basic financial statements include both the government-wide (based on the Commission as a whole) and fund financial statements.

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the Commission as a whole, including its blended component units. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities presents a comparison between program revenues and direct expenses for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. During 2016, indirect expenses were allocated to the various functions using different bases, as deemed appropriate for the individual expense.

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. As a general rule, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes and grants is recognized in the fiscal year for which the taxes and grants are both due and collectible and available to fund operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

The following major governmental funds are included in the Commission's financial statements:

- *General Fund* - This fund is the primary operating fund of the Commission. It is used to account for financial resources except those required to be accounted for in another fund. The Commission primarily receives revenues from collections of property taxes, county sales taxes and revenues collected by the State of Alabama and shared with the Commission.
- *Limited Obligation School Fund* - This fund is used to account for the sales tax collected for the payment of principal and interest on the Limited Obligation School Warrants.
- *Indigent Care Fund* - This fund is used to account for the receipt of beverage and sales taxes designated for indigent residents of Jefferson County (the County). The Indigent Care Fund also includes the operations of Cooper Green Mercy Health Services, in which net patient revenues are derived from patient charges and reimbursement from third parties, including Medicare and Medicaid, and which are funded by the taxes collected by the Indigent Care Fund.
- *Bridge and Public Building Fund* - This fund is used to account for the expenditure of special County property taxes for building and maintaining public buildings, roads and bridges.

Other nonmajor governmental funds are as follows:

- *Community Development Fund* - This fund is used to account for the expenditure of federal block grant funds.
- *Debt Service Fund* - This fund is used to account for the accumulation of resources for and the payment of the Commission's principal and interest on certain governmental bonds.
- *Capital Improvements Fund* - This fund is used to account for the financial resources used in the improvement of major capital facilities.
- *Public Building Authority* - This fund is used to account for the operations of the Jefferson County Public Building Authority. This authority was incorporated in 1998 for the general purpose of providing public facilities for the use of the Commission and its agencies.
- *Road Construction Fund* - This fund is used to account for the financial resources expended in the construction of roads.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *Home Grant Fund* - This fund is used to account for the expenditure of funds received to create affordable housing for low income households.
- *Road Fund* - This fund is used to account for the expenditure of funds received for building and maintaining roads and bridges.
- *Board of Equalization* - This fund is used to account for property taxes restricted by the State for the operation of the Board of Equalization.
- *Senior Citizens Services Fund* - This fund is used to account for the expenditure of funds received for senior citizens services and programs.
- *Economic Development Fund* - This fund is used to account for the expenditures of the Workforce Investment Act.
- *Community Development Loan Fund* - This fund is used to account for loans to businesses through the federal block grant funds.
- *Tax Assessor - Birmingham Fund* - This fund is used to account for the expenditures for the State funded Tax Assessor Birmingham operations.
- *Tax Assessor - Bessemer Fund* - This fund is used to account for the expenditures for the State funded Tax Assessor Bessemer operations.

The Commission currently reports enterprise funds as its only type of proprietary fund. Enterprise funds report the activities for which fees are charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees. Proprietary funds distinguish operating revenues and expenses from nonoperating items in their statements of revenues, expenses and changes in fund net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Commission's enterprise funds are charges to customers for the purchase or use of the proprietary fund's principal product or service. Operating expenses for the Commission's enterprise funds include the cost of providing those products or services, administrative expenses, depreciation on capital assets and closure and postclosure care costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major enterprise fund is included in the Commission's financial statements:

- *Sanitary Operations Fund* - This fund is used to account for the operations of the Commission's sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated property and ad valorem taxes.

Other nonmajor enterprise funds are as follows:

- *Landfill Operations Fund* - This fund is used to account for the operations of the Commission's landfill systems. Revenues are generated primarily through user charges and lease payments from a third-party lessee.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *Jefferson County Economic and Industrial Development Authority* - This fund is used to account for the operations of the Jefferson County Economic and Industrial Development Authority. This authority was incorporated in 1995 to engage in the solicitation and promotion of industry and industrial development and to induce industrial and commercial enterprises to locate, expand or improve their operations or remain in Jefferson County.

The Commission currently reports agency funds as its only type of fiduciary fund. Agency funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organization, or other government.

The following agency funds are presented with the Commission's financial statements:

- *City of Birmingham Revolving Loan Fund* - This fund is used to account for resources held by the Commission in a custodial capacity for the City of Birmingham's revolving loan program.
- *Emergency Management Agency Fund* - This fund is used to account for resources held by the Commission on behalf of the Jefferson County Emergency Management Association which oversees disaster assistance programs.
- *Personnel Board Fund* - This fund is used to account for resources held by the Commission on behalf of the Jefferson County Personnel Board, which oversees personnel management for various municipalities located in Jefferson County, Alabama.

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As a governmental unit, the Commission is exempt from federal and state income taxes.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

Cash and Investments

Cash includes cash on hand, demand deposit accounts maintained with financial institutions and short-term investments with original maturities of three months or less from the date of purchase. For purposes of the statement of cash flows, the proprietary fund type considers all cash and investments to be cash.

The Commission uses several methods for investing money. The funds held by the Commission are generally invested in cash and cash equivalents (such as bank deposit accounts, money market accounts, and fixed income short term investment funds) or highly liquid investments in debt securities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Commission maintains an Investment Policy (adopted January 25, 2011) which states that the primary objective of the investment program is safety. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal of the investment program is to maximize total investment return over the long-term, subject to a sufficient level of safety, liquidity and diversification. The objective will be to mitigate credit risk and interest rate risk.

In order to meet the comprehensive needs of Jefferson County, the General Investment account was divided into two major portfolios: a Primary Liquidity Portfolio and a Total Return Portfolio.

- The Primary Liquidity Portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. All funds collected will be deposited immediately and directly into the General Investment Account and will be collateralized by federal government securities held in the name of Jefferson County by a Federal Reserve Bank. The Primary Liquidity Portfolio may hold investments in U.S. Treasury securities, Agency securities, Certificates of Deposit, Repurchase Agreements and other investments such as checking or money market accounts.

- The objective of the Total Return Portfolio is to generate an investment return, over the long term, higher than the return on assets of the Primary Liquidity Portfolio. The Total Return Portfolio may include U.S. Treasury securities, Federal Agency securities (including mortgage-backed securities) in any of the federally-sponsored agencies, deposit accounts, pre-refunded public obligations (municipal bonds) or Common Trust Funds.

Statutes authorize the Commission to invest in obligations of U.S. Treasury and federal agency securities, along with certain prerefunded public obligations, such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

State law requires that prerefunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state in which the Commission invests, be rated in the highest rating category of Standard & Poor’s Ratings Services (S&P) and Moody’s Investors Service, Inc. (Moody’s).

In addition, the Commission has investments that are held for debt service, capital improvement or other purposes, which are generally managed under a Trust. The Trust Indentures usually specify that funds (other than operating accounts) shall be invested or reinvested in qualified investments, in accordance with the instructions of the Commission. In the absence of such instructions, investments are made in qualified investments, specified in the related agreement, which comply with the Commission’s Investment Policy and include those types of investments enumerated above.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments are reported at fair value. Money market accounts and short term investment funds are reported at cost, which approximates fair value. Investments held in escrow for retainage on construction contracts and as surety for purchase commitments are stated at fair value.

Receivables
All trade, property tax, loans and patient receivables are shown net of an allowance for uncollectible amounts. Allowances for doubtful accounts are estimated based on historical write-off percentages. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and are recorded as recoveries of bad debts if subsequently collected.

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Patient receivables are from patients, insurance companies and third-party reimbursement contractual agencies and are recorded less an allowance for uncollectible accounts, charity accounts and other uncertainties. Certain third-party insured accounts (Blue Cross Blue Shield, Medicare and Medicaid) are based on contractual agreements, which generally result in collecting less than the established rates.

Final determinations of payments under these agreements are subject to review by appropriate authorities. Doubtful accounts are written off against the allowance as deemed uncollectible and recorded as recoveries of bad debts if subsequently collected. Patient accounts receivable, net, at September 30, 2016, is comprised of the following:

	Indigent Care Fund
Patient receivables	$ 6,210
Allowance accounts	6,091
Net patient receivables	$ 119

Allowances for uncollectible accounts on accounts receivable, other than patient receivables, totaled $26,015 at September 30, 2016.

In previous fiscal years, the Commission issued long-term loans with original balances of $16,200 to the City of Fultondale (matured on April 1, 2016, with three-percent interest rate, payable annually) and $8,993 to local contractors for special needs housing developments within the County (maturities ranging from September 2017 to November 2039 with interest rates ranging from zero to two percent, payable at maturity). These loans totaled $17,613 (net of an allowance of $13,357) at September 30, 2016.

The Commission issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans totaled $1,265 (net of an allowance of $1,043) at September 30, 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed as of October 1 of the preceding fiscal year based on the millage rates established by the Commission. Property taxes are due and payable the following 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 recorded as a deferred inflow of resources in the year accrued and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects and amounts due from the state and other local governments.

Inventories
Inventories are valued at cost, which approximates realizable value, using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed.

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets
Certain resources set aside for the repayment of certain general obligation and sewer revenue warrants (debt service and any related reserve funds) are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts (usually trusts), and their use is limited by applicable warrant agreements. Also, certain amounts may be classified as restricted because they are limited by warrant documents for capital improvements. Accrued income related to investments held for debt service or capital improvement warrant funds is also classified as restricted, as such income reverts to the specific fund and for the same purposes.

Other restricted assets include retainage and funds set aside for closure or postclosure care.

Capital Assets
Capital assets, which include land, property, equipment and infrastructure assets (e.g., roads, bridges, water and sewer systems and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such 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 acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation on all assets is provided on the straight-line basis over an asset's estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

Item	Capitalization Threshold	Estimated Useful Life
Buildings	$ 100	40 years
Equipment and furniture	5	5-10 years
Roads	250	15 years
Bridges	250	40 years
Collection sewer system assets	250	25-40 years
Treatment plant sewer system assets	250	40 years
Landfills and improvements	100	25 years

The Commission capitalizes interest cost incurred on funds used to construct property, equipment and infrastructure assets. Interest capitalization ceases when the construction project is substantially complete.

The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. In accordance with authoritative accounting guidance, interest is not capitalized for construction projects using governmental funds. Net interest capitalized during fiscal year 2016 amounted to $1,098.

Capital assets are reviewed for impairment in accordance with the methodology prescribed in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Asset impairment, as defined by this standard, is a significant, unexpected decline in the service utility of a capital asset and is not a function of the recoverability of the carrying amount of the asset. Service utility is the usable capacity of the asset that was expected to be used at the time of acquisition and is not related to the level of actual utilization, but the capacity for utilization. Indicators that the service utility of an asset has significantly declined include: (a) evidence of physical damage; (b) changes in legal or environmental circumstances; (c) technological development or evidence of obsolescence; (d) a change in the manner or expected duration of use of the asset; and (e) construction stoppage. The Commission has determined that no capital asset impairment exists at September 30, 2016.

Transactions between 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 fund level balance sheet.

Transactions between funds, which would have been treated as revenues, expenditures or expenses if they involved organizations external to the governmental unit, are accounted for as revenues, expenditures or expenses in the funds involved.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund reimbursed. All other nonreciprocal transactions between funds which are not reimbursements and where the funds do not receive equivalent goods or services for the transactions are classified as transfers.

Estimated Claims Liabilities

The Commission establishes claims liabilities for health insurance, general, auto and workers' compensation self-insured activities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Warrants Payable

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Warrant premiums and discounts, as well as the costs of insurance premiums for warrants issued, are deferred and amortized over the life of the warrants. Bond issuance costs (other than insurance premiums) are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and vacation leave.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Vacation Leave **-** Vacation leave is earned based on the following table:

Length of Service	Vacation Leave Earned (Per Month)
0-12 years	1 day
12-25 years	1 ½ days
Over 25 years	2 days

Vacation earned but not used during the calendar year may be accumulated up to a maximum of 40 days. Vacation leave earned in excess of the maximum accumulation must be used by December 31 of each year, or it shall be forfeited. A permanent employee terminating from Commission service in good standing shall be compensated for unused earned vacation not to exceed 40 days.

Sick Leave - Sick leave shall be earned at the rate of one day for each month of service. Sick leave earned but not used during the calendar year may be accumulated with no maximum limit. A permanent employee who resigns or retires from the Commission in good standing after five years of service may, subject to the approval of the appointing authority, receive pay for 50 percent of the accumulated sick leave not to exceed 30 days.

Compensatory Leave - Eligible Commission employees covered by provisions of the Fair Labor Standards Act are paid for overtime hours worked at the rate of time-and-one-half. In some instances, the employee may be offered compensatory leave.

Maximum limitations of accumulated compensatory time are as follows:

- Public Safety employees may accrue a maximum of 480 hours.
- All other employees may accrue a maximum of 240 hours.

Any employee's accrual of overtime in excess of the maximum limitation shall, within the following pay period, be disposed of by either (a) payment at the current hourly pay rate of the employee or (b) granting equivalent time off. The Commission uses the vesting method to accrue its sick leave liability.

Under this method, an accrual for earned sick leave is based on the sick leave accumulated at September 30 each year by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments, reduced to the maximum amount allowed as a termination payment.

As of September 30, 2016, the liability for accrued vacation and compensatory leave included in the government-wide statement of net position is approximately $14,009 of which $11,787 is reported in the governmental activities and $2,222 is reported in the business-type activities. Of this amount, an estimated $7,386 is payable within a year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

As of September 30, 2016, the liability for accrued sick leave included in the government-wide statement of net position is approximately $6,827. Of this amount, $5,703 is reported in the governmental activities, and $1,124 is reported in the business-type activities. Due and payable within one year of September 30, 2016, is approximately $184.

Legal Fees
Legal fees for the Commission are expensed as incurred and are included in operating expenses in the accompanying financial statements.

Deferred Outflows and Inflows of Resources
GASB provides that certain amounts reported on the statements of net position and balance sheets of a governmental entity be reported separately from assets and liabilities and be reported as deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources include pension-related deferred outflows, which result from the Commission's defined benefit pension plan (the Pension Plan). Pension-related deferred outflows represent amounts resulting from timing differences of contributions made subsequent to the Pension Plan measurement dates but as of the date of the basic financial statements and net differences between projected and actual earnings on plan investments are recognized over a closed period, and are amortized over a 5-year period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of (1) resources associated with imposed nonexchange revenue transactions, such as property taxes that are reported as a receivable before the period for which the property taxes are levied, and (2) pension-related deferred inflows, which represent the difference between projected and actual experience of the Pension Plan.

Net Pension Liability (Asset)
For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources, and expenses associated with the Pension Plan, information about the Plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Plan Expense
The Commission is required to measure and disclose amounts relating to net pension liability (asset), deferred outflows of resources and deferred inflows of resources, pension expense, and the fiduciary net position of the Pension Plan. Actuarially determined periodic contributions are made by the Commission in order to maintain sufficient assets to pay benefits when due.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position/Fund Balances

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net asset categories:

- *Net investment in capital assets* - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year end related to capital assets are included in this calculation.
- *Restricted* - Constraints are imposed on net position balances by external creditors, grantors, contributors, laws or regulations of other governments or law through constitutional provision or enabling legislation.
- *Unrestricted* - Net position balances that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balances are reported in the fund financial statements. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts are reported as nonspendable, restricted, committed, assigned or unassigned, as follows:

- *Nonspendable* - Items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts or long-term portions of loans or notes receivable) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- *Restricted* - Constraints are placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- *Committed* - Items can be used only for specific purposes pursuant to constraints imposed by a formal action of the Commissioners. This formal action is the passage of a resolution specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.
- *Assigned* - Constraints are placed upon the use of the resources by a responsible official's request for a specific purpose but are neither restricted nor committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- *Unassigned* - The residual amount of the General Fund that is not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted amounts are available for use, Commission policy is to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, the policy is to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements
The Commission maintains all investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is described as an exit price.

Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. Fair value is determined considering the unit of account, which is the level at which the asset or liability is aggregated or disaggregated for measurement, recognition or disclosure purposes (i.e., the unit of account in a brokerage account is each individual investment as compared to investments in mutual funds where the unit of account is each share held in the mutual fund).

Fair value measurement guidance establishes a fair value hierarchy which categorizes the inputs to valuation techniques used to measure fair value into three levels, defined as follows:

- Level 1 – Inputs based on quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets or identical assets in markets that are not active.

- Level 3 – Inputs are unobservable inputs for an asset or liability, and may include management's own estimates using the best information available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Subsequent Events
Management has evaluated subsequent events and their potential effects on these financial statements through March 24, 2017, the date the financial statements were issued. See Note S for subsequent event disclosures.

NOTE B - PRIOR PERIOD ADJUSTMENTS

The Commission recorded an adjustment to increase the beginning of year limited obligation school, debt service, and public building authority fund balances in the amount of $5,974 to remove accrued interest from the funds. In accordance with GASB Interpretation No. 6, governments have the option of reporting accrued interest in governmental funds, as the Commission has done in prior years. The Commission has elected to begin excluding accrued interest from governmental funds for financial reporting purposes, as is also in accordance with GASB Interpretation No. 6. This change in accounting policy did not affect government-wide net position.

The Commission recorded an adjustment to increase the beginning of year general and indigent care fund balances in the amount of $7,220 to remove liabilities for accrued compensated absences and claims from the funds. The liabilities are not considered expenditures of current financial resources, and should not be included as liabilities in fund financial statements prepared on the modified accrual basis of accounting. This correction did not affect government-wide net position.

The above described changes had the following impact on the Commission's beginning fund balances for the governmental funds as of October 1, 2015:

	Governmental Funds
Fund Balances - September 30, 2015 (as previously reported)	$ 373,816
Accrual Adjustment	13,194
Fund Balances - September 30, 2015 (as restated)	$ 387,010

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets
The State Legislature enacted the County Financial Control Act of 1935, which is the present statutory basis for Commission budgeting operations. Under the terms of the County Financial Control Act, each county commission, at a 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 budgets must be approved by the Commissioners. The appropriations must not exceed the total revenues available for appropriation. Expenditures may not legally exceed appropriations.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

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

Budget and actual comparisons for the General Fund, Limited Obligation School Fund, Indigent Care Fund and Bridge and Public Building Fund are presented in the required supplementary information section.

Deficit Fund Balance of Individual Funds
At September 30, 2016, the Community Development Fund and the Home Grant Fund had deficit fund balances in the amounts of $2,333 and $469, respectively, due to unearned revenue, which are amounts received after year end and not considered available to liquidate liabilities of the current period.

NOTE D - CASH AND INVESTMENTS

Cash and Investments

As of September 30, 2016, the components of cash and cash equivalents, investments and restricted assets are as follows:

	Governmental Activities	Business-Type Activities	Total
Petty cash	$ 109	$ -	$ 109
Cash and cash equivalents	186,153	8,468	194,621
	186,262	8,468	194,730
Restricted assets held for:			
Closure and postclosure care	-	255	255
Retainage	312	-	312
Debt service	137,865	46,716	184,581
Capital improvements	57	-	57
Debt service or capital improvements	-	306,183	306,183
Other purposes	13,095	-	13,095
Total restricted assets	151,329	353,154	504,483
Total cash and investments	$ 337,591	$ 361,622	$ 699,213

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	$ 269,588	$ 89,589	$ 359,177
Investments:			
U.S. Treasury notes	-	60,033	60,033
U.S. Government agencies:			
GNMA pools	-	167,160	167,160
Pass thru securities	33,995	-	33,995
Other federal agencies	28,622	-	28,622
Municipal bonds	-	43,719	43,719
Short term investment fixed income fund	5,074	-	5,074
Total investments	67,691	270,912	338,603
Other restricted assets:			
Held for retainage or postclosure care	312	255	567
Accrued interest receivable on restricted investments	-	866	866
	$ 337,591	$ 361,622	$ 699,213

NOTE D - CASH AND INVESTMENTS - Continued

Interest Rate Risk
In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. As noted above, the Commission holds approximately 51% of cash and investments in cash and cash equivalents. For investments held, the maturity table below indicates that approximately 40% of investments held have a maturity of 5 years or less. The investments in Government National Mortgage Association (GNMA) pools and federal agency pass thru securities (mortgage-backed securities) have longer maturities, but are subject to annual prepayments and the actual maturities are usually significantly less than the stated maturities.

Cash and cash equivalents represent approximately 51% of cash investments held by the Commission at September 30, 2016 and are primarily held in money market accounts or bank deposit accounts. These accounts consist of traditional deposit accounts or accounts that are held in Trust with a bank. The Trusts, managed by the Bank, are for the benefit of the general fund or hold restricted cash for debt service or capital improvements. The Primary Liquidity Fund and Total Return Portfolio (discussed above) are Trusts maintained for the Commission. Cash held in the Primary Liquidity Portfolio is primarily where excess cash is held for the Commission and is primarily invested in short term investment funds or deposit accounts at September 30, 2016.

The Commission maintains a portfolio of short-term, intermediate and long-term duration investments, all reported at fair value (see discussion of fair value below).

Maturity
As of September 30, 2016, the Commission's funds held in cash or cash equivalents, including money market accounts and funds held by financial institutions, which are all recorded at cost, were current and available funds. As of September 30, 2016, the Commission's investments had the following maturities:

		Investment Maturities			
	Fair Value	Less than 1 Year	1 – 5 Years	6 – 10 Years	11 – 15 Years
U.S. Treasury notes	$ 60,033	$ 60,033	$ -	$ -	$ -
U.S. Government Agencies:					
GNMA pools	167,160	-	133	42,804	124,223
Pass thru securities	33,995	-	4,254	29,741	-
Other federal agencies	28,622	6,006	15,419	7,197	-
Municipal bonds	43,719	26,568	17,151	-	-
Fixed income short term investment fund	5,074	5,074	-	-	-
	$ 338,603	$ 97,681	$ 36,957	$ 79,742	$ 124,223

NOTE D - CASH AND INVESTMENTS - Continued

For mortgage-backed securities (GNMA pools and pass-through securities), actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates.

Prepayments of underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, borrowers tend to prepay the mortgages, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow can diminish the fair value of the obligation.

Custodial Credit Risk

The investments maintained for the general use of the Commission are managed by the Jefferson County Treasurer or a bank on its behalf. The restricted investments held in a trust for debt service or capital projects are managed by the bank holding the trust or a designated agent (another bank or investment firm). The Commission's fiscal agent or custodian provides the fair value to the Commission of all intermediate maturity investments.

Cash and Cash Equivalents - The custodial credit risk for cash deposits is the risk that, in the event of a bank failure, the Commission will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's cash deposits at year end were insured by the Federal Deposit Insurance Corporation (FDIC) or protected under the Security for Alabama Funds Enhancement Program (SAFE Program).

The SAFE Program was established by the Alabama Legislature and is governed by the provisions 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 FDIC. If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Funds held in the Primary Liquidity Portfolio, which is a trust with a bank, are FDIC insured up to $250. The excess deposits are held in a cash sweep by the bank, which is collateralized by government securities with perfected liens on the bank’s investment securities (pledged) in an amount not less than 105% of the total excess deposits. In the event of a default, the collateral would revert to the collateral agent to be distributed to the account owners.

Investments - Custodial credit risk for investments is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. To mitigate custodial risk for investments, the Commission limits the investments held to the categories discussed above and to securities backed by the U.S government or with prime ratings by Moody’s Investors Service (Moody’s) or Standard & Poor’s Financial Services LLC (S&P) rating agencies.

NOTE D - CASH AND INVESTMENTS - Continued

As of September 30, 2016, the Commission's investments had the following ratings by Moody's and S&P rating agencies:

Ratings by Moody's			Ratings by S&P		
Fair Value	**Ratings**	**Percentage**	**Fair Value**	**Ratings**	**Percentage**
$ 122,776	Aaa	36.26%	$ 5,564	AAA	1.64%
7,332	Aa1	2.17	64,162	AA+	18.95
7,574	Aa2	2.24	14,847	AA	4.39
4,666	Aa3	1.38	9,047	AA-	2.67
4,918	A1	1.45	2,649	A+	.78
1,393	A2	0.41	613	A	.18
321	A3	0.09	-	A-	.00
17,389	NR	5.14	6,327	NR	1.87
172,234	NA	50.86	235,394	NA	69.52
$ 338,603		100.00%	$ 338,603		100.00%

Ratings are not provided for the GNMA pool investments and short term fixed income mutual fund, which are considered not applicable, and reported in the NA category in the above chart. The S&P ratings noted above also include the U.S. Treasury securities held by the Commission in the NA category. U.S. Treasury obligations and GNMA investment securities are backed by the full faith and guarantee of the U.S. Government.

Both rating agencies had certain municipal bonds that were not rated (NR). However, all but one investment ($725) held by the Commission as of September 30, 2016, had a rating from one of the rating agencies that was in compliance with the Investment Policy.

Investment Risk
Investment securities are exposed to market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Concentration of Credit Risk
The Commission's investment policy generally does not allow for an investment in any one issuer that is in excess of five percent of total cash and investments. The investments listed above include $167,160 of GNMA pools, which represent pools of mortgages issued by GNMA, consisting of a multitude of underlying borrowers, generally with no concentrations. GNMA securities are backed by the full faith and credit of the U.S. Government. There were no other concentrations of investments noted at September 30, 2016.

Certain cash and cash equivalents, consisting primarily of money market or deposit accounts held at September 30, 2016, were with two large regional financial institutions and totaled approximately $184,000 (included in cash and cash equivalents). These funds are held in trusts with the financial institutions.

NOTE D - CASH AND INVESTMENTS - Continued

Fair Value
The Commission maintains all investments at fair value. Investments are classified into a fair value measurement using the levels and inputs as described in Note A.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash Equivalents and Short-Term Investments – For those short-term instruments, the carrying amount (cost) is a reasonable estimate of fair value.

Investment Securities – The Commission places reliance on independent investment managers or designated agents to provide fair value information for the investments held. The following fair value measurement inputs were used for investments held by the Commission:

- U.S. Treasury Notes - Fair values for U.S. Treasury notes were determined using quoted market prices and are classified as Level 1 within the fair value hierarchy.
- U.S. Government Agency Securities, Municipal Bonds and other investments - Fair values for all other investments were determined using other observable inputs, either directly or indirectly, and are classified as Level 2 within the fair value hierarchy.

The following fair value hierarchy table presents information about the Commission's investments measured at fair value as of September 30, 2016:

		Fair Value Measurement at Report Date Using		
	Fair Value	**Quoted Prices in Active Markets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Investment Securities:				
U.S. Treasury notes	$ 60,033	$ 60,033	$ -	$ -
U.S. Government agency securities	229,777	-	229,777	-
Municipal bonds	43,719	-	43,719	-
Fixed income short term investment mutual fund	5,074	-	5,074	-
Total investments	$ 338,603	$ 60,033	$ 278,570	$ -

Restricted Assets
Restricted assets are primarily held for debt service, reserve fund requirements and capital improvements for the Commission. See Note J for discussion of debt service restricted funds.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental Activities	Balance at October 1, 2015	Additions	Disposals	Transfers/ Reclassifications	Balance at September 30, 2016
Nondepreciable capital assets:					
Land	$ 20,994	$ 11	$ (244)	$ -	$ 20,761
Construction in progress	24,448	13,930	(875)	(14,591)	22,912
	45,442	13,941	(1,119)	(14,591)	43,673
Depreciable capital assets:					
Buildings	457,867	-	(1,064)	1,523	458,326
Improvements other than land/buildings	175,636	1,013	-	13,062	189,711
Maintenance equipment	12,520	353	(1,527)	11,595	22,941
Motor vehicle (nonfleet)	15,497	-	(15,497)	-	-
Motor vehicle (fleet)	42,555	4,154	(2,995)	368	44,082
Equipment under capital lease	18,320	-	-	(1,271)	17,049
Miscellaneous equipment	64,972	1,465	(19)	(36,371)	30,047
Office furniture and fixtures	9,081	175	(57)	36,463	45,662
Software	-	1,108	-	2,459	3,567
	796,448	8,268	(21,159)	27,828	811,385
Less accumulated depreciation for:					
Buildings	(248,575)	(7,501)	842	(425)	(255,659)
Improvements other than land/buildings	(108,740)	(6,304)	-	(837)	(115,881)
Maintenance equipment	(11,909)	(586)	1,527	(8,605)	(19,573)
Motor vehicle (nonfleet)	(13,330)	-	13,330	-	-
Motor vehicle (fleet)	(34,866)	(2,518)	2,995	118	(34,271)
Equipment under capital lease	(16,673)	(322)	-	1,227	(15,768)
Miscellaneous equipment	(70,960)	(716)	19	32,198	(39,459)
Office furniture and fixtures	(8,829)	(1,211)	57	(33,950)	(43,933)
Software	-	(985)	-	-	(985)
	(513,882)	(20,143)	18,770	(10,274)	(525,529)
Total depreciable capital assets, net	282,566	(11,875)	(2,389)	17,554	285,856
Total capital assets, net	$ 328,008	$ 2,066	$ (3,508)	$ 2,963	$ 329,529

NOTE E - CAPITAL ASSETS - Continued

Business-Type Activities	Balance at October 1, 2015	Additions	Disposals	Transfers/ Reclassifications	Balance at September 30, 2016
Nondepreciable capital assets:					
Land	$ 41,205	$ 200	$ (322)	$ -	$ 41,083
Construction in progress	40,765	33,824	-	(28,004)	46,585
	81,970	34,024	(322)	(28,004)	87,668
Depreciable capital assets:					
Buildings	1,024,646	-	-	(33)	1,024,613
Improvements other than land/buildings	3,538,697	9,057	-	29,165	3,576,919
Maintenance equipment	1,395	432	(596)	5,247	6,478
Motor vehicle (nonfleet)	5,338	-	-	(5,338)	-
Motor vehicle (fleet)	18,622	2,925	(2,356)	236	19,427
Equipment under capital lease	-	-	-	-	-
Miscellaneous equipment	7,867	677	-	(2,769)	5,775
Office furniture and fixtures	125	-	-	1,501	1,626
	4,596,690	13,091	(2,952)	28,009	4,634,838
Less accumulated depreciation for:					
Buildings	(388,598)	(24,002)	-	(14)	(412,614)
Improvements other than land/buildings	(1,786,492)	(115,108)	-	(1,999)	(1,903,599)
Maintenance equipment	(1,244)	(274)	598	(3,981)	(4,901)
Motor vehicle (nonfleet)	(4,105)	-	-	4,105	-
Motor vehicle (fleet)	(15,248)	(1,392)	2,356	(3)	(14,287)
Equipment under capital lease	-	-	-	-	-
Miscellaneous equipment	(6,299)	(506)	-	3,183	(3,622)
Office furniture and fixtures	(122)	(78)	-	(1,293)	(1,493)
	(2,202,108)	(141,360)	2,954	(2)	(2,340,516)
Total depreciable capital assets, net	2,394,582	(128,269)	2	28,007	2,294,322
Total capital assets, net	$ 2,476,552	$ (94,245)	$ (320)	$ 3	$ 2,381,990

The net book value of landfill operations capital assets leased to a third party at September 30, 2016, is $23,994. See Note H for discussion of the operating lease.

NOTE E - CAPITAL ASSETS - Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	10,802
Public safety		1,962
Highways and roads		5,961
Health		1,412
Welfare		6
Total depreciation expense - governmental activities	$	20,143
Business-type activities:		
Landfill operations	$	1,799
Sanitary operations		139,263
Industrial Development Authority		298
Total depreciation expense - business-type activities	$	141,360

NOTE F - UNEARNED REVENUES / DEFERRED INFLOWS

Governmental funds and proprietary funds report unearned revenues and deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also defer revenue recognition in connection with resources that have been received but not yet earned. At September 30, 2016, the various components of unearned revenue and deferred inflows reported in the governmental funds and proprietary funds were as follows:

	Unavailable	Unearned	Total
Ad valorem taxes - property	$ 130,531	$ -	$ 130,531
Grant-related reimbursements	-	57	57
Total unearned revenue/deferred inflows	$ 130,531	$ 57	$ 130,588

NOTE G - LEASE OBLIGATIONS

The Commission has entered into various capital and operating lease agreements. Assets and obligations under capital leases and future minimum payments due under operating leases are not considered material. During the fiscal year ended September 30, 2016, amounts paid by the Commission under operating lease agreements totaled approximately $702 for governmental activities and $11 for business-type activities.

NOTE H - LANDFILL LEASE

On January 1, 2006, and amended on February 25, 2013, the Commission, as lessor, entered into an agreement with Santek Environmental of Alabama, LLC (Santek) to lease its two landfills, one transfer station and one convenience center, until the completion of the operational life of the landfills. The Commission retains its rights to sell methane gas produced naturally at the landfills.

Future minimum rental payments to be received are contractually due as follows as of September 30, 2016:

2017	$ 918
2018	918
2019	918
2020	918
2021	918
Thereafter	39,703
	$ 44,293

Future minimum rental payments to be received do not include contingent rentals that may be received under the lease because of use in excess of specified amounts. Total rental income during 2016 of $1,261 is presented as other operating revenue in the proprietary funds statement of revenues, expenses and changes in net position.

NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Commission place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste.

The recognition of these landfill closure and postclosure care costs is based on the amount of the landfills' capacities used during the year.

NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Continued

The recorded liability for landfill closure and postclosure care costs is $13,308 as of September 30, 2016. This estimate was based on 100-percent usage (filled) of the Jefferson County Landfill Number 1, 59-percent usage (filled) of the Jefferson County Landfill Number 1 Sub Cell 2-1, 98-percent usage (filled) of the Jefferson County Landfill Number 2 and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills, which were both closed October 1997. The total estimated current costs of closure and postclosure care remaining to be recognized and the estimated remaining useful lives of the landfills at September 30, 2016, are $1,672 and 2.1 years, respectively.

Santek has agreed to fund $1.28 (not in thousands) per ton into a restricted account to fund closure and postclosure care costs of the landfills. To the extent that the funds in the restricted account are not adequate and Santek is unable to fund the closure and postclosure care obligation, the ultimate liability falls back to the Commission. Funds in the account total $255 as of September 30, 2016, and are presented as noncurrent restricted assets on the accompanying statement of net position under business-type activities. In accordance with Alabama Department of Environmental Management (ADEM) regulations, the Commission is required to provide financial assurance for closure and postclosure care costs annually. At September 30, 2016, the Commission was in compliance with the ADEM requirement related to financial assurance. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfills were acquired as of September 30, 2016. 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 J - WARRANTS PAYABLE

Warrants payable include obligations for warrants issued in the name of the Jefferson County Commission for the primary purpose of sewer capital projects and related improvements (Business-Type Activities - Sewer Revenue Warrants), for the primary purpose of general capital projects and related improvements (Governmental Activities - General Obligation Warrants), for the primary purpose of school capital projects and related improvements (Governmental Activities - Limited Obligation School Warrants) and for the primary purpose of the Public Building Authority related capital projects and related improvements (Governmental Activities - Lease Revenue Warrants). Warrants payable also include related amounts of premiums and discounts on the warrants, which are recorded on the statement of net position as an adjustment to the carrying value of the related debt and amortized over the life of the warrants.

NOTE J - WARRANTS PAYABLE - Continued

BUSINESS-TYPE ACTIVITIES

2013 Sewer Revenue Warrants
On December 1, 2013, the Commission entered into a Trust Indenture between the County and Wells Fargo Bank, National Association (Wells Fargo) as Trustee (the 2013 Sewer Trustee), as supplemented by the First Supplemental Indenture (hereinafter defined as the 2013 Sewer Indenture), whereby the Commission issued its Senior Lien and Subordinate Lien Sewer Revenue Warrants, Series 2013-A through Series 2013-F, in the aggregate principal amount of $1,785,486 (the 2013 Sewer Warrants or Secured Obligations).

The net proceeds of the 2013 Sewer Warrants were used to (i) retire the previously outstanding Sewer Warrants and pay certain claims under the Commission's 2013 Plan of Adjustment (Plan of Adjustment), (ii) pay the premium for a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. (AGM) and (iii) pay a portion of the costs of issuing the 2013 Sewer Warrants.

The 2013 Sewer Warrants are not general obligations of the Commission, but represent limited obligations of the Commission, payable solely out of and secured by a pledge and assignment of the revenues (other than tax revenues) collected from the Commission's sanitary sewer system (the System Revenues) and, further, (i) money and investments from time to time on deposit in, or forming a part of, the Revenue Fund, the Operating Account, the Costs of Issuance Fund and the Capital Improvement Fund, all established under the 2013 Sewer Indenture, and (ii) any other property which may, from time to time, be specifically subjected to the lien of the 2013 Sewer Indenture as additional security for the 2013 Sewer Warrants (together with the System Revenues, the General Trust Estate).

The Senior Lien Sewer Warrants Series 2013-A are Current Interest Warrants, while the Senior Lien Sewer Warrants Series 2013-B are Capital Appreciation Warrants and Senior Lien Sewer Warrants Series 2013-C are Convertible Capital Appreciation Warrants. The Senior Lien Sewer Warrants Series 2013-A, Series 2013-B and Series 2013-C (the Series 2013 Senior Lien Warrants or Senior Lien Obligations) have a first priority lien with respect to the right of payment from the General Trust Estate and are additionally secured by funds and amounts held in the Series 2013 Senior Lien Reserve Fund and the Series 2013 Senior Lien Debt Service Fund established under the 2013 Sewer Indenture.

Upon issuance of the Series 2013 Senior Lien Warrants, an irrevocable standby letter of credit (the Series 2013 Senior Lien Reserve Fund Letter of Credit) was issued by JPMorgan Chase Bank National Association (JPMorgan Chase Bank) and delivered to the 2013 Sewer Trustee, as discussed further below.

The Subordinate Lien Sewer Warrants Series 2013-D are Current Interest Warrants, while the Subordinate Lien Sewer Warrants Series 2013-E are Capital Appreciation Warrants and the Subordinate Lien Sewer Warrants Series 2013-F are Convertible Capital Appreciation Warrants.

NOTE J - WARRANTS PAYABLE - Continued

The 2013 Subordinate Lien Sewer Warrants Series 2013-D, Series 2013-E and Series 2013-F (the Series 2013 Subordinate Lien Warrants or Subordinate Lien Obligations) have a second priority lien with respect to the right of payment from the General Trust Estate, subordinate to the Series 2013 Senior Lien Warrants and any additional obligations hereafter issued on parity with the Series 2013 Senior Lien Warrants pursuant to the 2013 Sewer Indenture. The Series 2013 Subordinate Lien Warrants are additionally secured by funds and amounts held in the Series 2013 Subordinate Lien Reserve Fund and the Series 2013 Subordinate Lien Debt Service Fund established under the 2013 Sewer Indenture.

Upon issuance of the Series 2013 Subordinate Lien Warrants, an irrevocable standby letter of credit (the Series 2013 Subordinate Lien Reserve Fund Letter of Credit) was issued by JPMorgan Chase Bank and delivered to the 2013 Sewer Trustee, as discussed further below.

The 2013 Sewer Indenture includes certain covenants and requires the Commission to comply with certain continuing disclosure requirements pursuant to Rule 15c2-12 of the Securities and Exchange Commission as discussed further below.

GOVERNMENTAL ACTIVITIES

General Obligation Warrants
Beginning in 1984, the Commission issued various warrants for capital projects and improvements, including construction of a new jail facility located in Bessemer, Alabama (Jefferson County), purchase of school buses for the Jefferson County Board of Education, acquisition of land and landfills for the disposal of waste, additions and improvements to the sanitary sewer system, improvements to and construction of certain roads, waste transfer system and various other capital equipment, buildings and facilities for use by the County.

The Commission issued its General Obligation Warrants, Series 2013-A to 2013-D (the 2013 GO Warrants) on December 3, 2013 in exchange for the GO Series 2001-B Warrants (which were subsequently retired) pursuant to Trust Indentures dated as of December 1, 2013 between the Commission and UMB Bank, n.a. as trustee (the 2013 GO Trustee).

The General Obligation Warrants are general obligations of the Commission and are payable from the General Fund of the Commission. Repayment of the outstanding General Obligation Warrants is secured by the full faith and credit of Jefferson County.

Payment of the principal and interest on some of the warrants when due is insured by a municipal warrant insurance policy issued by National Public Finance Guarantee Corp. (National) (formerly known as MBIA Corporation, Inc. (MBIA)), and may exclude any acceleration features for warrant payments.

The documents under which the General Obligation Warrants were issued include certain covenants and require the Commission to comply with certain continuing disclosure requirements pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as discussed further below.

NOTE J - WARRANTS PAYABLE - Continued

Limited Obligation School Warrants

Beginning in 2004, the Commission issued various warrants for school capital projects and improvements. The Commission entered into a Trust Indenture dated December 1, 2004 (Trust Indenture), between Jefferson County, Alabama and SouthTrust Bank, as Trustee, for the general purpose of obtaining funds for school capital projects and improvements. The Trust Indenture provides for the issuance of additional securities secured on a parity of lien with the original warrant issues. U.S. Bank National Association (U.S. Bank), as successor to SouthTrust Bank, currently serves as Trustee under the Trust Indenture.

The warrants issued under the Trust Indenture are not general obligations of the Commission, but represent limited obligations of the Commission, payable solely out of and secured by a pledge of the gross proceeds of the Education Tax as adopted on December 16, 2004, through Ordinance No. 1769.

Payment of the principal and interest on some of the warrants when due is insured by a municipal warrant insurance policy issued by Ambac Assurance Corp. (Ambac) and may exclude any acceleration features for warrant payments.

The Limited Obligation School Warrant Trust Indenture includes certain covenants and requires the Commission to comply with certain continuing disclosure requirements pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as discussed further below.

Lease Revenue Warrants

In 2006, the Jefferson County Public Building Authority (Building Authority) issued warrants under the August 1, 2006 Trust Indenture for related capital projects and improvements. The warrants are special, limited obligations of the Building Authority, payable solely from and secured by a pledge of the revenues and receipts delivered by the Building Authority from the leasing to Jefferson County of the warrant-financed facilities. While the Commission is not the issuer of the Lease Revenue (LR) Series 2006 Warrants (LR Series 2006 Warrants), the Building Authority's payment obligations under the LR Series 2006 Warrants are secured by lease revenues generated by the Commission's lease of the above-referenced buildings from the Building Authority.

The Commission entered into a new lease agreement effective January 1, 2013, for the Building Authority related to the LR Series 2006 Warrants. Simultaneous with the Lease Agreement, the Building Authority and LR Series 2006 Warrants Trustee executed and delivered a First Supplemental Trust Indenture dated as of January 1, 2013, as discussed further below.

Payment of the principal and interest on the warrants when due is insured by a municipal warrant insurance policy issued by Ambac Assurance Corp. (Ambac) and may exclude any acceleration features for warrant payments.

The Lease Revenue Warrant Trust Indenture includes certain covenants and requires the Commission to comply with certain continuing disclosure requirements pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as discussed further below.

NOTE J - WARRANTS PAYABLE - Continued

Capital Appreciation Warrants, by definition, do not pay interest on a current basis to the holders of the Warrants, but they accrete in value over time as provided in the Indenture pursuant to which such obligations are issued. As such, the accrued interest is added to the principal amount outstanding for those warrants. In addition, certain Convertible Capital Appreciation Warrants convert to Current Interest Warrants at a specified date per the Indenture, as described in the table below.

The Capital Appreciation Warrants and Convertible Capital Appreciation Warrants also include compound interest calculated on periodic dates (April 1 and October 1 of each year) and based on the accreted value on such Warrants, until maturity or conversion to current interest warrants, as described in the table below.

Warrants payable consist of the following at September 30, 2016:

Business-Type Activities:	
Senior Lien Sewer Revenue Current Interest Warrants, Series 2013-A, with interest paid semiannually at fixed rates ranging from 5.00% to 5.50% and principal payments due from October 1, 2044 to 2053	$ 395,005
Senior Lien Sewer Revenue Capital Appreciation Warrants, Series 2013-B, with interest accreting and compounding semiannually at fixed rates of 5.625% to 6.625% to maturity, with accreted value (principal and interest) payments due from October 1, 2026 to 2036	65,579
Senior Lien Sewer Revenue Convertible Capital Appreciation Warrants, Series 2013-C, with interest compounding semiannually at fixed rates of 6.50% to 6.90% to October 1, 2023, and thereafter interest paid semi-annually with accreted value payments (principal and interest) due from October 1, 2038 to 2050	180,616
Subordinate Lien Sewer Revenue Current Interest Warrants, Series 2013-D, with interest paid semiannually at fixed rates ranging from 5.00% to 7.00% and principal payments due from October 1, 2017 to 2053	808,630
Subordinate Lien Sewer Revenue Capital Appreciation Warrants, Series 2013-E, with interest accreting and compounding semiannually at fixed rates of 7.50% to 8.00% to maturity, with accreted value (principal and interest) payments due from October 1, 2029 to 2036	62,458
Subordinate Lien Sewer Revenue Convertible Capital Appreciation Warrants, Series 2013-F, with interest accreting and compounding semiannually at fixed rates of 7.50% to 7.90% to October 1, 2023, and thereafter interest paid semiannually with accreted value payments (principal and interest) due from October 1, 2037 to 2050	402,368
	$ 1,914,656

NOTE J - WARRANTS PAYABLE - Continued

Governmental Activities:

General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, with interest paid semiannually at fixed rates ranging from 5.0% to 5.25% and annual principal payments through 2023	$ 40,360
General Obligation Warrants, Series 2004-A, with interest paid semi-annually at fixed rates ranging from 4.25% to 5.00% and annual principal payments through 2024	39,750
Limited Obligation School Warrants, Series 2004-A, with interest paid semiannually at fixed rates ranging from 4.75% to 5.50% and annual principal payments through 2025	385,775
Limited Obligation School Warrants, Series 2005-A and 2005-B, with interest paid monthly at a variable rate on $26,510 (Series 2005-B) or auction rate on $105,500 (Series 2005-A) (average rate of 2.24% at September 30, 2016) and annual principal payments through April 1, 2025	132,010
Lease Revenue Warrants, Series 2006, with interest paid semiannually at fixed rates ranging from 5.00% to 5.125% and annual principal payments through April 1, 2026	59,480
General Obligation Warrants, Series 2013-A, with interest paid semi-annually at a fixed rate of 4.90% and principal payments due annually through April 1, 2021	31,460
Taxable General Obligation Warrants, Series 2013-B, with interest paid semiannually at a fixed rate of 4.90% and principal payments due annually through April 1, 2017	1,410
General Obligation Warrants, Series 2013-C, with interest paid semiannually at a fixed rate of 4.90% and principal payments due annually through April 1, 2021	31,015
Taxable General Obligation Warrants, Series 2013-D, with interest paid semiannually at a fixed rate of 4.90% and principal payments due annually through April 1, 2017	1,390
	722,650
	2,637,306
Less unamortized net discount (premiums) (net of current portion net premium of $1,510)	15,365
Less principal amounts due within one year	78,505
Warrants payable - noncurrent, net	$ 2,543,436

NOTE J - WARRANTS PAYABLE - Continued

The following is a summary of the warrants that are authorized or outstanding for the Commission as of September 30, 2016.

BUSINESS-TYPE ACTIVITIES

2013 Sewer Warrants

Senior Lien Sewer Revenue Current Interest Warrants, Series 2013-A (Series 2013-A Warrants)
The Commission issued $395,005 of tax-exempt Series 2013-A Warrants under the 2013 Sewer Indenture on December 3, 2013. The Series 2013-A Warrants were issued in the form of current interest obligations with interest payable semiannually at fixed rates on April 1 and October 1 of each year to maturity on October 1, 2053.

The Series 2013-A Warrants are subject to redemption at the option of the Commission on or after October 1, 2023, and mature or are subject to mandatory redemption periodically in fiscal years 2044 through 2054. The Series 2013-A Warrants are insured by AGM pursuant to a bond insurance policy issued simultaneously with the Warrants. The Series 2013-A Warrants have an outstanding balance of $395,005 at September 30, 2016.

Senior Lien Sewer Revenue Capital Appreciation Warrants, Series 2013-B (Series 2013-B Warrants)
The Commission issued $55,000 of tax-exempt Series 2013-B Warrants under the 2013 Sewer Indenture on December 3, 2013. The Series 2013-B Warrants were issued in the form of capital appreciation warrants with interest that accretes and compounds semiannually at fixed rates on April 1 and October 1 of each year to the maturity dates. The accreted value at maturity is $171,740.

The accreted value of the Series 2013-B Warrants (principal and interest) are subject to redemption at the option of the Commission on or after October 1, 2023, and are subject to mandatory redemption annually on October 1 each year from fiscal year 2026 to 2037. The Series 2013-B Warrants are insured by AGM pursuant to a bond insurance policy issued simultaneously with the Warrants. The policy covers principal and interest (including accretion) that is due but unpaid by the Commission for the Series 2013-B Warrants. The Series 2013-B Warrants have an outstanding balance of $65,579 at September 30, 2016.

Senior Lien Sewer Revenue Convertible Capital Appreciation Warrants, Series 2013-C (Series 2013-C Warrants)
The Commission issued $149,998 of tax-exempt Series 2013-C Warrants under the 2013 Sewer Indenture on December 3, 2013. The Series 2013-C Warrants were issued in the form of capital appreciation obligations that will automatically convert to current interest obligations on October 1, 2023. Interest on the Series 2013-C Warrants accretes and compounds semiannually at fixed rates on April 1 and October 1 of each year to maturity on October 1, 2023.

NOTE J - WARRANTS PAYABLE - Continued

The accreted interest will be added to the principal balance and the warrants totaling $286,080 convert to current interest obligations on October 1, 2023. Thereafter, interest on the principal (including accrued interest accretion) is scheduled to be paid semiannually on each April 1 and October 1 to maturity.

The Series 2013-C Warrants are subject to redemption at the option of the Commission on or after October 1, 2023, and mature or are subject to mandatory redemption of accreted values (principal and interest) periodically from fiscal year 2038 to 2051. The Series 2013-C Warrants are insured by AGM pursuant to a bond insurance policy issued simultaneously with the Warrants. The policy covers principal and interest (including accretion) that is due but unpaid by the Commission for the Series 2013-C Warrants. The Series 2013-C Warrants have an outstanding balance of $180,616 at September 30, 2016.

Subordinate Lien Sewer Revenue Current Interest Warrants, Series 2013-D (Series 2013-D Warrants)
The Commission issued $810,915 of tax-exempt Series 2013-D Warrants under the 2013 Sewer Indenture on December 3, 2013. The Series 2013-D Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at fixed rates to maturity on October 1, 2053.

The Series 2013-D Warrants are subject to redemption at the option of the Commission on or after October 1, 2023, and mature or are subject to mandatory redemption periodically from fiscal year 2017 to 2054. The Series 2013-D Warrants have an outstanding balance of $808,630 at September 30, 2016.

Subordinate Lien Sewer Revenue Capital Appreciation Warrants, Series 2013-E (Series 2013-E Warrants)
The Commission issued $50,271 of tax-exempt Series 2013-E Warrants under the 2013 Sewer Indenture on December 3, 2013. The Series 2013-E Warrants were issued in the form of capital appreciation obligations with interest scheduled to accrete and compound semiannually on April 1 and October 1 of each year at fixed rates to the scheduled maturity dates. The accreted value at maturity is $222,695.

The Series 2013-E Warrants are subject to redemption at the option of the Commission on or after October 1, 2023, and are subject to mandatory redemption of accreted value (principal and interest) annually from fiscal year 2029 to 2037. The Series 2013-E Warrants have an outstanding balance of $62,458 at September 30, 2016.

Subordinate Lien Sewer Revenue Convertible Capital Appreciation Warrants, Series 2013-F (Series 2013-F Warrants)
The Commission issued $324,297 of tax-exempt Series 2013-F Warrants under the 2013 Sewer Indenture on December 3, 2013. The Series 2013-F Warrants were issued in the form of capital appreciation obligations that will automatically convert to current interest obligations on October 1, 2023. Interest on the Series 2013-F Warrants accretes and compounds semiannually on April 1 and October 1 of each year at fixed rates to maturity on October 1, 2023.

NOTE J - WARRANTS PAYABLE - Continued

The accreted interest will be added to the principal balance and the warrants totaling $686,355 convert to current interest obligations on October 1, 2023. Thereafter, interest on the principal (including interest accretion) is scheduled to be paid semiannually on each April 1 and October 1 to maturity.

The Series 2013-F Warrants are subject to redemption at the option of the Commission on or after October 1, 2023, and are subject to mandatory redemption of accreted values (principal and accreted interest) periodically from fiscal year 2037 to 2051. The Series 2013-F Warrants have an outstanding balance of $402,368 at September 30, 2016.

Series 2013 Sewer Warrants - First Supplemental Indenture and Letter of Credit

Upon issuance of the Series 2013 Senior Lien Warrants, an irrevocable standby letter of credit (the Series 2013 Senior Lien Reserve Fund Letter of Credit) issued by JPMorgan Chase Bank National Association (JPMorgan Chase Bank) was delivered to Wells Fargo, the 2013 Sewer Trustee. Upon issuance of the Series 2013 Subordinate Lien Warrants, an irrevocable standby letter of credit (the Series 2013 Subordinate Lien Reserve Fund Letter of Credit) issued by JPMorgan Chase Bank was delivered to the 2013 Sewer Trustee.

The Commission entered into a First Supplemental Indenture to the 2013 Sewer Indenture dated December 1, 2013, whereby the Commission authorized the issuance of two series of its sewer revenue warrants: (1) its Senior Lien Reserve Fund Reimbursement Warrants (Series 2013 Senior Lien Reserve Fund Warrants), in a maximum principal amount outstanding at any one time of up to $60,000 and (2) its Subordinate Lien Reserve Fund Reimbursement Warrants (Series 2013 Subordinate Reserve Fund Warrants) in a maximum principal amount outstanding at any one time of up to $118,548 (together, the Series 2013 Reserve Fund Warrants).

Upon the occurrence of certain events described in the 2013 Sewer Indenture, the 2013 Sewer Trustee shall deliver to JPMorgan Chase Bank limited obligation warrants pursuant to the First Supplemental Indenture (described above), payable from and secured by the General Trust Estate on parity with the Series 2013 Senior Lien Warrants. Such limited obligation warrants shall evidence the obligation of the Commission to reimburse JPMorgan Chase Bank for draws honored on the Series 2013 Senior Lien Reserve Fund Letter of Credit.

Upon the occurrence of certain events described in the 2013 Sewer Indenture, the 2013 Sewer Trustee shall deliver to JPMorgan Chase Bank limited obligation warrants pursuant to the First Supplemental Indenture (described above), payable from and secured by the General Trust Estate on parity with the Series 2013 Subordinate Lien Warrants. Such limited obligation warrants shall evidence the obligation of the Commission to reimburse JPMorgan Chase Bank for draws honored on the Series 2013 Subordinate Lien Reserve Fund Letter of Credit.

The Series 2013 Reserve Fund Warrants are current interest obligations and represent additional secured obligations under the 2013 Sewer Indenture. The Series 2013 Reserve Fund Warrants may be issued on or after March 1, 2014, and may not have a maturity date later than March 1, 2054. The Series 2013 Reserve Fund Warrants are authorized but unissued as of September 30, 2016.

NOTE J - WARRANTS PAYABLE - Continued

GOVERNMENTAL ACTIVITIES

General Obligation Warrants

General Obligation Capital Improvement and Refunding Warrants, Series 2003-A
On March 1, 2003, the Commission issued $94,000 of tax-exempt General Obligation Capital Improvement and Refunding Warrants, Series 2003-A (GO Series 2003-A Warrants). These warrants were issued for the purpose of refunding the Commission's outstanding General Obligation Warrants, Series 1993, for capital expenditures and payment of related issuance costs. The GO Series 2003-A Warrants are insured by a bond insurance policy issued by National. The GO Series 2003-A Warrants have an outstanding balance of $40,360 at September 30, 2016.

General Obligation Capital Improvement Warrants, Series 2004-A
On August 1, 2004, the Commission issued $51,020 of tax-exempt General Obligation Warrants, Series 2004-A (GO Series 2004-A Warrants). These warrants were issued for the purpose of various capital improvements for the Commission and payment of the related issuance costs. The GO Series 2004-A Warrants are insured by a bond insurance policy issued by National. The GO Series 2004-A Warrants have an outstanding balance of $39,750 at September 30, 2016.

General Obligation Warrants, Series 2013-A (GO Series 2013-A Warrants)
The Commission issued $47,245 of tax-exempt GO Series 2013-A Warrants under the Series 2013-A and B GO Indenture on December 3, 2013. The GO Series 2013-A Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2021.

The GO Series 2013-A Warrants are subject to redemption at the option of the Commission on or after December 3, 2018, and subject to mandatory redemption annually from fiscal year 2014 to 2021. The GO Series 2013-A Warrants have an outstanding balance of $31,460 at September 30, 2016.

General Obligation Warrants, Series 2013-B (GO Series 2013-B Warrants)

The Commission issued $5,630 of taxable GO Series 2013-B Warrants under the Series 2013-A and B GO Indenture on December 3, 2013. The GO Series 2013-B Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2017.

The GO Series 2013-B Warrants are subject to mandatory redemption annually from fiscal year 2014 to 2017. The GO Series 2013-B Warrants have an outstanding balance of $1,410 at September 30, 2016.

NOTE J - WARRANTS PAYABLE - Continued

General Obligation Warrants, Series 2013-C (GO Series 2013-C Warrants)
The Commission issued $46,575 of tax-exempt GO Series 2013-C Warrants under the Series 2013-C and D GO Indenture on December 3, 2013. The GO Series 2013-C Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2021.

The GO Series 2013-C Warrants are subject to redemption at the option of the Commission on or after December 3, 2018, and subject to mandatory redemption annually from fiscal year 2014 to 2021. The GO Series 2013-C Warrants have an outstanding balance of $31,015 at September 30, 2016.

General Obligation Warrants, Series 2013-D (GO Series 2013-D Warrants)
The Commission issued $5,550 of taxable GO Series 2013-D Warrants under the Series 2013-C and D GO Indenture on December 3, 2013. The GO Series 2013-D Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2017.

The GO Series 2013-D Warrants are subject to mandatory redemption annually from fiscal year 2014 to 2017. The GO Series 2013-D Warrants have an outstanding balance of $1,390 at September 30, 2016.

Limited Obligation School Warrants

Limited Obligation School Warrants, Series 2004-A
The Commission issued $650,000 of tax-exempt Limited Obligation School Warrants, Series 2004-A (LO Series 2004-A Warrants) under the Trust Indenture. These warrants were issued for the purpose of making grants to 11 local school boards operating in Jefferson County for capital improvement projects and for retirement of certain debt of the school boards.

The repayment obligations related to the LO Series 2004-A Warrants are secured by the gross proceeds of a special education tax (Pledged Education Tax Proceeds). The LO Series 2004-A Warrants have an outstanding balance of $385,775 at September 30, 2016.

Limited Obligation School Warrants, Series 2005-A and 2005-B
The Commission issued $400,000 ($200,000 each for the Series 2005-A and Series 2005-B) of tax-exempt Limited Obligation School Warrants, Series 2005-A and 2005-B (LO Series 2005-A and 2005-B Warrants) under the First Supplemental Indenture between Jefferson County and U.S. Bank (successor indenture trustee of SouthTrust Bank) dated January 1, 2005. These warrants were issued for the purpose of making grants to 11 local school boards operating in Jefferson County for capital improvement projects and school board debt retirement.

The repayment obligations related to the LO Series 2005-A and 2005-B Warrants are secured by the gross proceeds of a special education tax (Pledged Education Tax Proceeds). The LO Series 2005-A and 2005-B Warrants are insured by a bond insurance policy issued by Ambac. The LO Series 2005-A and 2005-B Warrants have an outstanding balance of $132,010 at September 30, 2016.

NOTE J - WARRANTS PAYABLE - Continued

A Standby Warrant Purchase Agreement dated January 1, 2005, with Depfa Bank PLC (LO Liquidity Provider), as discussed further below, provided for the purchase of LO Series 2005-B Warrants tendered for purchase in accordance with the terms of the agreement.

The Trust Indenture requires mandatory redemption on March 1 of each year to the extent of any excess Pledged Education Tax Proceeds accumulated in the Redemption Fund. Excess redemptions of $38,300 were made during fiscal year 2016. The terms of the Supplemental Indenture permit the Commission to reduce the scheduled mandatory sinking fund payments, up to the amount of early redemptions of those same warrants, with proper notice to the Trustee. Effective with the fiscal 2011 mandatory sinking fund payments due, the Commission notified the Trustee and used excess redemptions previously paid to reduce payments cumulatively totaling $36,325 for LO Series 2005-A Warrants, including $6,550 for fiscal year 2016.

The Commission may continue to utilize excess redemptions made to satisfy annual mandatory sinking fund payments. Also see Note S - Subsequent Events.

Standby Warrant Purchase Agreement
Under the terms of the Trust Indenture, holders of LO Series 2005-B Variable Rate Demand Warrants had the right to tender such warrants for purchase in whole or in part on any business day at a purchase price equal to 100 percent of the principal amounts of such warrants. The Commission entered into a Standby Warrant Purchase Agreement with a bank (Liquidity Provider), which provided for the purchase of such Variable Rate Demand Warrants subject to purchase pursuant to the optional tender terms and conditions of the related Trust Indentures, but not remarketed.

Under the terms of the Standby Warrant Purchase Agreement, substantially all of the warrants subject to such agreement were tendered during 2008 by the warrant holders for repurchase by the LO Liquidity Provider and are currently held by the LO Liquidity Provider. The LO Liquidity Provider notified the Commission of certain Events of Default related to the Series 2005-B Warrants under the Standby Warrant Purchase Agreement, including the failure to give priority to redemption of Bank Warrants held by the LO Liquidity Provider for the excess pledged education tax revenues. See the Second Supplemental Trust indenture, discussed below.

Second Supplemental Trust Indenture
The Second Supplemental Trust Indenture, dated December 3, 2013, provides a waiver of all past Events of Default, designates that excess Education Tax proceeds will be applied first to the Series 2005-B Warrants, and states that no prior excess redemptions will apply to Series 2005-B Warrants’ mandatory redemptions, among other provisions.

NOTE J - WARRANTS PAYABLE - Continued

Therefore, effective in fiscal year 2014, any excess tax mandatory redemptions are applied first to the LO Series 2005-B Variable Rate Demand Warrants held by the LO Liquidity Provider. The LO Series 2005-A and 2005-B outstanding balance reported above, includes $26,510 payable to the LO Liquidity Provider at September 30, 2016.

Lease Revenue Warrants, Series 2006

On August 1, 2006, the Jefferson County Public Building Authority (the Building Authority) issued $86,745 of tax-exempt Lease Revenue Warrants, Series 2006 (LR Series 2006 Warrants) pursuant to a Trust Indenture between the Building Authority and First Commercial Bank. These warrants were issued for the purposes of financing capital projects for the Jefferson County Public Building Authority, including a new courthouse in Bessemer, renovation of the existing courthouse and county jail in Bessemer and construction of an E911 communications center office building, providing a debt service reserve fund, and paying related issuance costs.

While the Commission is not the issuer of the LR Series 2006 Warrants, the Building Authority's payment obligations under the LR Series 2006 Warrants are secured by lease revenues generated by the Commission's lease of the above-referenced buildings from the Building Authority. The LR Series 2006 Warrants are secured by a bond insurance policy issued by Ambac Assurance Corporation (Ambac). The outstanding principal balance of the LR Series 2006 Warrants was $59,480 at September 30, 2016.

2013 Lease Agreement

The Commission entered into a new lease agreement effective January 1, 2013, for the Building Authority related to the LR Series 2006 Warrants. Simultaneous with the Lease Agreement, the Building Authority and Trustee executed and delivered a First Supplemental Trust Indenture dated January 1, 2013. The lease is subject to renewal on an annual basis. Total semiannual lease payments range from $3,200 to $5,200 for years 2017 to 2026. While the 2013 Lease Agreement specifies that a portion of the lease payment is subject to payment by Ambac, the Bond Insurer, the Commission has elected to prepay any such amounts for which a bond insurer policy payment would otherwise come due.

First Supplemental Trust Indenture

The First Supplemental Trust Indenture dated January 1, 2013, was entered into by and between the Building Authority and First Commercial Bank. The new agreement modifies certain provisions of the original indenture and establishes a trustee expense reserve fund, among other modifications.

NOTE J - WARRANTS PAYABLE - Continued

Fair Value of Warrants

Business-Type Activities
The estimated fair value for all Sewer Obligation Warrants outstanding of $1,914,656 based on independent pricing was approximately $2,409,418 as of September 30, 2016.

Governmental Obligations
The estimated fair value for General Obligation Warrants outstanding of $722,650 (including GO Warrants, LO School Warrants and Lease Warrants) based on independent pricing was approximately $725,337 as of September 30, 2016.

Summary of Warrant Transactions
The following is a summary of warrant transactions for the Commission for the year ended September 30, 2016. Activity related to the long-term debt is as follows:

Warrant Issue	Balance at September 30, 2015	Additions	Accretion	Payments / Retirements	Balance at September 30, 2016	Due Within One Year
Business-Type Activities:						
Series 2013-A	$ 395,005	$ -	$ -	$ -	$ 395,005	$ -
Series 2013-B	61,623	-	3,956	-	65,579	-
Series 2013-C	169,133	-	11,483	-	180,616	-
Series 2013-D	810,915	-	-	2,285	808,630	7,345
Series 2013-E	57,843	-	4,615	-	62,458	-
Series 2013-F	372,817	-	29,551	-	402,368	-
	1,867,336	-	49,605	2,285	1,914,656	7,345
Governmental Activities:						
Series 2003-A GO	41,570	-	-	1,210	40,360	1,235
Series 2004-A GO	41,845	-	-	2,095	39,750	2,195
Series 2004-A LO School	418,615	-	-	32,840	385,775	34,565
Series 2005-A&B LO School	176,860	-	-	44,850	132,010	13,550
Series 2006 Lease	64,585	-	-	5,105	59,480	5,380
Series 2013-A GO	36,970	-	-	5,510	31,460	5,760
Series 2013-B GO	2,815	-	-	1,405	1,410	1,410
Series 2013-C GO	36,445	-	-	5,430	31,015	5,675
Series 2013-D GO	2,775	-	-	1,385	1,390	1,390
	822,480	-	-	99,830	722,650	71,160
	$ 2,689,816	$ -	$ 49,605	$ 102,115	$ 2,637,306	$ 78,505

NOTE J - WARRANTS PAYABLE - Continued

Maturity Schedules

The following is a schedule of debt service requirements for the outstanding warrants to maturity, under the original principal (including accretion) payments and interest terms as specified in the various Indentures.

Fiscal Year Ending September 30	Business-Type Activities			Governmental Activities	
	Principal	Interest	Future Interest Accretion	Principal	Interest
2017	$ 7,345	$ 71,911	$ 53,353	$ 71,160	$ 32,940
2018	12,995	71,402	57,383	71,540	29,665
2019	14,215	70,722	61,718	74,940	26,375
2020	-	70,366	66,387	78,435	22,945
2021	-	70,366	71,414	82,140	19,328
2022-2026	38,170	529,576	207,702	344,435	39,496
2027-2031	45,600	769,435	88,611	-	-
2032-2036	72,844	893,641	49,281	-	-
2037-2041	279,919	805,877	-	-	-
2042-2046	316,741	638,307	-	-	-
2047-2051	477,487	601,587	-	-	-
2052-2054	649,340	63,738	-	-	-
	$ 1,914,656	$ 4,656,928	$ 655,849	$ 722,650	$ 170,749

Fiscal Year Ending September 30	Total Principal, Interest and Accretion Requirements to Maturity				
	Principal	Interest	Total Principal and Interest	Future Interest Accretion	Total Principal, Interest and Accretion
2017	$ 78,505	$ 104,851	$ 183,356	$ 53,353	$ 236,709
2018	84,535	101,067	185,602	57,383	242,985
2019	89,155	97,097	186,252	61,718	247,970
2020	78,435	93,311	171,746	66,387	238,133
2021	82,140	89,694	171,834	71,414	243,248
2022-2026	382,605	569,072	951,677	207,702	1,159,379
2027-2031	45,600	769,435	815,035	88,611	903,646
2032-2036	72,844	893,641	966,485	49,281	1,015,766
2037-2041	279,919	805,877	1,085,796	-	1,085,796
2042-2046	316,741	638,307	955,048	-	955,048
2047-2051	477,487	601,587	1,079,074	-	1,079,074
2052-2054	649,340	63,738	713,078	-	713,078
	$ 2,637,306	$ 4,827,677	$ 7,464,983	$ 655,849	$ 8,120,832

NOTE J - WARRANTS PAYABLE - Continued

Warrant Insurance Costs, Premiums and Discounts

The Commission has warrant issuance costs and premiums and discounts in connection with the issuance of its warrants. Bond issuance costs other than bond insurance premiums are expensed as incurred. Bond insurance costs and premiums and discounts are being amortized using the straight-line method. The balances and activities for these accounts are as follows:

	Bond Insurance Costs	Premiums (Discounts) Net
Business-Type Activities:		
Total net premiums (discounts) and bond insurance costs	$ 37,000	$ (36,543)
Accreted (amortized), net in prior years	(1,640)	1,619
	35,360	(34,924)
Current year (amortization) accretion, net	(933)	923
Net balance at September 30, 2016	$ 34,427	$ (34,001)
Governmental Activities:		
Total net premiums (discounts) and bond insurance costs	$ 12,424	$ 51,347
Accreted (amortized), net in prior years	(9,385)	(28,744)
	3,039	22,603
Current year (amortization) accretion, net	(273)	(2,457)
Net balance at September 30, 2016	$ 2,766	$ 20,146
Commission Totals:		
Total net premiums (discounts) and bond insurance costs	$ 49,424	$ 14,804
Accreted (amortized), net in prior years	(11,025)	(27,125)
	38,399	(12,321)
Current year (amortization) accretion, net	(1,206)	(1,534)
Net balance at September 30, 2016	$ 37,193	$ (13,855)

NOTE J - WARRANTS PAYABLE - Continued

Restricted Accounts

Business-Type Activities
In accordance with the 2013 Sewer Indenture, the Commission established certain restricted revenue, debt service, capital improvement and related funds. All such funds are part of the General Trust Estate and are held and managed by the 2013 Sewer Trustee for the sole benefit of the holders of the Series 2013 Sewer Warrants.

The Revenue Fund was established for the deposit of all sewer system revenues and disbursements for authorized transactions (per the 2013 Sewer Indenture) including deposits to the Series 2013 Debt Service Funds, trustee and other fees, operating expenses for the sewer system, Reserve Fund deposits and requests for withdrawals by the Commission for rebate liability or amounts due for unsecured obligations, with any remaining amounts deposited to the Capital Improvement Fund.

The Series 2013 Debt Service Funds were established for monthly deposits of principal and interest amounts due on the Senior Lien and Subordinate Lien Series 2013 Sewer Warrants by the 2013 Sewer Trustee and disbursements when such payments are due.

The Series 2013 Reserve Funds were established for the irrevocable standby letters of credit that were issued by JPMorgan Chase Bank for the Series 2013 Reserve Funds, as discussed further above.

The Capital Improvement Fund was established for funds held on deposit and for capital improvements for the sewer systems. The 2013 Sewer Trustee will deposit any excess funds after all debt service, operating expenses, other fees and expenses and reserve fund requirements are met into the Capital Improvement Fund. If no 2013 Sewer Indenture default exists, the Commission may withdraw funds from the Capital Improvement Fund for the costs of capital improvements to the sewer systems or for the optional purchase or tender of outstanding or callable 2013 Sewer Revenue Warrants. Under the terms of the 2013 Sewer Indenture, amounts on deposit in the Capital Improvement Fund may also be used to pay debt service or operating expenses if the amounts on deposit in the Series 2013 Debt Service Funds or the Operating Account are insufficient to pay debt service or operating expenses when needed.

All debt service, reserve and capital improvement funds are recorded as restricted cash or investments for the purposes set forth in the warrant documents.

Governmental Activities
The proceeds from each warrant issue were placed in an escrow account to be disbursed based on approved expenditures. Remaining balances are recorded as restricted cash or investments for the purposes set forth in the warrant documents. The terms of certain warrant agreements require debt reserve funds to be maintained, and funds may be deposited in debt service accounts pending payment to the Trustee. Such accounts are reported as restricted cash and investments. See Note D for a summary of the restricted funds and related cash and investments held at year end.

NOTE J - WARRANTS PAYABLE - Continued

Continuing Disclosures
The Commission is required to provide certain continuing disclosures with respect to certain Trust Indentures and warrants outstanding in accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934. Certain Trust Indentures require the Commission to enter into Disclosure Dissemination Agent Agreements (each a Continuing Disclosure Agreement) with Digital Assurance Certification, LLC (DAC) with respect to each applicable warrant series. Under the Continuing Disclosure Agreements, set forth in the various Trust Indentures or Official Statements, the Commission has covenanted for the benefit of the beneficial holders of certain warrants under the various indentures to provide certain quarterly or annual financial information and operating data relating to the Commission and to provide notices of certain enumerated events.

The Continuing Disclosure Agreements require sanitary sewer system quarterly statements from the Commission within 90 days after the end of a quarter, an Annual Report and Certification of compliance by the Chief Financial Officer of the Commission or their designee, Audited Financial Statements within 180 or 270 days after the end of each fiscal year, material event notices and any voluntary event or financial disclosures.

Material event notices are required for events with respect to the related warrants of any principal and interest delinquencies, non-payment related defaults, if material, unscheduled draws on debt service reserves or credit enhancements reflecting financial difficulties of the Commission, adverse tax opinions, modifications to rights of bondholders, or bond calls, if material, defeasances, rating changes and bankruptcy, insolvency, receivership or other similar events for the Commission.

The financial and other information is required to be provided through the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board (MSRB) as the central repository for ongoing disclosures by municipal issuers, as designated by the Securities and Exchange Commission.

Debt Covenants

Business-Type Activities
The 2013 Sewer Indenture includes certain representations and covenants covering inspection of records, encumbrances, payment of secured obligations, advances by 2013 Sewer Trustee, transfer of sewer system, compliance with tax certificate and agreement and general covenants regarding ownership and operation of the sewer system.

The covenants regarding ownership and operation of the sewer system require maintenance and efficient operation, preservation of priority of pledge and assignment of the System Revenues imposed by the 2013 Sewer Indenture, prohibit any additional liens on System Revenues, limit any disposition of portions of the sewer system, require annual budgets, maintenance of books and records, preparation of annual budgets, an annual audit (completed within 270 days of the fiscal year end), maintenance of insurance and maintenance of rates, among other items.

NOTE J - WARRANTS PAYABLE - Continued

Compliance with Rate Resolution

Maintenance of rates requires compliance with the Rate Resolution, as approved and adopted by the Commission on September 23, 2013. The Rate Resolution sets forth the existing approved rate structure for the Jefferson County sewer system including rates, charges and fees for users (user charges) of the sewer system. The Rate Resolution also includes modifications to such user charges effective November 1, 2013, and annually thereafter through the remaining term of the 2013 Sewer Warrants.

The Commission implemented the October 1, 2015, sewer user charge increases in accordance with the Rate Resolution. (Also see Note S - Subsequent Events).

Required Coverage Ratios

The 2013 Sewer Indenture also requires the Commission to comply with the Required Coverage Ratios. The Commission must satisfy both ratios in order to be in compliance with the Required Coverage Ratios.

Senior Debt Ratio - Net Revenues for the fiscal year must be not less than 125% of debt service requirements on Senior Lien Obligations payable during such fiscal year.

All-In Debt Ratio - Net Revenues for the fiscal year must be not less than 110% of debt service requirements on all Secured Obligations payable during such fiscal year.

Net Revenues is defined in the 2013 Sewer Indenture as the excess of System Revenues, income and gains from the Sewer System over expenses (including Operating Expenses to the extent in excess of Sewer Tax Proceeds) and losses from the Sewer System for the fiscal year, but excluding debt service paid on all Secured Obligations, amounts payable on unsecured obligations, expenditures for capital improvements, depreciation and amortization, unrealized gains or losses on investments and other non-cash expenses and customer security deposits.

If the results of operations for the Sewer System for any fiscal year fail to comply with the Required Coverage Ratios, within 90 days after the beginning of the following fiscal year, the Commission shall deliver to the 2013 Sewer Trustee a revised schedule of rates and charges for Sewer System services, duly adopted by the Commission, a forecast of results of operations for the then current fiscal year, and a certificate of the Commission's Management stating that after consideration of the changes implemented, the Commission reasonably expects in good faith to be in compliance with the Required Coverage Ratios as of the end of such fiscal year.

If the results of operations for the Sewer System fail to comply with the Required Coverage Ratios in the succeeding fiscal year, within 60 days after the beginning of the following fiscal year, the Commission shall retain an independent consultant to recommend a revised schedule of rates and charges for the Sewer System services and other actions to improve the results of operations for the Sewer System in accordance with the specified procedures included in the 2013 Sewer Indenture.

NOTE J - WARRANTS PAYABLE - Continued

If the Commission undertakes the remedial action required by Section 10.9(b) and 10.9(c) of the 2013 Sewer Indenture, the failure to achieve the Required Coverage Ratios in such fiscal year shall not constitute an Indenture Default, provided there are no payment defaults. The failure to achieve the Required Coverage Ratios in two consecutive fiscal years shall not constitute an Indenture Default if the Commission demonstrates compliance with the Required Coverage Ratios by substituting 115% for 125% in the ratio applicable to Senior Lien Obligations; otherwise the failure to achieve the Required Coverage Ratios shall constitute a default.

The Commission was in compliance with the Required Coverage Ratios for fiscal year ended September 30, 2016.

Accrued Arbitrage Rebate
Sections 148(f)(2) and 1.148-1 to 11 of the Internal Revenue Code of 1986, as amended, require any entity issuing tax-exempt warrants to have computations of potential rebate amounts for investment earnings in excess of prescribed allowed amounts for tax-exempt warrant proceeds that have not been expended. As such, any remaining invested funds for the tax-exempt warrants for the Commission described above may be subject to arbitrage rebate.

The Commission has periodic arbitrage rebate calculations performed on tax-exempt warrants and accrues arbitrage rebates based on those calculations.

If there are arbitrage rebates payable, the Commission would be required to make installment payments in an amount equal to 90 percent of any arbitrage rebate within 60 days of a rebate computation date, which is the end of the fifth bond year and each five-year period thereafter to the Internal Revenue Service (IRS). In addition, certain exceptions may apply that may limit the rebate amount, and special rules exist relating to retired warrant issues.

There were no accrued arbitrage rebates as of September 30, 2016.

The Commission determined that a portion of the proceeds of its Series 2004-A LO School Warrants were invested during 2005 and 2006 at interest rates higher than the limits permitted by the applicable tax laws. As a result, the Commission's earnings on the invested amounts exceeded the permitted amounts. The Commission self-reported the violation to the IRS and applied for a Closing Agreement under the IRS Voluntary Closing Agreement Program during 2016. After consideration of a rebate payment previously made by the Commission in 2011, the IRS agreed that an additional payment of $5,376 would be sufficient to repay the excess earnings owed to the United States Treasury and to resolve the violation resulting from the investment of warrant proceeds. The Commission wired the funds to the IRS on March 1, 2016 and the Closing Agreement became final on March 4, 2016.

NOTE J - WARRANTS PAYABLE - Continued

Municipal Bond Insurance Policy
Concurrent with the issuance of the warrants, National, Ambac or AGM issued municipal bond (warrant) insurance policies for certain revenue warrant issues as discussed above for each warrant issue.

The insurance policies unconditionally guarantee the payment of that portion of the principal (including accretion of interest) and current interest on the warrants, which becomes due and is unpaid by reason of nonpayment by Jefferson County, Alabama. The insurance policies are noncancelable, and the premium is fully paid at the time of delivery of the warrants.

The insurance policies cover failure to pay principal of said warrants on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption and cover failure to pay an installment of interest on the stated date for its payment. However, the policies may not require payments of principal due under accelerated payment schedules if or when optional tender features are exercised.

Generally, in connection with its insurance of an issue of municipal securities, the insurance company requires, among other things, that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without the insurance company's consent, so long as the insurance company has not failed to comply with its payment obligations under its insurance policy and that any amendment or supplement to or other modification of the principal legal documents be subject to the insurance company's consent.

Subsequent Events
Events subsequent to year end that may impact the warrants payable are discussed in Note S - Subsequent Events.

NOTE K - CONDUIT DEBT OBLIGATIONS

The Commission issued Limited Obligation School Warrants, Series 2000 (Series 2000 Warrants) in order to finance the costs of acquiring certain public school facilities (the Leased Property) of the Jefferson County Board of Education (the Board) for lease back to the Board. The funds were used to retire the Board's revenue anticipation warrant dated May 3, 2000. The Board simultaneously executed a capital lease agreement with the Commission for the aforementioned property and pledged tax proceeds for the lease payments which will approximate debt service requirements under the Jefferson County Commission's Limited Obligation School Warrants, Series 2000.

The warrants do not constitute a debt or pledge of the faith and credit of the Jefferson County Commission and, accordingly, have not been reported in the accompanying financial statements. Upon repayment of the warrants, ownership of the leased property will return to the Board. On December 18, 2015, the outstanding Series 2000 Warrants were legally defeased and the capital lease agreement was simultaneously terminated. No principal amount of Series 2000 Warrants was outstanding as of September 30, 2016.

NOTE L - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The General Retirement System for Employees of Jefferson County, Alabama (the Retirement System) is the administrator of a single-employer, defined benefit pension plan (the Pension Plan) covering substantially all employees of Jefferson County, Alabama. The Retirement System was established by Act Number 497, Acts of Alabama 1965, page 717, as amended, and provides guidelines for benefits to retired and disabled employees of the Commission. The responsibility for making effective the provisions of Act 497 is vested in the Pension Board which consists of five members.

The Pension Plan's financial statements are publicly available in the annual report of the General Retirement System for Employees of Jefferson County, Alabama for the year ended September 30, 2016. The report may be reviewed at the Jefferson County Courthouse, Room 430, Birmingham, Alabama.

Plan membership is mandatory for all classified full-time civil service employees upon commencement of employment. Employees whose employment is not subject to the civil service system or those who are officers may elect to join. At September 30, 2015, the Measurement Date, membership in the Pension Plan consisted of the following:

Retired participants and beneficiaries currently receiving benefits	2,249
Terminated participants and beneficiaries entitled to but not yet receiving benefits	110
Terminated participants entitled to a refund of contributions	151
Active participants	2,116
	4,626

NOTE L - DEFINED BENEFIT PENSION PLAN - Continued

Benefits Provided
Plan benefits are determined by various criteria including, but not limited to, age, years of service and basic average salary. Basic average salary is defined as the average salary for the highest consecutive 36-month period of employment, excluding overtime and longevity pay. Benefits are limited to a maximum of 75 percent of a member's basic average salary and vest after 10 years of paid service. Benefits are received in monthly payments over the remaining life of the member. Vested members, upon termination, for reasons other than retirement, death or disability, may elect to forego monthly benefit payments and receive a one-time payment of their retirement contributions and related interest.

Benefits may be received under the following conditions:

Normal Retirement – A member may retire upon reaching age 55 with a total of 30 years of service of which at least 20 years are paid membership time with Jefferson County, or the member may retire regardless of age after completing 30 years of paid membership time with Jefferson County. Otherwise, the member must have attained age 60 with a minimum of 10 years of paid service.

Early Retirement – Any member who has completed 30 years of service, including 10 years of paid membership service, may elect to receive a regular early retirement benefit reduced by a percentage according to the member's age on the birthday preceding retirement. Any member who has completed 25 years of paid membership service may elect to receive a 25-year early retirement benefit reduced by 7% for each year less than 30 years of paid membership.

Contributions
Employees of the Commission are required by statute to contribute six percent of their gross salary to the Pension Plan. The Commission is required to contribute amounts equal to participant contributions. The Plan also receives from the Commission a percentage of the proceeds from the sale of pistol permits.

Contributions from the Commission were $7,393 for the year ended September 30, 2016, equaling approximately 6% of payroll of covered participants.

Actuarial Dates
GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date: September 30, 2015
Measurement Date: September 30, 2015
Reporting Date: September 30, 2016

NOTE L - DEFINED BENEFIT PENSION PLAN - Continued

Actuarial Assumptions
The total pension liability as of September 30, 2015, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

	Rate
Inflation	3.25%
Salary increases	4.25% - 7.25%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table with Projection Scale AA set forward one year for males for the period after service retirement and for dependent beneficiaries. The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2004 through September 30, 2009.

Discount Rate
The discount rate used to measure the total pension liability at September 30, 2015, was the long term rate of return, 7%. The projection of cash flows used to determine the discount rate assumed that member contributions and employer contributions will be made at the current contribution rates. Projected future benefit payments for all current plan members were projected through the year in which the last benefit payment will be made. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension investments was applied to all periods of projected benefit payments to determine the total pension liability, and a municipal bond rate was not used in determining the discount rate.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE L - DEFINED BENEFIT PENSION PLAN - Continued

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap Growth	20.00%	6.65%
US Large Cap Value	20.00%	5.95%
US Small Cap Growth	3.75%	8.25%
US Small Cap Value	3.75%	6.55%
International Equity	7.50%	6.75%
US Fixed Income – Short	12.00%	1.75%
US Fixed Income – Intermediate	11.00%	2.15%
US Fixed Income – Long	12.00%	2.20%
International Fixed Income	10.00%	1.75%

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (A)	Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) – (B)
Balances at September 30, 2014	$ 951,975	$ 1,077,606	$ (125,631)
Service cost	17,325	-	17,325
Interest cost	64,608	-	64,608
Difference between expected and actual experience	(5,226)	-	(5,226)
Contributions – employer	-	6,732	(6,732)
Contributions – employee	-	6,716	(6,716)
Net investment income	-	(1,107)	1,107
Benefit payments, including refunds of member contributions	(58,006)	(58,006)	-
Administrative expense	-	(998)	998
Other changes	-	361	(361)
Net changes	18,701	(46,302)	65,003
Balances at September 30, 2015	$ 970,676	$ 1,031,304	$ (60,628)

September 30, 2015, is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of September 30, 2015, using standard roll-forward techniques. The difference between the expected total pension liability and the actual total pension liability as of September 30, 2015 is reflected as an experience gain or loss for the year.

NOTE L - DEFINED BENEFIT PENSION PLAN - Continued

There was no change in the actuarial assumptions or benefit terms that affected the measurement of the total pension liability since the prior measurement date.

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate
The following information presents the net pension (asset) liability calculated using the discount rate of 7%, as well as what the net pension (asset) liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net Pension (Asset) Liability	$ 44,064	$ (60,628)	$ (149,625)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2016, the Commission recognized pension expense of $(8,437). Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Pension Plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period. At September 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,886
Net differences between projected and and actual earnings on plan investments	38,022	-
Employer contributions subsequent to the measurement date	7,393	-
Total	$ 45,415	$ 3,886

Deferred outflows of resources related to pensions of $7,393 resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the year ending September 30, 2017.

NOTE L - DEFINED BENEFIT PENSION PLAN - Continued

Other than the deferred outflows resulting from the Commission's contributions subsequent to the measurement date, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ 6,418
2018	6,418
2019	6,551
2020	14,749
	$ 34,136

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (OPEBS)

In addition to the pension benefits described in Note L, the Commission sponsors a single-employer postretirement welfare benefit plan (OPEB Plan) in accordance with a resolution first approved by the Commission on September 25, 1990, and approved annually thereafter. The OPEB Plan provides for medical insurance coverage to eligible retirees and their dependents as indicated below:

Benefits are generally available at the earliest of the following:

1. Age 60 and completion of 10 years of paid membership service,
2. 30 years of paid membership service or
3. Age 55 with 30 years of service of which 20 must be paid membership service.

Eligibility: Subject to the operative terms and provisions of the OPEB Plan, an individual is eligible who: (a) has not reached age 65, (b) is vested and thus entitled to receive, either currently or in the future, a retirement benefit and (c) is covered by the Jefferson County active employee group health insurance plan for hospital, physician, major medical and prescription drug benefits immediately before the date the retirement benefit becomes payable or, for an employee who is involuntarily retired and is covered by the Jefferson County active employee group health insurance plan as of the employee's date of separation from employment.

Regardless of any operative terms or provisions of the OPEB Plan, (a) an individual who is eligible for Medicare enrollment on the date he or she is eligible to receive a retirement benefit shall be ineligible for OPEB Plan enrollment as an eligible retiree (but such individual shall be treated as an eligible employee solely for the purposes of OPEB Plan enrollment of eligible dependents) and (b) an eligible retiree's OPEB Plan coverage shall terminate if he or she becomes eligible for Medicare enrollment.

Eligible Dependent Coverage: Subject to the operative terms and provisions of the OPEB Plan, an eligible retiree who is himself or herself eligible for OPEB Plan coverage may enroll each eligible dependent of his or hers. However, an eligible dependent will be ineligible for OPEB Plan enrollment if he or she has reached age 65 or is eligible for Medicare enrollment on the date he or she otherwise would be eligible for OPEB Plan enrollment as an eligible dependent.

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (OPEBS) - Continued

Benefit Types: Medical and prescription drug benefits are provided to all eligible retirees. Dependents of eligible retirees are granted the same benefits as the retiree. OPEB benefits include postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are not offered as part of a pension plan; and long-term disability insurance for employees. These benefits are typically financed on a pay-as-you-go basis. GAAP requires accrual-basis accounting, thereby recognizing the employer cost of postemployment benefits over an employee's career.

The total cost of providing postemployment benefits is projected by taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB).

The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

As of September 30, 2016, the most recent actuarial valuation date, the OPEB had 470 retired participants. The OPEB Plan had a total of 2,383 and -0- active participants and vested terminated participants, respectively. The Commission subsidizes a portion of the retirees' health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from $485 to $1,458 per month, and total insurance premiums range from $603 to $1,799.

Once the UAAL is determined, the annual required contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made, and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the OPEB Plan.

The OPEB Plan does not issue a stand-alone financial report.

Funding Policy - The Commission has not set aside assets in a qualifying trust fund as of September 30, 2016, and is currently financing the OPEB Plan on a pay-as-you-go basis. Retirees and employees are not required to contribute to the OPEB Plan.

The Commission's OPEB cost is calculated based on the ARC calculated using the projected unit credit method, an allowable cost method under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits (OPEB) other than Pensions* (Statement No. 45). The ARC is the basic annual expense recognized under Statement No. 45 that is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years, which is the amortization period used by the OPEB Plan.

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (OPEBS) - Continued

The following table shows the components of the Commission's OPEB cost for the year, the amount contributed to the OPEB Plan and the changes in the Commission's net OPEB obligation:

(In Thousands)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	Adjustment to ARC (c)	Annual OPEB Cost (a+b+c = d)	Annual Contribution Amount (e)	Percentage of OPEB Cost Contributed (e/d)	Net Increase (Decrease) in NOO (d-e = f)	NOO at Beginning of Year (g)	NOO at End of Year (f+g)
09/30/16	09/30/16	$ 5,903	$ 503	$ (465)	$ 5,941	$ 4,423	74.4%	$ 1,518	$ 12,580	$ 14,098
09/30/14	09/30/15	5,903	472	(436)	5,939	5,148	86.7%	791	11,789	12,580
09/30/14	09/30/14	4,779	448	(413)	4,814	4,219	87.6%	595	11,194	11,789

Funding Status and Funding Progress

As of September 30, 2016, the most recent actuarial valuation date, the OPEB was zero percent funded. The actuarial accrued liability was $97,566, and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability of $97,566. Covered payroll was approximately $126,645, resulting in unfunded actuarial liability as a percentage of payroll of 77 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the OPEB and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of OPEB assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The above schedules of employer contributions present trend information about the amounts contributed to the OPEB by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Actuarial Methods and Assumptions

The information presented above was determined as part of the actuarial valuation at the date indicated. Projections of benefits for financial reporting purposes are based on the substantive plan (the OPEB as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (OPEBS) - Continued

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	September 30, 2016
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	30 years
Amortization Factor	27.0642
Asset Valuation Method	Market Value of Assets
Mortality	RP-2000 Employee Mortality Table
Discount Rate	4%
Projected Payroll Increases	3.25%
Inflation Rate	3.25%
Health Care Costs Rates	Pre-Medicare Medical Trend 7.75% graded to 5% over 5 years

NOTE N - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains a risk management program in order to minimize its exposures to loss. Risk financing for these various exposures is accomplished through the following methods:

- *General and Auto Liability* - Self-insured with an established department to finance losses.

- *Workers' Compensation* - Self-insured with a retention of $550, with excess coverage for statutory amounts above the retention covered by commercial insurance.

- *Property Insurance* - Commercial insurance coverage purchased in the maximum amount of $500,000 per occurrence, except a separate annual aggregate of $50,000 flood and earthquake, to include the following sublimits: (a) the Commission participates in an Owner Controlled Insurance Program with respect to property in the course of construction, builder's risks and installation or erection; (b) $50,000 per occurrence as included in the $500,000 loss limit subject to the policy terms and conditions; (c) $5,000 with respect to extra expense and (d) $1,000 with respect to transit.

- *Health System and Nursing Home Medical Malpractice and General Liability* - Certain medical professional employees purchase individual insurance protection that is applicable to their Commission employment. The Commission reimburses premiums for medical malpractice - professional liability insurance coverage for those Commission medical professional employees in amounts up to a stated amount per year. The Commission has also purchased professional and general liability insurance with coverage consisting of $1,000 per occurrence and $3,000 aggregate.

NOTE N - RISK MANAGEMENT - Continued

- *Health Insurance* - Self-insured with excess coverage through a commercial insurance provider. The Commission purchases specific reinsurance coverage with an unlimited benefit for each covered person, subject to a $250 deductible per covered person. Employees may obtain health care services through participation in the Commission's group health insurance plan. Risk management administers health insurance and negotiates with private providers to provide health, life, accidental death and dismemberment, vision and dental insurances for its employees and dependents. The Commission pays approximately 75 percent of health and 100 percent of basic life and accidental death and dismemberment, and the employees pay 100 percent of dental and vision insurance and other voluntary insurance plans. The Commission's risk financing activities associated with the Commission group health insurance, such as the risks of loss related to medical and prescription drug claims, are administered through third parties on a paid-claims basis.

For the year ended September 30, 2016, changes in the claims liabilities for the general, auto and workers' compensation self-insured activities for the Commission are as follows:

	General Liability	Auto Liability	Workers' Compensation	Totals
Unpaid claims and claim adjustment expenses:				
Accrual at beginning of fiscal year	$ 502	$ 33	$ 3,548	$ 4,083
Incurred claims and claim adjustment expenses:				
Provision for insured events of current fiscal year	721	201	1,095	2,017
Increases/decreases in provision for insured events of prior fiscal years	(472)	275	(706)	(903)
Total incurred claims and claim adjustment expenses	249	476	389	1,114
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(140)	(475)	(292)	(907)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	-	-	-	-
Total payments	(140)	(475)	(292)	(907)
Accrual at end of fiscal year	$ 611	$ 34	$ 3,645	$ 4,290

NOTE N - RISK MANAGEMENT - Continued

For the year ended September 30, 2016, changes in the claims liabilities for the health self-insured activities for the Commission are as follows:

Balance October 1, 2015	Claims Incurred	Claims Paid	Increase/ Decrease in Liability	Balance September 30, 2016
$ 1,492	$ 21,720	$ (21,748)	$ (28)	$ 1,464

NOTE O - JEFFERSON COUNTY ECONOMIC AND INDUSTRIAL DEVELOPMENT AUTHORITY

The Jefferson County Economic and Industrial Development Authority (the Development Authority) is considered a blended component unit of the Commission. The financial position and results of operations of the Development Authority have been included in the accompanying financial statements as a nonmajor enterprise fund with any significant interfund activity being eliminated. At September 30, 2016, the Development Authority was indebted to the Commission in the amount of approximately $12,822, which is presented as advances due to/from other funds in the accompanying statement of net position. This amount is eliminated in the government-wide statement of net position.

NOTE P - TRANSACTIONS WITH OTHER FUNDS

Advances to/from Other Funds

The amounts of advances to/from other funds at September 30, 2016, were as follows:

	Advances from Other Funds		
	General Fund	Nonmajor Governmental Funds	Totals
Advances to other funds:			
Limited Obligation School Fund	$ 56	$ -	$ 56
Nonmajor Governmental Funds	5,410	-	5,410
Nonmajor Enterprise Funds	13,077	9,598	22,675
	$ 18,543	$ 9,598	$ 28,141

NOTE P - TRANSACTIONS WITH OTHER FUNDS - Continued

Advances to/from other funds are generally for one of the following reasons: (a) amounts loaned from one fund to another to finance daily operations are expected to be received within one year, (b) amounts loaned from one fund to another from the refinancing of general obligation warrants in previous years or for the purchase of investment property are not expected to be repaid within one year or (c) amounts payable from one fund to another for indirect cost allocations are expected to be received within one year.

Interfund Transfers
The amounts of interfund transfers during the fiscal year ended September 30, 2016, were as follows:

	Transfers in			
	General Fund	Nonmajor Governmental Funds	Agency Funds	Totals
Transfers out:				
General Fund	$ -	$ 6	$ 2,386	$ 2,392
Bridge and Public Building Fund	7,427	30,917	-	38,344
	$ 7,427	$ 30,923	$ 2,386	$ 40,736

The Commission typically uses transfers to fund ongoing operating subsidies and to service a portion of current-year debt requirements.

NOTE Q - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At September 30, 2016, the Commission has commitments of the following:

Name of Commitment	Amount
Sewer repairs and maintenance	$ 8,706
Cahaba River Trussville PHI	2,146
Software system conversion	1,571
Healthcare services for hospital claims	1,259
State courts	556
Widening of Brooklane Drive	1,931
Radio equipment maintenance	680
2121 building rehabilitation	1,000
Roofing maintenance	731
Fuel services	1,689
Community development projects	2,190
	$ 22,459

NOTE R - CONTINGENT LIABILITIES AND LITIGATION

The Commission is party to various lawsuits or claims. Following is a discussion of the significant claims outstanding at September 30, 2016.

United States v. Jefferson County, et al., United States District Court for the Northern District of Alabama, Southern Division, Case Number 2:75-CV-00666-CLS: This long-running dispute, initially brought by the United States Department of Justice, involves the employment practices of Jefferson County. In 1982, Jefferson County entered into a Consent Decree that required it to take certain actions to remedy past discrimination against African Americans and females.

The active portion of the litigation began on October 3, 2007, when two groups of plaintiffs claimed that the Commission had failed to comply with the Consent Decree's requirements to ensure equal employment for blacks and women and to remedy the effects of prior discrimination. The plaintiffs also alleged that the Commission failed to comply with Consent Decree requirements regarding hiring specific compliance officers and recordkeeping. The plaintiffs sought to hold the Commission in contempt and sought to modify the Consent Decree to mandate particular practices that the plaintiffs would like to see implemented. On January 27, 2012, the federal district court found that the Bankruptcy Case (See Note T) did not stay the portions of this lawsuit that concern the Commission.

The United States District Court, on August 20, 2013, entered its decision and order finding the Commission in contempt of court and informing the parties that a receiver would be appointed over the Human Resources Department. On October 25, 2013, the Court appointed Dr. Ronald Sims, Ph.D., from the College of William and Mary in Williamsburg, Virginia to serve as the receiver (the Employment Discrimination Receiver) under the direction of and reporting only to the Court. On May 28, 2015, The United States District Court advised the parties that it had called for Dr. Sims to step down as the Receiver and terminated his appointment. On June 11, 2015, the United States District Court appointed Lorren Oliver, Executive Director of the Personnel Board of Jefferson County, to serve as Interim Receiver. On November 25, 2015, the United States District Court appointed Lorren Oliver to the position of Receiver in which he continues to serve under a Modified Order Appointing Receiver. The Employment Discrimination Receiver's authority is to exercise full control over nearly all employment decisions of the Commission, subject to a court-approved budget, until full and sustainable compliance with the employment discrimination consent decree has been achieved. The District Court's modified order contemplates the Employment Discrimination Receiver's duties and obligations be substantially completed in three years or less. Pursuant to the Employment Discrimination Order, the County may challenge any actions proposed or taken by the Employment Discrimination Receiver if the Commission in good faith believes such actions materially interfere with the functions of Jefferson County.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION - Continued

Under the Employment Discrimination Receiver, the Commission will be required to undertake certain (work in progress) actions with regard to its hiring and promotion processes. Such changes are expected to be financially burdensome. Currently, the Commission has unanswered questions about individual damages claims, and it is impossible to predict the likely outcome of this issue at this time. For reference and although these budgets overlap to a certain extent with costs and expenses already included in the Commission's budget, the Receiver's budget for fiscal year 2014-15 was close to $17,000. The Receiver's budget for fiscal year 2015-16 (running through September 30, 2016) was $14,036. The Receiver's budget for fiscal year 2016-2017 is $12,671.

It is also nearly certain that the plaintiffs will seek attorneys' fees and costs in connection with this case. Although it is not possible to know the amount they would seek, given the fact that this case has been pending since the mid-1970s, the Commission conservatively estimates a fee request in excess of $5 million. Because the plaintiffs' attorneys have proceeded with this case as a pro bono matter, Jefferson County would fight any order awarding fees; however, given the Commission's experiences with the Court, the Commission reasonably expects that fees and costs will be awarded. As of September 30, 2016, the Commission has accrued an estimated loss related to these fees and costs.

In addition to the "prevailing party" award of fees and costs described above, the Court entered into a sanctions order against the Commission in August 2008 related to past discovery conduct. The Commission filed a Motion for Reconsideration and the Court has indicated that it will enter sanctions in some amount. The plaintiffs are seeking approximately $750 in fees and costs as a sanction and the Commission is objecting to this amount. Again, although the Commission is prepared to defend itself against this sanctions issue, the Commission reasonably should expect that some sanction amount less than $750 will be entered against the Commission. The Commission has accrued an estimated loss related to these sanctions as of September 30, 2016.

CSX Transportation v. Jefferson County, Case number CV-10-1490, and *BNSF v. Jefferson County*, Case number 10-903065, were filed in the Circuit Court of Jefferson County, Alabama, Birmingham Division. These cases seek a refund of Commission sales taxes that were paid on the retail sale of diesel fuel. These cases were stayed by commencement of the Bankruptcy Case and by the trial court pending the outcome of a similar case filed against the State of Alabama. The plaintiffs in these cases filed proofs of claims in the County's Bankruptcy Case asserting the same claims asserted against the Commission in their lawsuits.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION - Continued

The lawsuits were stayed by the trial court pending the outcome of a similar case filed by taxpayers against the State of Alabama. In the State of Alabama's case, the 11th Circuit Court of Appeals (11th Circuit) ruled against the State. The State filed a petition for writ of certiorari with the U.S. Supreme Court asking it to review the matter. The Supreme Court granted the State's petition for writ of certiorari on July 1, 2014. On March 4, 2015, the U.S. Supreme Court held that the State's sales tax on diesel fuel purchased and used by rail carriers—where motor and water carriers are exempt from the tax—discriminates against rail carriers only if the State cannot justify the differences in tax treatment between those similarly-situated taxpayers. The Court remanded the case to the 11th Circuit, directing it to consider Alabama's justifications for the differential tax treatment of rail carriers, motor carriers, and water carriers.

On August, 19, 2015, the 11th Circuit vacated its opinion and remanded the case to the District Court for proceedings consistent with the U.S. Supreme Court's decision. On remand, the 11th Circuit stated that the district court should consider whether the state had sufficient justification for exempting a railroad's competitors from the sales and use taxes imposed on a railroad's purchase or consumption of diesel fuel, demonstrated by the imposition of an alternative comparable tax or otherwise.

There is, thus, a potential for an adverse outcome to the Commission with respect to CSX's and BNSF's claims.

Pursuant to court orders entered in the lawsuits prior to the commencement of the Bankruptcy Case, CSX and BNSF had been paying their respective disputed tax obligations into escrow for a period of time.

If CSX and BNSF prevail with their respective claims, the escrowed funds would be released back to them, but they would still have claims against the Commission for the refund of the amount of their disputed taxes paid prior to the establishment of the escrow. Any claims that CSX and BNSF might have that are not covered by the escrowed funds would be treated as General Unsecured Claims under the Commission's confirmed Plan of Adjustment. Under the Plan of Adjustment, creditors holding Allowed General Unsecured Claims shall receive only their pro rata share of a $5,000 General Unsecured Claims Pool that the Commission funded in full on the December 3, 2013 effective date ("Effective Date" as defined in the Plan of Adjustment). The conclusion of this matter is uncertain. The Commission has accrued an estimated loss related to these cases as of September 30, 2016.

Request for Administrative Claim filed by Norfolk Southern Railway Company. On December 30, 2013, Norfolk Southern Railway Company filed with the Bankruptcy Court a motion for the allowance of an administrative claim against the Commission in the aggregate amount of $1,630. Norfolk Southern's motion seeks a refund of sales taxes paid on the retail sale of diesel fuel to the Commission between the commencement of the Bankruptcy Case and September 30, 2013. The Bankruptcy Court denied Norfolk Southern's motion on June 30, 2015. The County and Norfolk Southern reserved all rights with respect to the allowance of Norfolk Southern's claim against the General Unsecured Claims Pool. If allowed, Norfolk Southern will be entitled only to receive an appropriate pro rata distribution from the $5,000 General Unsecured Claims Pool funded by the Commission on the effective date pursuant to the Plan of Adjustment. The conclusion of this matter is uncertain.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION - Continued

Bennett et al. v. Jefferson County, Alabama, et al., United States Bankruptcy Court for the Northern District of Alabama, Southern Division, Adversary Proceeding No. 12-00120: In the initial complaint, 15 sewer ratepayers sought injunctive and declaratory relief, in addition to damages, against the Commission and other defendants on behalf of several putative classes of customers of the Commission's sewer system. The Commission, named in the initial complaint only as a "nominal defendant," moved for a more definite statement of the claim and moved to strike the class allegations. Other defendants filed motions to dismiss detailing various shortcomings in the opening complaint. The plaintiffs voluntarily dismissed, with prejudice, six of the nine counts of their initial complaint. With respect to the remaining counts, the Bankruptcy Court entered orders granting the Commission's motion for a more definite statement and the Commission's motion to strike the class allegations, deeming moot the other defendants' various motions to dismiss, and giving plaintiffs time to file an amended complaint.

Plaintiffs filed their Second Amended Complaint for a Declaratory Judgment and Injunctive Relief (the Second Amended Complaint) on the Bankruptcy Court's deadline. This complaint named as defendants only the Commission and the indenture trustee for the sewer warrants.

This complaint sought the entry of a declaratory judgment that certain series of the Commission's sewer warrants were invalid because they allegedly violated the pre-issuance requirements of the sewer warrant indenture and contravened the Alabama and United States Constitutions. Both the Commission and the indenture trustee responded to the Second Amended Complaint with motions to dismiss.

In its reply to the plaintiffs' brief, the Commission requested that the Bankruptcy Court stay the adversary proceeding pending confirmation of the Commission's Plan of Adjustment, on the grounds that confirmation likely will resolve or moot the adversary proceeding. Pursuant to the Plan of Adjustment, the Commission proposes to settle and compromise the claims and causes of action asserted in the adversary proceeding against the indenture trustee, which claims and causes of action the Commission believes belong to the Commission and not to the sewer ratepayers or may be otherwise resolved by the Commission notwithstanding the objection of plaintiffs in the adversary proceeding. The Bankruptcy Court granted the Commission's request to stay the action. The plaintiffs filed a motion for reconsideration of the Bankruptcy Court's order staying the adversary proceeding, which the Bankruptcy Court denied.

During the Bankruptcy Case, Roderick Royal, one of the plaintiffs in the adversary proceeding, filed two proofs of claim on behalf of the putative class of sewer ratepayers. The two proofs of claim, which were duplicates, each assert claims against the Commission in the amount of $1,630 for, among other things, alleged, actual or contemplated overcharges in sewer rates. The Commission filed an objection to these proofs of claim. The Bankruptcy Court conducted a hearing on the Commission's objections to Royal's two proofs of claims on October 17, 2013.

As reflected in the Bankruptcy Court's order entered on November 12, 2013, the Bankruptcy Court sustained the Commission's objection and disallowed Royals' proofs of claim in their entirety. Royal and his fellow claimants moved for reconsideration of the Bankruptcy Court's order, disallowing their claims; but those motions were denied.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION - Continued

Royal and his fellow claimants have appealed the Bankruptcy Court's order to the U.S. District Court for the Northern District of Alabama. The District Court has not yet ruled on the Bankruptcy Court's order disallowing Royal's two proofs of claim. The Commission continues to dispute that Royal or any of his fellow claimants are entitled to have their claims allowed in any amount. If and to the extent that Royal was successful on appeal and his claims were ultimately allowed, such claims would be treated as General Unsecured Claims under the Plan of Adjustment and, as such, would be entitled to receive only the appropriate pro rata distribution from the $5,000 General Unsecured Claims Pool that the Commission funded on the Effective Date pursuant to the Plan of Adjustment. This matter is not yet concluded, and the likely outcome of the appeal is unknown.

Request for Administrative Claim filed by Bennett Plaintiffs. On December 6, 2013, the *Bennett* plaintiffs filed with the Bankruptcy Court their request for the allowance of an administrative claim against the Commission in the amount of $311.

The *Bennett* plaintiffs filed their request pursuant to Bankruptcy Code section 503(b)(3)(D), which provides that creditors who make a "substantial contribution" in a Chapter 9 bankruptcy case may be allowed as an administrative expense the actual and necessary expenses they incurred. The amount of the *Bennett* plaintiffs' request was the amount they claimed to have incurred in legal fees and expenses in connection with the Bankruptcy Case. The Commission objected to the *Bennett* plaintiffs' request, contending, among other things, that the *Bennett* plaintiffs had not provided any contribution whatsoever in the Bankruptcy Case and that they were not eligible to assert such a claim as they were not "creditors" in the case.

The Bankruptcy Court held an evidentiary hearing on the administrative claim request on March 20, 2014, at the conclusion of which the Bankruptcy Court asked the *Bennett* plaintiffs to furnish additional information to the Bankruptcy Court with respect to their request. The Bankruptcy Court denied the *Bennett* plaintiffs' motion on June 30, 2015. The *Bennett* plaintiffs timely appealed the Bankruptcy Court's denial of the administrative claim to the District Court.

The District Court dismissed the appeal with prejudice on June 6, 2016, and the time for any appeal of that dismissal has expired.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – Continued

Jefferson County, Alabama and the Jefferson County Commission v. The Taxpayers and Citizens of Jefferson County, Alabama, Circuit Court of Jefferson County, Alabama, Birmingham Division, Case Number CV-2015-903133. On August 13, 2015, the Commission petitioned the County Circuit Court for validation of certain warrants proposed to be issued, the sales and use tax that would fund the debt service on such warrants, the local act of the Alabama Legislature (the Legislature) authorizing the Commission to levy the sales and use tax and the resolutions of the Commission authorizing the levy of the sales and use tax and the issuance of the warrants. The Commission's validation request was opposed by two individual groups of taxpayers and citizens as well as the County District Attorney appearing on behalf of the taxpayers and citizens of the County. On December 14, 2015, the Circuit Court entered an order holding that the local act was not properly enacted by the Legislature due to an invalid budget isolation resolution and denied the petition for validation. On December 16, 2015, the Commission filed a notice of appeal of the Circuit Court's order with the Alabama Supreme Court. The parties completed appellate briefing by April 4, 2016, and the Commission subsequently requested expedited consideration by the Supreme Court. In mid-September 2016, while the request to expedite was still pending, the Legislature placed a proposed constitutional amendment (Amendment 14) on the November 2016 ballot that, if passed, would retroactively validate budget isolation resolutions underlying local laws, including the local act at issue in the Commission's appeal. The Commission moved to stay the appeal on September 19, 2016, until after the general election on November 8, 2016. The Supreme Court did not act upon the request to stay. Amendment 14 was ratified by Alabama voters on November 8, 2016, and the Commission notified the Supreme Court of such ratification on November 11, 2016. On February 2, 2017, the Supreme Court ordered the parties to submit supplemental briefs addressing the effect of the ratification of Amendment 14 on the appeal. The supplemental briefing was completed by all parties and on March 17, 2017, the Supreme Court entered an order reversing the Circuit Court's holding that the budget isolation resolution was invalid. The taxpayer and citizen groups have two weeks from the date of the Supreme Court's order to file an application for rehearing with the Supreme Court. The conclusion of this matter is uncertain.

The Commission is currently defending various other lawsuits. In addition, claims against the Commission have been filed that have not yet resulted in lawsuits. The Commission shall continue to consult with legal counsel regarding these lawsuits and claims and defend against them. As of September 30, 2016, the Commission has accrued estimated litigation payments in the accompanying statement of net position.

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of grants. Management believes such disallowances, if any, will be immaterial.

The Commission depends on financial resources flowing from, or associated with, both the federal government and the State of Alabama. Because of this dependency, the Commission is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

NOTE S - SUBSEQUENT EVENTS

The following are the subsequent events for the Commission related to the warrants outstanding.

Governmental Activities

Limited Obligation School Warrants
On October 28, 2016, the Commission provided U.S. Bank, as Trustee for the LO Series 2005-A Warrants, an official directive to credit the principal amount scheduled for redemption on January 1, 2017, in the amount of $6,775 in accordance with Section 2.1(f) of the First Supplemental Indenture of the LO School Warrants Trust Indenture.

Business-Type Activities

2013 Sewer Warrants
The debt covenants for the 2013 Sewer Warrants required maintenance of rates, including compliance with the Rate Resolution in accordance with the 2013 Sewer Indenture (Note J). The Commission implemented sewer user charge increases effective October 1, 2016, in compliance with the Rate Resolution, as discussed further in Note J.

NOTE T - BANKRUPTCY SETTLEMENT AND CONFIRMATION

The Commission, upon due authorization from the Commission, filed for relief under Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the Bankruptcy Code), on November 9, 2011 (the Filing Date), in the United States Bankruptcy Court for the Northern District of Alabama (the Bankruptcy Court), thereby commencing the case styled *In re Jefferson County, Alabama*, Case No. 11-05736 (the Bankruptcy Case).

On June 30, 2013, the Commission filed with the Bankruptcy Court its *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated June 30, 2013)* and its accompanying *Disclosure Statement Regarding Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated June 30, 2013).*

On July 29, 2013, the Commission filed amended versions of those two documents, which were titled, respectively, the *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated July 29, 2013)* and the *Disclosure Statement Regarding Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated July 29, 2013).* By order dated August 7, 2013, the Bankruptcy Court approved the Commission’s July 29, 2013, version of the disclosure statement (as approved, the Disclosure Statement) and scheduled the confirmation hearing on the Commission’s Chapter 9 Plan of Adjustment.

On November 6, 2013, the Commission filed with the Bankruptcy Court a further modified Chapter 9 plan, which was titled the *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated November 6, 2013).* On November 22, 2013, after conclusion of the confirmation hearing, the Bankruptcy Court entered its order (the Confirmation Order) confirming the Commission’s November 6, 2013, Plan of Adjustment.

NOTE T - BANKRUPTCY SETTLEMENT AND CONFIRMATION – Continued

The named plaintiffs in the *Bennett et al. v. Jefferson County, Alabama* litigation (described in Note R - Contingent Liabilities and Litigation) objected to confirmation of the Plan of Adjustment and have appealed the Confirmation Order to the U.S. District Court for the Northern District of Alabama. The *Bennett* plaintiffs, however, did not seek or obtain a stay of the Confirmation Order pending their appeal. On December 3, 2013, the Commission substantially consummated all the transactions contemplated by the Plan of Adjustment, and all other conditions to the effectiveness of the Plan of Adjustment were either satisfied or waived. Accordingly, December 3, 2013, is the Plan of Adjustment's Effective Date.

The Commission moved to dismiss the *Bennett* plaintiffs' appeal of the Confirmation Order on the grounds that the appeal is constitutionally, equitably and statutorily moot. The U.S. District Court denied the Commission's motion by order dated September 30, 2014. The Commission subsequently asked the District Court to certify its ruling for interlocutory appeal to the 11th Circuit). On December 2, 2014, the District Court certified its order for appeal on the issue of mootness. On December 10, 2014, the Commission filed a petition for interlocutory appeal with the 11th Circuit, and on April 22, 2015, the 11th Circuit granted the Commission permission to appeal. The Commission and the appellants completed their briefing and the 11th Circuit heard oral argument on the merits of the Commission's appeal on December 16, 2016. The 11th Circuit has not yet ruled on the Commission's appeal. If the 11th Circuit does not rule that the appeal from the Confirmation Order is moot and due to be dismissed, the 11th Circuit may remand the case to the District Court for further proceedings on the merits.

If confirmation of the Plan of Adjustment were to be overturned on appeal, the Commission does not know the effect such a ruling would have on the subject litigation, claims, settlement, and other matters settled, discharged, or adjusted pursuant to, or in reliance on, the Plan of Adjustment. The appeal is not yet concluded. See Note R - Contingent Liabilities and Litigation.

The Plan of Adjustment, as confirmed by the Confirmation Order, sets forth the manner in which the Commission proposed to adjust and treat all claims (herein Claims) in the Bankruptcy Case. The Plan of Adjustment, the Confirmation Order and the Disclosure Statement are all public documents and available for review. For a complete understanding of the Plan of Adjustment, as confirmed, and its terms, the Plan of Adjustment (including all exhibits and appendices attached thereto), the Confirmation Order and the Disclosure Statement should be reviewed.

NOTE U - SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes measurement criteria for the other postemployment benefits (OPEB) liability of state and local governments. The statement intends to improve financial reporting by requiring recognition of the total OPEB liability (the portion of the actuarial present value of projected benefits, attributable to past periods of employee service), net of the OPEB plan's fiduciary net position. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017. As such, the Commission has not implemented the provisions in the 2016 financial statements and is currently assessing the impact of the guidance on its financial statements when adopted.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement was issued to improve financial reporting by giving users of the financial statements essential information that is not consistently or comprehensively reported to the public at the present. The requirements of Statement No. 77 are effective for fiscal year 2017. The Commission is currently evaluating the impact this standard may have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement was issued to address certain issues that have been raised with respect to Statements No. 67 *Financial Reporting for Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions*, and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, *and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for fiscal year 2017. The Commission is currently evaluating the impact this standard may have on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and corresponding deferred outflow of resources. The guidance also identifies the circumstances that trigger recognition of these transactions. The requirements of this statement are effective for fiscal year 2019. The Commission is currently evaluating the impact this standard may have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for fiscal year 2020. The Commission is currently evaluating the impact this standard may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 94,352	$ 87,244	$ 87,081	$ 87,081
Licenses and permits	15,175	15,175	11,893	11,893
Intergovernmental	3,333	3,333	8,019	8,019
Charges for services, net	43,736	43,736	28,695	28,695
Miscellaneous	392	392	5,281	5,281
Interest and investment income	775	775	415	415
	157,763	150,655	141,384	141,384
Expenditures				
Current:				
General government	112,894	116,125	91,752	91,752
Public safety	63,292	67,884	68,771	68,771
Health and welfare	1,747	1,747	-	-
Capital outlay	-	-	20	20
Indirect expenses	-	-	(6,649)	(6,649)
Debt service:				
Principal retirement	-	-	34	34
Interest and fiscal charges	-	-	8	8
	177,933	185,756	153,936	153,936
Deficiency of Revenues over Expenditures	(20,170)	(35,101)	(12,552)	(12,552)
Other Financing Sources (Uses)				
Sale of capital assets, net	-	-	221	221
Transfers in	-	-	7,427	7,427
Transfers out	-	-	(2,392)	(2,392)
	-	-	5,256	5,256
Net Changes in Fund Balances	(20,170)	(35,101)	(7,296)	(7,296)
Fund Balances - beginning of year, as previously reported	122,492	122,492	122,492	122,492
Prior Period Adjustments (Note B)	-	-	6,617	6,617
Fund Balances - beginning of year, as restated	122,492	122,492	129,109	129,109
Fund Balances - end of year	$ 102,322	$ 87,391	$ 121,813	$ 121,813

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - LIMITED OBLIGATION SCHOOL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 102,746	$ 102,746	$ 100,774	$ 100,774
Interest and investment income	-	-	166	166
	102,746	102,746	100,940	100,940
Expenditures				
General government	-	-	55	55
Debt service:				
Principal retirement	70,940	70,885	77,690	77,690
Interest and fiscal charges	31,806	31,806	25,065	25,065
	102,746	102,691	102,810	102,810
Excess (Deficiency) of Revenues over Expenditures and Net Changes in Fund Balances	-	55	(1,870)	(1,870)
Fund Balances - beginning of year, as previously reported	152,142	152,142	152,142	152,142
Prior Period Adjustments (Note B)	-	-	337	337
Fund Balances - beginning of year, as restated	152,142	152,142	152,479	152,479
Fund Balances - end of year	$ 152,142	$ 152,197	$ 150,609	$ 150,609

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - INDIGENT CARE FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 50,163	$ 50,163	$ 49,626	$ 49,626
Charges for services, net	1,725	1,725	-	-
Miscellaneous	1,275	1,275	1,690	1,690
	53,163	53,163	51,316	51,316
Expenditures				
Health and welfare	60,926	61,528	47,791	47,791
Capital outlay	-	-	586	586
Indirect expenses	-	-	3,046	3,046
Principal retirement	-	-	118	118
	60,926	61,528	51,541	51,541
Deficiency of Revenues over Expenditures and Net Changes in Fund Balances	(7,763)	(8,365)	(225)	(225)
Fund Balances - beginning of year, as previously reported	21,559	21,559	21,559	21,559
Prior Period Adjustments (Note B)	-	-	603	603
Fund Balances - beginning of year, as restated	21,559	21,559	22,162	22,162
Fund Balances - end of year	$ 13,796	$ 13,194	$ 21,937	$ 21,937

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - BRIDGE AND PUBLIC BUILDING FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 42,995	$ 42,995	$ 43,348	$ 43,348
Intergovernmental	-	-	779	779
Interest and investment income	-	-	129	129
	42,995	42,995	44,256	44,256
Expenditures				
Highway and roads	-	-	5,912	5,912
	-	-	5,912	5,912
Excess of Revenues over Expenditures	42,995	42,995	38,344	38,344
Other Financing Uses				
Transfers out	-	-	(38,344)	(38,344)
	-	-	(38,344)	(38,344)
Net Changes in Fund Balances	42,995	42,995	-	-
Fund Balances - beginning of year	-	-	-	-
Fund Balances - end of year	$ 42,995	$ 42,995	$ -	$ -

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
(UNAUDITED)
SEPTEMBER 30, 2016

	2015	2014
TOTAL PENSION LIABILITY		
Service cost	$ 17,325	$ 16,860
Interest	64,608	63,046
Differences between expected and actual experience	(5,226)	-
Change in assumptions	-	-
Benefit payments	(57,021)	(55,458)
Refunds of contributions	(985)	(1,707)
Net change in total pension liability	18,701	22,741
Total pension liability – beginning	951,975	929,234
Total pension liability – ending (A)	$ 970,676	$ 951,975
PENSION FIDUCIARY NET POSITION		
Contributions – employer	$ 6,732	$ 6,587
Contributions – members	6,716	6,562
Contributions – other	439	771
Net investment income	(1,107)	105,706
Benefit payments	(57,021)	(55,458)
Administrative expense	(998)	(931)
Refunds of contributions	(985)	(1,707)
Other	(78)	(84)
Net change in plan fiduciary net position	(46,302)	61,446
Plan fiduciary net position – beginning	1,077,606	1,016,160
Plan fiduciary net position – ending (B)	$ 1,031,304	$ 1,077,606
NET PENSION (ASSET) LIABILITY (A) – (B)	$ (60,628)	$ (125,631)
COVERED EMPLOYEE PAYROLL	$ 112,200	$ 109,783
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(54.04%)	(114.44%)
NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	106.25%	113.2%

JEFFERSON COUNTY COMMISSION
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
(UNAUDITED)
SEPTEMBER 30, 2016

The Schedule of Changes in Net Pension Liability (Asset) is not available for years prior to 2014.

The reported Covered Employee Payroll during the measurement period is the total payroll paid to covered employees.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
(UNAUDITED)
SEPTEMBER 30, 2016

Year	Actuarially Determined Contribution	Contributions From Commission	Contribution (Deficiency)/ Excess	Covered Employee Payroll	Contribution as a % of Payroll
2007	$ 9,407	$ 9,407	$ -	$ 156,783	6.00%
2008	9,860	9,860	-	164,333	6.00%
2009	9,657	9,657	-	160,950	6.00%
2010	9,297	9,297	-	154,950	6.00%
2011	8,923	8,923	-	148,717	6.00%
2012	7,744	7,744	-	129,067	6.00%
2013	6,851	6,851	-	114,183	6.00%
2014	6,587	6,587	-	109,783	6.00%
2015	6,732	6,732	-	112,200	6.00%
2016	7,393	7,393	-	123,217	6.00%

JEFFERSON COUNTY COMMISSION
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
(UNAUDITED)
SEPTEMBER 30, 2016

Valuation Date:	September 30, 2015
Notes:	Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates for the Most Recent Year in the Schedule:

Actuarial cost method:	Entry Age
Amortization method:	Level percent, open
Remaining amortization period:	28 years
Investment rate of return:	7%, net of pension plan investment expense, including inflation
Inflation:	3.25%
Salary increases:	4.25 – 7.25%, including inflation
Asset valuation method:	5 – year smoothed market

JEFFERSON COUNTY COMMISSION
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN
(UNAUDITED)
SEPTEMBER 30, 2016

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The actuarial information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a Percentage of Covered Payroll [(b-a)/c]
09/30/16	$ -	$ 97,566	$ 97,566	0%	$126,645	77.0%
09/30/14	-	77,272	77,272	0%	109,723	70.4%
09/30/13	-	64,638	64,638	0%	107,002	60.4%

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY COMMISSION
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

ASSETS	Community Development Fund	Debt Service Fund	Capital Improvements Fund	Public Building Authority	Road Construction Fund	Home Grant Fund	Road Fund
Cash and investments	$ -	$ 14,240	$ 16,597	$ -	$ 10,861	$ -	$ 21,259
Accounts receivable, net	-	-	-	-	-	-	35
Taxes receivable, net	-	-	-	-	-	-	-
Tax receivable, net, highways and roads	-	-	-	-	-	-	18,383
Restricted assets	-	2,610	-	2,867	-	-	1,576
Advances due from (to) other funds	(1,387)	9,598	-	-	(3,740)	(283)	-
	$ (1,387)	$ 26,448	$ 16,597	$ 2,867	$ 7,121	$ (283)	$ 41,253
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 901	$ -	$ 872	$ -	$ 3,466	$ 183	$ 1,041
Deposits payable	-	-	-	-	-	-	1,244
Accrued wages and benefits	40	-	-	-	-	3	386
Due from (to) other governments	-	-	-	-	-	-	6,944
Retainage payable	-	-	139	-	271	-	225
Estimated claims liability	5	-	-	-	-	-	120
Total Liabilities	946	-	1,011	-	3,737	186	9,960
Deferred Inflows of Resources							
Property taxes	-	-	-	-	-	-	18,228
Fund Balances							
Nonspendable	-	9,598	-	-	-	-	-
Restricted	-	2,610	-	2,867	1,513	-	13,065
Assigned	5,163	14,240	15,586	-	4,112	196	1,864
Unassigned	(7,496)	-	-	-	(2,241)	(665)	(1,864)
	(2,333)	26,448	15,586	2,867	3,384	(469)	13,065
	$ (1,387)	$ 26,448	$ 16,597	$ 2,867	$ 7,121	$ (283)	$ 41,253

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

ASSETS	Board of Equalization	Tax Assessor Birmingham	Tax Assessor Bessemer	Economic Development Fund	Community Development Loan	Senior Citizens Services	Total Nonmajor Governmental Funds
Cash and investments	$ 2,517	$ 2,552	$ 581	$ 2,657	$ 275	$ 828	$ 72,367
Accounts receivable, net	-	-	-	-	-	-	35
Taxes receivable, net	2,408	2,515	555				5,478
Tax receivable, net, highways and roads	-	-	-	-	-	-	18,383
Restricted assets	-	-	-	-	-	-	7,053
Advances due from (to) other funds	-	-	-	-	-	-	4,188
	$ 4,925	$ 5,067	$ 1,136	$ 2,657	$ 275	$ 828	$ 107,504
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 59	$ -	$ -	$ 342	$ -	$ 192	$ 7,056
Deposits payable	-	-	-	-	-	-	1,244
Accrued wages and benefits	127	72	38	40	-	5	711
Due from (to) other governments	-	-	-	-	-	-	6,944
Retainage payable	-	-	-	-	-	-	635
Estimated claims liability	31	16	8	9	-	-	189
Total Liabilities	217	88	46	391	-	197	16,779
Deferred Inflows of Resources							
Property taxes	2,408	2,515	555	-	-	-	23,706
Fund Balances							
Nonspendable	-	-	-	-	-	-	9,598
Restricted	2,300	2,464	535	2,266	275	631	28,526
Assigned	244	20	17	51	-	217	41,710
Unassigned	(244)	(20)	(17)	(51)	-	(217)	(12,815)
	2,300	2,464	535	2,266	275	631	67,019
	$ 4,925	$ 5,067	$ 1,136	$ 2,657	$ 275	$ 828	$ 107,504

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

	Community Development Fund	Debt Service Fund	Capital Improvements Fund	Public Building Authority	Road Construction Fund	Home Grant Fund	Road Fund
Revenues							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,334
License and permits	-	-	-	-	-	-	1,985
Intergovernmental	4,485	2,082	-	-	-	-	353
Charges for services, net	-	-	-	-	388	-	59
Miscellaneous	-	-	-	5,934	-	76	192
Interest and investment income	-	-	200	-	7	-	113
	4,485	2,082	200	5,934	395	76	20,036
Expenditures							
Current:							
General government	-	-	1,973	-	-	536	-
Highways and roads	-	-	-		1,007	-	16,583
Health and welfare	-	-	-	-	-	-	-
Community development	6,450	-	-	-	-	-	-
Capital outlay	-	-	11,395	-	10,004	-	-
Indirect expenses	6	-	-	-	-	-	-
Debt service:							
Principal retirement	-	17,035	-	5,105	-	-	-
Interest and fiscal charges	-	7,641	-	3,276	-	-	-
	6,456	24,676	13,368	8,381	11,011	536	16,583
Excess (Deficiency) of Revenues over Expenditures	(1,971)	(22,594)	(13,168)	(2,447)	(10,616)	(460)	3,453
Other Financing Sources							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in (out)	-	16,917	-	-	14,000	-	-
	-	16,917	-	-	14,000	-	-
Net Changes in Fund Balances	(1,971)	(5,677)	(13,168)	(2,447)	3,384	(460)	3,453
Fund Balances - beginning of year, as previously reported	(362)	28,121	28,754	3,681	-	(9)	9,612
Prior period adjustments (Note B)	-	4,004	-	1,633	-	-	-
Fund Balances - beginning of year, as restated	(362)	32,125	28,754	5,314	-	(9)	9,612
Fund Balances - end of year	$ (2,333)	$ 26,448	$ 15,586	$ 2,867	$ 3,384	$ (469)	$ 13,065

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

	Board of Equalization	Tax Assessor Birmingham	Tax Assessor Bessemer	Economic Development Fund	Community Development Loan	Senior Citizens Services	Total Nonmajor Governmental Funds
Revenues							
Taxes	$ 5,135	$ 2,946	$ 726	$ -	$ -	$ -	$ 26,141
License and permits	-	-	-	-	-	-	1,985
Intergovernmental	-	-	-	1,214	-	3,138	11,272
Charges for services, net	-	-	-	-	-	-	447
Miscellaneous	-	-	-	-	-	113	6,315
Interest and investment income	-	-	-	-	-	-	320
	5,135	2,946	726	1,214	-	3,251	46,480
Expenditures							
Current:							
General government	4,328	1,989	1,157	-	-	-	9,983
Highways and roads	-	-	-	-	-	-	17,590
Health and welfare	-	-	-	1,871	-	3,761	5,632
Community development	-	-	-	-	415	-	6,865
Capital outlay	128	9	22	-	-	45	21,603
Indirect expenses	46	34	14	-	-	-	100
Debt service:							
Principal retirement	-	-	-	-	-	-	22,140
Interest and fiscal charges	-	-	-	-	-	-	10,917
	4,502	2,032	1,193	1,871	415	3,806	94,830
Excess (Deficiency) of Revenues over Expenditures	633	914	(467)	(657)	(415)	(555)	(48,350)
Other Financing Sources							
Sale of capital assets	-	-	-	-	-	1,186	1,186
Transfers in (out)	6	-	-	-	-	-	30,923
	6	-	-	-	-	1,186	32,109
Net Changes in Fund Balances	639	914	(467)	(657)	(415)	631	(16,241)
Fund Balances - beginning of year, as previously reported	1,661	1,550	1,002	2,923	690	-	77,623
Prior period adjustments (Note B)	-	-	-	-	-	-	5,637
Fund Balances - beginning of year, as restated	1,661	1,550	1,002	2,923	690	-	83,260
Fund Balances - end of year	$ 2,300	$ 2,464	$ 535	$ 2,266	$ 275	$ 631	$ 67,019

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF NET POSITION -
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

ASSETS	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Current Assets			
Cash and investments	$ -	$ 1,426	$ 1,426
Accounts receivable, net	211	57	268
Due from (to) other governments	-	(1,300)	(1,300)
Total Current Assets	211	183	394
Noncurrent Assets			
Advances due (to) from other funds	(9,853)	(12,822)	(22,675)
Restricted assets	255	-	255
Capital assets:			
Depreciable assets, net	16,086	2,573	18,659
Nondepreciable assets	7,907	10,799	18,706
	14,395	550	14,945
	$ 14,606	$ 733	$ 15,339

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF NET POSITION -
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

LIABILITIES AND NET POSITION	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Current Liabilities			
Accounts payable	$ 5	$ 16	$ 21
Total Current Liabilities	5	16	21
Noncurrent Liabilities			
Estimated liability for landfill closure and postclosure care costs	13,308	-	13,308
Total Liabilities	13,313	16	13,329
Net Position			
Net investment in capital assets	23,993	13,372	37,365
Restricted for:			
Closure and postclosure care	255	-	255
Unrestricted	(22,955)	(12,655)	(35,610)
	$ 1,293	$ 717	$ 2,010

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Operating Revenues			
Other operating revenue	$ 1,261	$ 289	$ 1,550
	1,261	289	1,550
Operating Expenses			
Salaries	-	241	241
Employee benefits and payroll taxes	-	16	16
Utilities	-	27	27
Outside services	39	103	142
Office expenses	-	138	138
Depreciation	1,799	298	2,097
Closure and postclosure care	1,100	-	1,100
Indirect expenses	20	-	20
	2,958	823	3,781
Operating Loss	(1,697)	(534)	(2,231)
Nonoperating Revenues (Expenses)			
Interest expense, net	(335)	(45)	(380)
Interest revenue	2	75	77
Gain (loss) on sale or retirement of capital assets	92	(322)	(230)
	(241)	(292)	(533)
Change in Net Position	(1,938)	(826)	(2,764)
Net Position - beginning of year	3,231	1,543	4,774
Net Position - end of year	$ 1,293	$ 717	$ 2,010

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)

	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Cash received from services	$ -	$ 288	$ 288
Cash payments to employees	(107)	(257)	(364)
Cash payments for goods and services	(59)	(253)	(312)
Other receipts and payments, net	373	(1,440)	(1,067)
Net Cash Provided (Used) by Operating Activities	207	(1,662)	(1,455)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(201)	(201)
Proceeds from sale of property	92	-	92
Interest paid	(335)	(45)	(380)
Net Cash Used by Capital and Related Financing Activities	(243)	(246)	(489)
Cash Flows from Investing Activities			
Interest received	2	75	77
Net Cash Provided by Investing Activities	2	75	77
Change in Cash and Investments	(34)	(1,833)	(1,867)
Cash and Investments - beginning of year	289	3,259	3,548
Cash and Investments - end of year	$ 255	$ 1,426	$ 1,681
Displayed As			
Cash and investments	$ -	$ 1,426	$ 1,426
Restricted assets - noncurrent cash and investments	255	-	255
	$ 255	$ 1,426	$ 1,681

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(IN THOUSANDS)
(Continued)

	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	$ (1,697)	$ (534)	$ (2,231)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	1,799	298	2,097
Change in accounts receivable	-	(1)	(1)
Change in advances due to other funds	(961)	(1,440)	(2,401)
Change in accounts payable	-	15	15
Change in accrued wages and benefits	(107)	-	(107)
Change in estimated liability for landfill closure and postclosure care costs	1,173	-	1,173
	1,904	(1,128)	776
Net Cash Provided (Used) by Operating Activities	$ 207	$ (1,662)	$ (1,455)

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
SEPTEMBER 30, 2016
(IN THOUSANDS)

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
City of Birmingham Revolving Loan Fund				
Assets				
Cash and investments	$ 1,031	$ 470	$ (468)	$ 1,033
Loans receivable, net	-	38	-	38
	$ 1,031	$ 508	$ (468)	$ 1,071
Liabilities				
Due to other governments	$ 1,031	$ -	$ (1,031)	$ -
Personnel Board Fund				
Assets and Deferred Outflows				
Cash and investments	$ -	$ 15,049	$ (14,944)	$ 105
Accounts receivable, net	569	20,904	(20,830)	643
Net pension asset	5,291	-	(2,876)	2,415
Property and equipment, net	606	-	(62)	544
Pension-related deferred outflows	284	1,525	-	1,809
	$ 6,750	$ 37,478	$ (38,712)	$ 5,516
Liabilities and Deferred Inflows				
Accounts payable	$ 103	$ 1,682	$ (1,418)	$ 367
Accrued employee expenses	1,045	286	(176)	1,155
Pension-related deferred inflows	1,218	-	(1,063)	155
	$ 2,366	$ 1,968	$ (2,657)	$ 1,677
Emergency Management Agency Fund				
Assets				
Cash and investments	$ 434	$ 2,681	$ (2,786)	$ 329
Other receivables	45	999	(1,030)	14
Property and equipment, net	-	2,257	(2,091)	166
	$ 479	$ 5,937	$ (5,907)	$ 509
Liabilities				
Accounts payable	$ 195	$ 1,259	$ (1,286)	$ 168
Accrued employee expenses	95	29	(4)	120
	$ 290	$ 1,288	$ (1,290)	$ 288

See independent auditors' report.

ADDITIONAL INFORMATION

JEFFERSON COUNTY COMMISSION
COMMISSION MEMBERS AND ADMINISTRATIVE PERSONNEL
(UNAUDITED)
SEPTEMBER 30, 2016

Commission Members As of March 24, 2017			**Term Expires**
Hon. James A. Stephens	President	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. George T. Bowman	Member	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. Sandra Little Brown	Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. David Carrington	Member	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. T. Joe Knight	Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2018

Administrative Personnel As of March 24, 2017		
Travis Hulsey	Interim Chief Financial Officer	Suite 810 Jefferson County Courthouse Birmingham, AL 35263
Theodore Lawson	County Attorney	Suite 280 Jefferson County Courthouse Birmingham, AL 35263

APPENDIX C

PROPOSED APPROVAL OPINION OF BOND COUNSEL

FORM OF APPROVING OPINION OF BOND COUNSEL

(Letterhead of Balch & Bingham LLP, Bond Counsel)

(Date)

Holders of the Warrants referred to below

Re: [$Amount] Limited Obligation Refunding Warrants, Series 2017, issued by Jefferson County, Alabama

Ladies and Gentlemen:

We have acted as bond counsel to Jefferson County, Alabama, a political subdivision of the State of Alabama (the "Issuer"), in connection with the issuance of [$Amount] aggregate principal amount of Limited Obligation Refunding Warrants, Series 2017 (the "Warrants"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Warrants are issued pursuant to Title 11, Chapter 28 of the Code of Alabama 1975 (the "Enabling Law") and that certain Trust Indenture dated as of [July 1, 2017] between the Issuer and Regions Bank, as trustee (the "Indenture"). Capitalized terms used but not otherwise defined herein will have the meanings assigned in the Indenture.

The Issuer has levied certain sales and use taxes (collectively, the "Sales Tax") pursuant to Act No. 2015-226 adopted by the Alabama Legislature during the 2015 Regular Session (the "Sales Tax Act"). Under the Indenture, the Issuer has pledged the proceeds of the Sales Tax (the "Pledged Tax Proceeds") for the payment of principal of, premium (if any) and interest on the Warrants when due. The Pledged Tax Proceeds remaining after the payment of debt service on the Warrants will be distributed each fiscal year in the priority and amounts set forth in the Sales Tax Act. The Warrants are limited obligations of the Issuer payable solely from and secured by a pledge of the sources provided therefore in the Indenture (the "Trust Estate"), including the Pledged Tax Proceeds.

Regarding questions of fact material to our opinion, we have relied on the representations of the Issuer contained in the Indenture, and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. In addition, we have reviewed the decision of the Alabama Supreme Court rendered on March 17, 2017 in the case of *Jefferson County and the Jefferson County Commission v. Taxpayers and Citizens of Jefferson County*, and the Findings of Fact, Conclusions of Law, and Final Declaratory Judgment entered on April 6, 2017 by the Circuit Court of Jefferson County in the validation case of *Jefferson County and the Jefferson County Commission v. Taxpayers and Citizens of Jefferson County*.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Issuer is validly existing as a political subdivision of the State of Alabama with the power to enter into the Indenture, perform the agreements on its part contained therein, and issue the Warrants.

2. The Indenture has been duly authorized by the Issuer and constitutes a valid and binding and enforceable obligation of the Issuer.

3. The Warrants have been duly authorized and executed by the Issuer, and are valid and binding limited obligations of the Issuer, payable solely from the Trust Estate and other funds provided therefor in the Indenture.

4. The Sales Tax Act was validly enacted and the Sales Tax has been validly levied by the Issuer. The Indenture contains a valid pledge of the Trust Estate, including the Pledged Tax Proceeds.

5. Interest on the Warrants is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Warrants in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Warrants to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Warrants.

6. Interest on the Warrants is exempt from income taxation by the State of Alabama.

The rights of the owners of the Warrants and the enforceability of the Warrants and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Warrants (other than the form of our legal opinion set forth in Appendix C) or regarding any federal bankruptcy court proceedings involving the Issuer. Further, we express no opinion regarding tax consequences arising with respect to the Warrants other than as expressly set forth herein.

This opinion is limited to the matters stated herein, and no opinion may be implied or inferred beyond the matters expressly stated herein. This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may change or which may hereafter come to our attention or to reflect any changes in the law that may hereafter occur.

Very truly yours,

APPENDIX D

FORM OF THE INDENTURE

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TRUST INDENTURE

dated as of July 1, 2017

between

JEFFERSON COUNTY, ALABAMA

and

REGIONS BANK, as Trustee

Relating to the Issuance of

$_______

Limited Obligation Refunding Warrants, Series 2017

by

Jefferson County, Alabama

TABLE OF CONTENTS

PAGE

TRUST INDENTURE

THIS TRUST INDENTURE dated as of July 1, 2017 is entered into by **Jefferson County, Alabama**, a political subdivision of the State of Alabama (the "Issuer"), and **Regions Bank**, an Alabama banking corporation (the "Trustee").

Recitals

A. The Issuer has duly authorized the issuance of its $ ________ aggregate principal amount of Limited Obligation Refunding Warrants, Series 2017 (the "Series 2017 Warrants") pursuant to this Indenture.

B. The Series 2017 Warrants are being issued for the purpose of refunding the Issuer's outstanding Limited Obligation School Warrants, Series 2004-A and Series 2005-A (the "Refunded Warrants").

C. The Series 2017 Warrants are limited obligations of the Issuer payable solely out of the Trust Estate established under this Indenture, which includes the Pledged Tax Proceeds (hereinafter defined).

D. Payment of the Series 2017 Warrants is secured by a pledge and assignment of (i) the General Trust Estate established under this Indenture, which includes the Pledged Tax Proceeds and money in the funds and accounts designated as "General Indenture Funds" under this Indenture, and (ii) the Series 2017 Trust Estate established under this Indenture, which includes money in the funds and accounts designated as "Series 2017 Indenture Funds" under this Indenture.

E. This Indenture authorizes the issuance of "Additional Warrants" and other debt obligations designated as "Additional Parity Obligations" for the purpose of refunding the Series 2017 Warrants or other Parity Obligations (the Series 2017 Warrants, any Additional Warrants and any other Additional Parity Obligations being referred to collectively as "Parity Obligations"). All Parity Obligations will be secured on an equal and proportionate basis by the General Trust Estate. The Series 2017 Trust Estate is for the sole benefit of the Holders of the Series 2017 Warrants.

F. All things have been done which are necessary to make the Series 2017 Warrants, when executed by the Issuer and authenticated and delivered by the Trustee hereunder, the valid obligations of the Issuer, and to constitute this Indenture a valid trust indenture for the security of the Series 2017 Warrants and the Parity Obligations, in accordance with the terms of this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

It is hereby covenanted and declared that all the Series 2017 Warrants are to be authenticated and delivered and the property subject to this Indenture is to be held and applied by the Trustee, subject to the covenants, conditions and trusts hereinafter set forth, and the Issuer does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit (except as otherwise expressly provided herein) of all Parity Obligations as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.1 Definitions

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meaning indicated:

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

“**Additional Warrants**” means Additional Parity Obligations issued in the form of additional warrants under this Indenture. Additional Warrants may only be issued for the purpose of refunding the Series 2017 Warrants or any other Parity Obligations then Outstanding.

“**Additional Parity Obligation Debt Service Fund**” means a fund established pursuant to an Authorizing Document in accordance with the provisions of ***Section 9.2(e)*** for the payment of Debt Service on Additional Parity Obligations.

“**Additional Parity Obligations**” means additional debt obligations designated as “Additional Parity Obligations” pursuant to ***Article 8***. Additional Parity Obligations may be Additional Warrants issued under this Indenture, may be debt obligations issued under a separate indenture, or may be a warrant issued under a loan agreement or other financing document. Additional Parity Obligations may only be issued for the purpose of refunding the Series 2017 Warrants or any other Parity Obligations then Outstanding.

“**Affiliate**” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Authorized Denominations**” means $5,000 or any multiple thereof.

“**Authorized Representative of the Issuer**” means the President of the County Commission of the Issuer, the Chief Financial Officer of the Issuer, the Director of Finance of the Issuer, or any other officer or agent of the Issuer authorized by the governing body of the Issuer to act as “Authorized Representative of the Issuer” for purposes of the Warrant Documents.

“**Authorizing Document**”, when used with respect to Additional Parity Obligations, means (i) a Supplemental Indenture authorizing Additional Warrants, (ii) a separate indenture authorizing Additional Parity Obligations, or (iii) a loan agreement or other financing document authorizing Additional Parity Obligations.

“**Balloon Debt**” means a series or separate issue of Parity Obligations that meet one of the following tests:

(1) 50% or more of the original principal amount of such Parity Obligations matures during any 12-month period. For purposes of this paragraph, the principal amount of Parity Obligations required to be redeemed prior to maturity shall be deemed to mature on the mandatory redemption date rather than at the stated maturity.

(2) Such Parity Obligations are subject to tender for purchase by the Issuer, or to redemption or prepayment by the Issuer, at the option of the Holder.

(3) The Issuer is required to purchase such Parity Obligations from the Holders on a date certain or as a result of events that have already occurred or contingencies that have already been satisfied.

“**Bond Buyer Index**” shall mean the “Bond Buyer Revenue Bond Index” rate for 30-year tax-exempt revenue bonds, as published by *The Bond Buyer* on any date selected by the Issuer that is within 30 days prior to the date of such determination; provided, however, that if *The Bond Buyer* (or a successor publication) ceases to publish such index, the Bond Buyer Index shall be established by reference to a reasonably comparable index selected by the Issuer and acceptable to the Trustee.

“**Book Entry System**” means the book entry system maintained by DTC for the ownership, transfer, exchange and payment of debt obligations.

“**Business Day**” means any day other than a Saturday, a Sunday, or a day on which the Trustee is authorized to be closed under general law or regulation applicable in the place where the Trustee performs its business with respect to the Indenture.

“**Continuing Disclosure Agreement**” means the Continuing Disclosure Agreement entered into by the Issuer in connection with the issuance of the Series 2017 Warrants.

“**Costs of Issuance**” means the expenses incurred in connection with the issuance of the Series 2017 Warrants, including legal, consulting, accounting and underwriting fees and expenses.

“**Credit Enhancement**” means a facility provided by a third party that provides a guaranty or other assurance for the payment of Debt Service on Parity Obligations or the purchase price of Parity Obligations tendered for purchase pursuant to optional or mandatory tender provisions applicable to such Parity Obligations, or both, including without limitation bond insurance, a letter of credit, or a standby warrant purchase agreement.

“**Debt Service**” means the principal, redemption premium (if any) and interest payable on the Warrants.

“**Defaulted Interest**” has the meaning assigned in ***Section 4.2(l)***.

“**Defeased**”, when used with respect to Indenture Indebtedness, shall have the meaning assigned in ***Section 14.1***.

“**DTC**” means The Depository Trust Company and its successors and assigns.

“**Enabling Law**” means Chapter 28 of Title 11 of the Code of Alabama 1975.

“**Favorable Tax Opinion**” means an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Parity Obligations made or to be made in connection with such action, will not cause interest on any Parity Obligations to become includible in gross income of the Holders for purposes of federal income taxation.

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

“**Financing Participants**” means the Issuer and the Trustee.

“**Fiscal Year**” means the fiscal year of the Issuer, presently the period from October 1 of a year until September 30 of the following year.

“**Fitch**” means Fitch Ratings, Inc.

“**General Indenture Funds**” has the meaning assigned in ***Section 3.1(a)***.

“**General Trust Estate**” has the meaning assigned in ***Section 3.1(a)***.

“**Hedging Agreement**” means an interest rate swap agreement, cap collar, basis swap, or any other similar agreement that manages interest rates or interest rate risk with respect to debt of the Issuer.

“**Holder**” or “**Warrantholder**” means:

(1) When used with respect to any Warrant, means (i) if the Book Entry System is not in effect, the person in whose name such Warrant is registered on the Warrant Register maintained by the Trustee and (ii) if the Book Entry System is in effect, the beneficial owner of such Warrant on the records maintained pursuant to the Book Entry System.

(2) When used with respect to any Additional Parity Obligation that is not an Additional Warrant, the owner of such Parity Obligation under the terms of the related Authorizing Document.

"**Indenture**" means this instrument as originally executed or as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof, including a Supplemental Indenture executed in connection with the issuance of Additional Warrants.

"**Indenture Default**" shall have the meaning assigned in ***Section 11.1***. An Indenture Default shall "exist" if an Indenture Default shall have occurred and be continuing.

"**Indenture Funds**" means any fund or account established pursuant to this Indenture; provided however, the Tax Proceeds Account is not an Indenture Fund.

"**Indenture Indebtedness**" means all indebtedness of the Issuer at the time secured by this Indenture, including without limitation (a) all Debt Service on the Warrants and Parity Obligations, and (b) all reasonable fees, charges and disbursements of the Trustee for services performed and disbursements made under this Indenture.

"**Independent**", when used with respect to any person, means a person who (i) does not have any direct financial interest or any material indirect financial interest in the Issuer or any Affiliate of the Issuer, (ii) does not serve as a member of the governing body of the Issuer or any Affiliate of the Issuer, and (iii) is not employed by the Issuer or any Affiliate of the Issuer.

"**Interest Payment Date**" means (i) when used with respect to any installment of interest on a Warrant, means the date specified in this Indenture as the date on which such installment of interest is due and payable, and (ii) when used with respect to any Parity Obligation, the date specified in the related Authorizing Document as the date on which the installment of interest on such Parity Obligation is due and payable.

"**Issuer**" means Jefferson County, Alabama, a political subdivision of the State, and its successors.

"**Maturity Date**" means (i) when used with respect to any Warrant, the date specified herein and in such Warrant as the date on which principal of such Warrant is due and payable and (ii) when used with respect to any other Parity Obligation, the date specified in the related Authorizing Document as the date on which the principal of such Parity Obligation is due and payable.

"**Maximum Annual Debt Service**" means the maximum aggregate amount of principal and interest payable during the then current or any subsequent Fiscal Year on Parity Obligations; provided, however, that for purposes of determining Maximum Annual Debt Service:

(1) The principal amount of Parity Obligations subject to scheduled mandatory redemption in any Fiscal Year shall be deemed to be payable in such Fiscal Year rather than the Fiscal Year of the stated maturity of such Parity Obligations.

(2) With respect to Parity Obligations bearing interest at a variable rate, the amount of interest payable during any period for which the actual rate cannot be determined shall (except as otherwise provided below with respect to Balloon Debt) be projected using the Bond Buyer Index; provided, however, that if a Hedging Agreement is entered into that in effect provides for payment of a fixed rate on such Parity Obligations, the Issuer may project the interest payments on the related portion of such Parity Obligations for the term of the Hedging Agreement by using the fixed rate payable as a result of the Hedging Agreement.

(3) With respect to Parity Obligations constituting Balloon Debt, debt service payable on such Parity Obligations shall be projected assuming (i) that the principal balance of such Parity Obligations on the date of determination is refinanced on the date of determination over a term equal to 30 years less the number of whole years that have elapsed since such Parity Obligations were issued, (ii) that such principal balance will bear interest at the Bond Buyer Index, and (iii) that debt service on such Parity Obligations after the date of determination will be payable in equal annual installments sufficient to pay both principal and interest.

(4) If Parity Obligations have been Defeased, principal or interest on such Parity Obligations shall not be included in the calculation of Maximum Annual Debt Service.

(5) Interest payments on Parity Obligations shall be reduced by the amount of any subsidy or credit payments to which the Issuer is entitled under any Federal assistance program (such as the program for Build America Bonds under the American Recovery and Reinvestment Act of 2009).

"**Moody's**" means Moody's Investors Service, Inc.

"**Obligor Warrants**" means Warrants registered in the name of (or in the name of a nominee for) the Issuer, or any Affiliate of the Issuer. The Trustee may assume that no Warrants are Obligor Warrants unless it has actual notice to the contrary.

"**Office of the Trustee**" means the office of the Trustee for hand delivery of notices, as specified pursuant to ***Section 15.1.***

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

"**Outstanding**", when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations authenticated and delivered under this Indenture, except:

(a) Parity Obligations cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Parity Obligations for whose payment or redemption money in the necessary amount has been deposited with the Trustee in trust for the Holders of such Parity Obligations, provided that, if such Parity Obligations are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(c) Parity Obligations in exchange for or in lieu of which other Parity Obligations have been authenticated and delivered under this Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Parity Obligations Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Parity Obligations owned by the Issuer shall be disregarded and deemed not to be Outstanding. Obligor Warrants which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Warrants and that if such pledgee was the Holder such Warrants would not be considered Obligor Warrants.

"**Parity Obligation Debt Service Fund**" means the Series 2017 Debt Service Fund and any Additional Parity Obligation Debt Service Fund.

"**Parity Obligation Payment Date**" means each date on which Debt Service is payable on Parity Obligations, including any date fixed for redemption of Parity Obligations.

"**Parity Obligations**" means the Series 2017 Warrants, any Additional Warrants, and any other debt obligations identified as "Additional Parity Obligations" in accordance with the terms of ***Article 8***.

"**Pledged Tax Proceeds**" means that portion of the receipts from the Sales Tax required by Section 9(a) of the Sales Tax Act to be paid over by the County to the Trustee to be applied as provided in said Section 9(a).

"**Post-Default Rate**" means (a) when used with respect to any payment of Debt Service on any Warrant, the interest rate applicable to such Warrant on the date such Debt Service became due, and (b) when used with respect to all other payments due under this Indenture, a variable rate equal to the Trustee's prime or base rate plus 2.0% (200 basis points), in each case computed on the basis of a 365 or 366-day year, as the case may be, for actual days elapsed.

"**Qualified Investments**" means:

(a) Federal Securities;

(b) obligations of the State, or obligations of any county or municipal corporation of the State, provided such obligations are rated by a Rating Agency in any one of the three highest rating categories (without regard to variations within a category);

(c) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States;

(d) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States:

(1) Farmers Home Administration,

(2) General Services Administration,

(3) U. S. Maritime Administration,

(4) Small Business Administration,

(5) Government National Mortgage Association (GNMA),

(6) U. S. Department of Housing and Urban Development (HUD), or

(7) Federal Housing Administration (FHA);

(e) U. S. dollar denominated deposit accounts and certificates of deposit with banks or savings associations which are qualified public depositories under Chapter 14A of Title 41 of the Code of Alabama 1975;

(f) Pre-refunded public obligations, defined as follows: Any bonds or other obligations of any state of the United States or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call on the date specified in the notice, and (ii) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in subdivision (c) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (iii) which fund is sufficient, as verified by an Independent Certified Public Accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this paragraph, as appropriate, and (iv) which are rated, based on the escrow, in the highest rating category of S&P and Moody's, or any successors thereto; or

(g) Interests, however evidenced, in any common trust fund or other collective investment fund maintained by any national or state chartered bank, trust company or savings association having trust powers (including the Trustee or an affiliate of the Trustee), or securities of or other interests in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, so long as all of the following requirements are met at the time of purchase and during the term of investment: (i) At least 65% of the portfolio of such common trust fund, collective investment fund or investment company or investment trust must consist of investments authorized in subdivisions (c), (d), (e), or (f) above, and (ii) the remainder of the portfolio (if any, but not more than 35%) may consist only of the following investments: (x) obligations issued or guaranteed by the following agencies (stripped securities are only permitted if such security is created by the agency itself): Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), including FNMA, and FHLMC participation certificates, Federal Land Banks, Central Bank for Cooperatives, Federal Intermediate Credit Banks, Student Loan Marketing Association, and Federal Home Loan Banks, or (y) repurchase agreements fully collateralized by obligations, securities or investments otherwise authorized under subclauses (i) and (ii) of this paragraph (g), so long as the common trust fund, collective investment fund, investment company or investment trust takes possession and delivery of the collateral for any repurchase agreement either directly or through an authorized custodian. The fact that any financial institution making such investment on behalf of the Issuer, or any affiliate of such financial institution, is providing services to the investment company or investment trust as an investment advisor, sponsor, distributor, custodian, transfer agent, registrar, or otherwise, and is receiving reasonable remuneration for such services, shall not preclude such institution from making the investment in the securities of such investment company or investment trust; provided, however, that with respect to any account for which fees are charged for such services, the said financial institution shall disclose (by prospectus, account statement or otherwise) to the Issuer or to any third party directing investments the basis (expressed as a percentage of asset value or otherwise) upon which the fee is calculated.

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

"**Refunded Warrants**" means the Issuer's Limited Obligation School Warrants, Series 2004 and Series 2005-A, presently outstanding in the aggregate principal amount of $445,085,000.

"**Regular Record Date**" means the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

"**Required Reserve Fund Balance**", as determined from time to time pursuant to ***Section 9.3***, means, with respect to Parity Obligations secured by the Reserve Fund, the lesser of (a) 125% of the average annual debt service requirements on such Parity Obligations Outstanding, (b) Maximum Annual Debt Service on such Parity Obligations Outstanding, or (c) 10% of the principal amount of such Parity Obligations Outstanding as of the date of determination. The Series 2017 Warrants are not secured by the Reserve Fund.

"**Reserve Fund**" means the fund established pursuant to ***Section 9.3***.

"Sales Tax" means the privilege or license tax authorized by the Sales Tax Act and levied pursuant to a resolution adopted by the County Commission on August 13, 2015.

"Sales Tax Act" means Act No. 2015-226 enacted at the 2015 Regular Session of the Alabama Legislature, as the same may be amended from time to time.

"**S & P**" means S&P Global Ratings, a division of The McGraw-Hill Companies.

"**Series 2017 Warrants**" means the warrants described in ***Article 5***, which are being issued as the initial series of Parity Obligations under this Indenture.

"**Series 2017 Costs of Issuance Fund**" means the fund established pursuant to ***Section 9.4***.

"**Series 2017 Debt Service Fund**" means the fund established pursuant to ***Section 9.2***.

"**Series 2017 Indenture Funds**" has the meaning assigned in ***Section 3.1(b)***.

"**Series 2017 Term Warrants**" means Series 2017 Warrants subject to scheduled mandatory redemption in accordance with the provisions of ***Section 7.1(b)***.

"**Series 2017 Trust Estate**" has the meaning assigned in ***Section 3.1(b)***.

“**Special Record Date**” for the payment of any Defaulted Interest on the Warrants means a date fixed by the Trustee pursuant to ***Section 4.2(l)***.

“**State**” means the State of Alabama.

“**Subordinate Lien Obligations**” means payment obligations of the Issuer that are subordinate in right of payment to the Parity Obligations and to the payments from Pledged Tax Proceeds. Subordinate Lien Obligations include indebtedness of the Issuer that does not qualify as a Parity Obligation and termination payments on Hedging Agreements.

“**Supplemental Indenture**” means a supplement to this Indenture, including a supplement authorizing Additional Warrants or a supplement amending this Indenture.

“**Tax Certificate and Agreement**” means that certain Tax Certificate and Agreement entered into by the Issuer in connection with the issuance of the Series 2017 Warrants.

“Tax Proceeds Account” means the account to be established by the Issuer in accordance with the provisions of ***Section 9.1.*** The Tax Proceeds Account is not an Indenture Fund and is not otherwise part of the Trust Estate.

“**Tenor**”, when used to describe the distinguishing characteristics of a Warrant or group of Warrants, means the series designation, Maturity Date, interest rate and CUSIP number of such Warrant or group of Warrants. Warrants of the same Tenor have the same series designation, Maturity Date, interest rate and CUSIP number.

“**Trust Estate**” means the General Trust Estate and the Series 2017 Trust Estate.

“**Trustee**” means Regions Bank, an Alabama banking corporation, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” means such successor.

“**Warrant Documents**” means the Warrants and the Indenture.

“**Warrant Payment Date**” means each date on which Debt Service is payable on Warrants, including any date fixed for redemption of Warrants.

“**Warrant Register**” means the register or registers for the registration and transfer of Warrants maintained by the Issuer pursuant to ***Section 4.2(c)***.

“**Warrants**” means the Series 2017 Warrants and any Additional Warrants issued pursuant to this Indenture.

SECTION 1.2 General Rules of Construction

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) Defined terms in the singular shall include the plural as well as the singular, and vice versa.

(b) The definitions in the recitals to this instrument are for convenience only and shall not affect the construction of this instrument.

(c) All accounting terms not otherwise defined herein have the meaning assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to “generally accepted accounting principles” refer to such principles as they exist at the date of application thereof.

(d) All references in this instrument to designated “Articles”, “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(e) The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) The term “person” shall include any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

(h) The term “including” means “including without limitation” and “including, but not limited to”.

SECTION 1.3 Effect of Action by Holders of Parity Obligations

Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Parity Obligation shall bind every future Holder of the same Parity Obligation and the Holder of every Parity Obligation issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Parity Obligation.

SECTION 1.4 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.5 Date of Indenture

The date of this Indenture is intended as and for a date for the convenient identification of this Indenture and is not intended to indicate that this Indenture was executed and delivered on said date.

SECTION 1.6 Separability Clause

If any provision in this Indenture or in the Parity Obligations shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.7 Governing Law

This Indenture shall be construed in accordance with and governed by the laws of the State. All obligations of the Issuer contained in this Indenture shall be interpreted consistent with, and enforced to the extent permitted by, the laws of the State.

SECTION 1.8 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 1.9 Designation of Time for Performance

Except as otherwise expressly provided herein, any reference in this Indenture to the time of day means (i) if the Book Entry System is in effect, the time of day in the city where DTC maintains its place of business for the performance of its obligations under the Book Entry System or (ii) if the Book Entry System is no longer in effect, the time of day in the city where the Trustee maintains its place of business for the performance of its obligations under this Indenture.

ARTICLE 2

Source of Payment

SECTION 2.1 Source of Payment of Warrants

The Warrants and any other payment obligations under this Indenture are limited obligations of the Issuer payable solely out of the Trust Estate, which includes the Pledged Tax Proceeds.

SECTION 2.2 Parity Obligations are Limited Obligations.

The Parity Obligations and any other payment obligations under this Indenture are limited obligations of the Issuer, payable solely from the sources of payment provided in this Indenture and in the Parity Obligations. Neither the Parity Obligations nor this Indenture shall be a general obligation, indebtedness or pledge of the full faith and credit of the Issuer, nor shall they be a claim on the taxing power of the Issuer (other than with respect to the Pledged Tax Proceeds) or a charge against any debt limit imposed on the Issuer by the constitution or laws of the State.

SECTION 2.3 Officials and Employees of the Issuer Exempt from Individual Liability

No recourse under or upon any covenant or agreement of this Indenture, or of any Parity Obligations, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future public official or employee of the Issuer, or of any successor, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Parity Obligations issued hereunder are solely the limited obligations of the Issuer, and that no personal liability whatever shall attach to, or is or shall be incurred by, any public official or employee of the Issuer or any successor, or any of them, because of the issuance of the Parity Obligations, or under or by reason of the covenants or agreements contained in this Indenture or in any Parity Obligations or implied therefrom.

ARTICLE 3

Security for Payment

SECTION 3.1 Pledge and Assignment

(a) **General Trust Estate for Benefit of all Parity Obligations.** To secure the payment of Debt Service on the Parity Obligations and the performance of the covenants contained in this Indenture that are for the benefit of all Parity Obligations, and in consideration of the premises and of the purchase of the Parity Obligations by the Holders thereof, the Issuer hereby pledges and assigns to the Trustee, and grants to the Trustee a security interest in, the following property:

(1) **Pledged Tax Proceeds.** All right, title and interest of the Issuer in and to the Pledged Tax Proceeds.

(2) **General Indenture Funds**. Money and investments from time to time on deposit in, or forming a part of the Reserve Fund (sometimes referred to herein as the "General Indenture Funds"); provided, however, that an Authorizing Document may provide that the Additional Parity Obligations authorized are not secured by the Reserve Fund.

(3) **Other Property**. Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Indenture as additional security for the Parity Obligations by the Issuer or anyone on its part or with its consent, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee or a receiver appointed pursuant to this Indenture; and the Trustee is hereby authorized to receive any and all such property as and

for additional security for the obligations secured hereby and to hold and apply all such property subject to the terms hereof.

TO HAVE AND TO HOLD all such property, rights and privileges (collectively referred to as the "General Trust Estate") unto the Trustee and its successors and assigns.

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of all Parity Obligations (without any priority of any such Parity Obligation over any other Parity Obligation), except that an Authorizing Document may provide that the Additional Parity Obligations authorized are not secured by the Reserve Fund.

PROVIDED, HOWEVER, that money and investments in the General Indenture Funds may be applied for the purposes and on the terms and conditions set forth in this Indenture.

(b) **Trust Estate for Benefit of the Series 2017 Warrants.** To secure the payment of Debt Service on the Series 2017 Warrants and the performance of the covenants contained in this Indenture that are for the benefit of the Series 2017 Warrants, and in consideration of the premises and of the purchase of the Series 2017 Warrants by the Holders thereof, the Issuer hereby pledges and assigns to the Trustee, and grants to the Trustee a security interest in, the following Indenture Funds: the Series 2017 Debt Service Fund and the Series 2017 Costs of Issuance Fund (collectively referred to as the "Series 2017 Indenture Funds").

TO HAVE AND TO HOLD all such property, rights and privileges (collectively referred to as the "Series 2017 Trust Estate") unto the Trustee and its successors and assigns.

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Series 2017 Warrants (without any priority of any such Series 2017 Warrant over any other Series 2017 Warrant).

PROVIDED, HOWEVER, that money and investments in the Series 2017 Indenture Funds may be applied for the purposes and on the terms and conditions set forth in this Indenture.

ARTICLE 4

Registration, Transfer, Exchange and Payment of the Warrants

SECTION 4.1 The Book Entry System

(a) The ownership, transfer, exchange and payment of Warrants shall be governed by the Book Entry System administered by DTC until the Book Entry System is terminated pursuant to ***Section 4.1(c)***.

(b) Except as otherwise expressly provided in this Indenture, while Warrants are in the Book Entry System the following provisions shall apply:

(1) In order to facilitate the Book Entry System, a physical certificate or physical certificates for the Warrants shall be executed and authenticated, registered in the name of DTC or its nominee, and delivered to DTC for safekeeping (including safekeeping by the Trustee pursuant to the "FAST" system or other procedures of the Book Entry System).

(2) The term "Warrant" means each separate security credited to a beneficial owner (or entitlement holder) pursuant to the Book Entry System, and the term "Holder" means the person identified pursuant to the Book Entry System as the beneficial owner of the related security.

(3) The terms and limitations of this Indenture with respect to each separate Warrant shall be applicable to each separate security credited to a beneficial owner under the Book Entry System.

(4) All payments of Debt Service on the Warrants shall be made by the Trustee through the Book Entry System, and payments by such method shall be valid and effective fully to satisfy and discharge the Issuer's obligations with respect to such payments.

(5) A tender of a Warrant shall be made by the Holder to the Trustee through the Book Entry System.

(c) The Trustee shall discontinue the Book Entry System at the request of the Issuer. The Trustee may terminate the Book Entry System without direction from, or consent of, the Issuer if the Trustee determines in good faith that termination is in the best interest of the Holders. Notice of termination of the Book Entry System shall be given to Holders not less than 20 days before such termination is effective.

(d) If the Book Entry System is discontinued, (i) a physical certificate or physical certificates shall be executed, authenticated and delivered to each beneficial owner, or entitlement holder, under the Book Entry System in accordance with such holder's ownership of Warrants, (ii) such certificates shall be registered in the Warrant Register maintained by the Trustee, and (iii) the remaining provisions of this Article shall govern the registration, transfer, exchange and payment of Warrants.

(e) The Issuer and the Trustee shall not have any responsibility or obligation to any participant, beneficial owner or entitlement holder with respect to (1) the accuracy of any records maintained by DTC or any participant; (2) the payment by DTC or any participant of any amount due to any beneficial owner or entitlement holder in respect of the principal of, or premium (if any) and interest on the Warrants; (3) the delivery or timeliness of delivery by DTC or any participant of any notice due to any beneficial owner or entitlement holder which is required or permitted under the terms of this Indenture to be given to beneficial owners or entitlement holders; or (4) any consent given or other action taken by DTC or its nominee, as owner.

SECTION 4.2 Alternate Provisions Regarding Payment, Registration, Transfer and Exchange of Warrants

(a) If the Book Entry System is discontinued, the provisions of this Section shall control the registration, transfer, exchange and payment of Warrants.

(b) Payment of Debt Service on the Warrants shall be made as follows:

(1) Payment of interest on the Warrants which is due on any Interest Payment Date shall be made by check or draft mailed by the Trustee to the persons entitled thereto at their addresses appearing in the Warrant Register. Such payments of interest 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).

(2) Payment of the principal of (and premium, if any, on) the Warrants and payment of accrued interest on the Warrants due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender thereof at the Office of the Trustee.

(3) Upon the written request of any Holder, the Trustee shall make payments of Debt Service by wire transfer, provided that (i) such request contains adequate instructions for the method of payment, and (ii) payment of the principal of (and redemption premium, if any, on) such Warrants and payment of the accrued interest on such Warrants due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender of such Warrants to the Trustee.

(c) The Issuer shall cause to be kept at the Office of the Trustee a register (herein sometimes referred to as the "Warrant Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Warrants and registration of transfers of Warrants entitled to be registered or transferred as herein provided. The Trustee is hereby appointed as agent of the Issuer for the purpose of registering Warrants and transfers of Warrants as herein provided.

(d) Upon surrender for transfer of any Warrant at the Office of the Trustee, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Warrants of the same Tenor, of any Authorized Denominations and of a like aggregate principal amount.

(e) At the option of the Holder, Warrants may be exchanged for other Warrants of the same Tenor, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Warrants to be exchanged at the Office of the Trustee. Whenever any Warrants are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Warrants which the Holder making the exchange is entitled to receive.

(f) All Warrants surrendered upon any exchange or transfer provided for in this Indenture shall be promptly cancelled by the Trustee.

(g) All Warrants issued upon any transfer or exchange of Warrants shall be the valid obligations of the Issuer and entitled to the same security and benefits under this Indenture as the Warrants surrendered upon such transfer or exchange.

(h) Every Warrant presented or surrendered for transfer or exchange shall contain, or be accompanied by, all necessary endorsements for transfer.

(i) No service charge shall be made for any transfer or exchange of Warrants, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Warrants.

(j) The Issuer shall not be required (i) to transfer or exchange any Warrant during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Warrants and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Warrant so selected for redemption in whole or in part.

(k) Interest on any Warrant which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Warrant is registered at the close of business on the Regular Record Date for such Interest Payment Date.

(l) Any interest on any Warrant which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Issuer to the persons in whose names such Warrants are registered at the close of business on a special record date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Issuer shall notify the Trustee of the amount of Defaulted Interest proposed to be paid on each Warrant and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided and not to be deemed part of the Trust Estate. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Warrant Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Warrants are registered on such Special Record Date.

(m) Subject to the foregoing provisions of this Section, each Warrant delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Warrant shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Warrant and each such Warrant shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

(n) All Warrants surrendered for payment, redemption, transfer or exchange, shall be promptly cancelled by the Trustee. The Trustee may destroy cancelled certificates. No Warrant shall be authenticated in lieu of or in exchange for any Warrant cancelled as provided in this Section, except as expressly provided by this Indenture.

SECTION 4.3 Persons Deemed Owners

The Holder of a Parity Obligation shall be treated as the owner of such Parity Obligation for purposes of this Indenture.

SECTION 4.4 Trustee as Paying Agent

Debt Service on the Warrants shall be payable on behalf of the Issuer by the Trustee, which has been designated as the paying agent of the Issuer for purposes of this Indenture.

SECTION 4.5 Payments Due on Non-Business Days

Except as otherwise expressly provided by this Indenture, if any payment on the Warrants is due on a day which is not a Business Day, such payment may be made on the first succeeding day which is a Business Day with the same effect as if made on the day such payment was due.

SECTION 4.6 Currency for Payment

Payment of Debt Service on the Warrants shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

ARTICLE 5

Specific Terms for Series 2017 Warrants and Disposition of Proceeds

SECTION 5.1 Specific Title and Terms

(a) **Title and Amount**. The Series 2017 Warrants shall be entitled "Limited Obligation Refunding Warrants, Series 2017". The aggregate principal amount of the Series 2017 Warrants which may be Outstanding is limited to $ ________.

(b) **Authorized Denominations**. The Series 2017 Warrants shall be in Authorized Denominations.

(c) **Form and Number**. The Series 2017 Warrants shall be issuable as registered warrants without coupons in Authorized Denominations. The Series 2017 Warrants shall be numbered separately from 1 upward. In order to facilitate the Book Entry System, a single Series 2017 Warrant certificate for all Series 2017 Warrants of the same Tenor shall be delivered to the Trustee. The Series 2017 Warrants and the certificate of authentication shall be substantially as set forth in ***Exhibit 5.1(c)***, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture.

(d) **Maturity Dates and Interest Rates**. The Series 2017 Warrants shall be issued with fixed interest rates and shall mature on September 15 in years and amounts as follows:

Year of Maturity (September 15)	Principal Amount Maturing	Initial CUSIP Number	Applicable Interest Rate

(e) **Date**. The Series 2017 Warrants shall be dated as of the date of initial delivery of the Series 2017 Warrants.

(f) **Interest Payment Dates**. Interest on the Series 2017 Warrants shall be payable in arrears on (i) March 15 and September 15 in each year, beginning on March 15, 2018, and (ii) the Maturity Date.

(g) **Person to Whom Interest Payable**. If the Book Entry System is in effect, the Trustee shall pay interest to DTC, and interest payments shall be distributed by DTC to Holders in accordance with the rules and regulations of DTC. If the Book Entry System is terminated, the interest due on any Interest Payment Date for the Series 2017 Warrants shall be payable to Holders as of the Regular Record Date for such Interest Payment Date.

(h) **Computation of Interest Accrual**. The Series 2017 Warrants shall bear interest from their date, or the most recent date to which interest has been paid or duly provided for, at the applicable rate per annum set forth in this Article. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each.

(i) **Interest on Overdue Payments**. Interest shall be payable on overdue principal on the Series 2017 Warrants and (to the extent legally enforceable) on any overdue installment of interest on the Series 2017 Warrants at the Post-Default Rate.

(j) **Execution and Authentication.** Physical certificates evidencing the Series 2017 Warrants shall be executed on behalf of the Issuer by the President of the County Commission under its official seal reproduced thereon and attested by the Minute Clerk of the County Commission. The signature of any of these officers on the Series 2017 Warrants may be manual or, to the extent permitted by law, facsimile. Series 2017 Warrants bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the authentication and delivery of such Series 2017 Warrants or shall not have held such offices at the date of such Series 2017 Warrants. No Series 2017 Warrant shall be secured by, or be entitled to any lien, right or benefit under, this Indenture or be valid or obligatory for any purpose, unless there appears on such Series 2017 Warrant a certificate of authentication substantially in the form provided for herein, executed by the Trustee by manual signature, and such certificate upon any Series 2017 Warrant shall be conclusive evidence, and the only evidence, that such Series 2017 Warrant has been duly authenticated and delivered hereunder.

SECTION 5.2 Proceeds From Sale of Series 2017 Warrants

The proceeds from the sale of the Series 2017 Warrants to the original purchaser or purchasers thereof shall be applied as follows:

(a) The amount to be used for the retirement of the Refunded Warrants shall be paid to the trustee for the Refunded Warrants.

(b) The amount to be used for Costs of Issuance shall be deposited in the Series 2017 Costs of Issuance Fund.

The amount of Series 2017 Warrant proceeds to be applied to each purpose identified in this Section shall be specified by directions from an Authorized Representative of the Issuer delivered to the Trustee.

ARTICLE 6

No Repurchase Obligation or Tender Rights

The Holders of the Series 2017 Warrants will not have the right or the obligation to tender Series 2017 Warrants for purchase by the Issuer.

ARTICLE 7

Redemption of Warrants

SECTION 7.1 Redemption Provisions for Series 2017 Warrants

The Series 2017 Warrants shall be subject to redemption prior to maturity as follows:

(a) **Optional Redemption**. Any Series 2017 Warrant that matures on or after September 15, 2027 may be redeemed in whole or in part on any Business Day on or after March 15, 2027**,** at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest thereon to the date of redemption.

(b) **Scheduled Mandatory Redemption of Series 2017 Term Warrants.** The Series 2017 Warrants maturing in ________ and ____________ are referred to in this Indenture as "Series 2017 Term Warrants". Series 2017 Term Warrants shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on dates and in principal amounts (after credit as provided below) as follows:

Series 2017 Term Warrants Maturing in _____

Redemption Date (________ 1)	Principal Amount to be Redeemed
	(maturity)

Series 2017 Term Warrants Maturing in _______

Redemption Date (________ 1)	Principal Amount to be Redeemed
	(maturity)

Not later than the date on which notice of scheduled mandatory redemption is to be given, the Trustee shall select affected Series 2017 Term Warrants for redemption by lot; provided, however, that the Issuer may, by timely notice delivered to the Trustee, direct that any or all of the following amounts be credited against the principal amount of Series 2017 Term Warrants scheduled for redemption on such date: (i) the principal amount of Series 2017 Term Warrants of such Tenor delivered by the Issuer to the Trustee for cancellation and not previously claimed as a credit; (ii) the principal amount of Series 2017 Term Warrants of such Tenor previously redeemed (other than Series 2017 Term Warrants of such Tenor redeemed pursuant to the scheduled mandatory redemption requirement) and not previously claimed as a credit; and (iii) the principal amount of Series 2017 Term Warrants of such Tenor otherwise defeased and not previously claimed as a credit.

SECTION 7.2 Mandatory Redemption

Warrants shall be redeemed in accordance with the applicable mandatory redemption provisions without any direction from or consent by the Issuer. Unless the date fixed for such mandatory redemption is otherwise specified by this Indenture, the Trustee shall select the date for mandatory redemption, subject to the provisions of this Indenture with respect to the permitted period for such redemption.

SECTION 7.3 Election to Redeem

The election of the Issuer to exercise any right of optional redemption shall be evidenced by notice from an Authorized Representative of the Issuer to the Trustee at least 3 Business Days prior to the date when notice of the redemption must be given to Holders (unless a shorter notice is acceptable to the Trustee). An election to redeem shall specify (i) the principal amount of Warrants to be redeemed (if less than all Warrants Outstanding are to be redeemed pursuant to such option), (ii) the Tenor of Warrants to be redeemed, (iii) the redemption date, and (iv) any conditions to such redemption specified in accordance with the provisions of ***Section 7.5(d)***.

SECTION 7.4 Selection by Trustee of Warrants to be Redeemed

(a) Except as otherwise provided in the specific redemption provisions for the Warrants, if less than all Warrants Outstanding are to be redeemed, the principal amount of Warrants of each Tenor to be redeemed may be specified by the Issuer by notice delivered to the Trustee not less than 3 Business Days prior to the date when the Trustee must give notice of the redemption to Holders (unless a shorter notice is acceptable to the Trustee), or, in the absence of timely receipt by the Trustee of such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Warrants of each Tenor to be redeemed may not be larger than the principal amount of Warrants of such Tenor then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

(b) Except as otherwise provided in the specific redemption provisions for the Warrants, if less than all Warrants with the same Tenor are to be redeemed, the particular Warrants of such Tenor to be redeemed shall be selected by the Trustee from the Outstanding Warrants of such Tenor then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Warrants of such Tenor of a denomination larger than the smallest Authorized Denomination.

(c) The Trustee shall promptly notify the Issuer of the Warrants selected for redemption and, in the case of any Warrant selected for partial redemption, the principal amount thereof to be redeemed.

(d) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Warrants shall relate, in the case of any Warrant redeemed or to be redeemed only in part, to the portion of the principal of such Warrant which has been or is to be redeemed.

SECTION 7.5 Notice of Redemption

(a) Notice of redemption shall be given to the affected Holder not less than 20 days prior to the redemption date. If the Book Entry System is in effect, notice of redemption shall be given to DTC and shall be forwarded by DTC to Holders through methods established by the rules and regulations of the Book Entry System. If the Book Entry System is not in effect, notice of redemption shall be given to Holders by certified mail.

(b) All notices of redemption shall state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount of Warrants to be redeemed, and, if less than all Outstanding Warrants are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Warrants to be redeemed,

(4) that on the redemption date the redemption price of each of the Warrants to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date, and

(5) any conditions to such redemption specified in accordance with the provisions of ***Section 7.5(d)***.

(c) Notice of optional redemption shall be given by the Trustee on behalf of the Issuer unless the Issuer elects to give such notice itself. If the Issuer gives notice of optional redemption, it shall deliver a copy of such notice to the Trustee on the following Business Day. Notice of redemption of Warrants in accordance with the scheduled mandatory redemption provisions of the Warrants shall be given by the Trustee on behalf of the Issuer without any notice to, or consent of, the Issuer.

(d) A notice of optional redemption may state that the redemption of Warrants is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the Issuer shall not be required to redeem the Warrants (or portions thereof) identified in such notice, and any Warrants surrendered on the specified redemption date shall be returned to the Holders of such Warrants.

SECTION 7.6 Deposit of Redemption Price

On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Warrants which are to be redeemed on that date shall be deposited with the Trustee, unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

SECTION 7.7 Warrants Payable on Redemption Date

If notice of redemption is given and any conditions to such redemption specified pursuant to ***Section 7.5(d)*** are met, the Warrants to be redeemed shall become due and payable on the redemption date at the applicable redemption price and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Warrants shall cease to bear interest.

SECTION 7.8 Warrants Redeemed in Part

(a) If the Book Entry System is in effect, partial redemption of any Warrant shall be effected in accordance with the Book Entry System.

(b) If the Book Entry System has been terminated, any Warrant which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Warrant, without service charge, a new Warrant or Warrants of the same Tenor and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Warrant surrendered.

ARTICLE 8

Additional Parity Obligations

SECTION 8.1 Authorization of Additional Parity Obligations

(a) The Issuer reserves the right to issue Additional Parity Obligations solely for the purpose of refunding or otherwise retiring all or any portion of the Series 2017 Warrants or any other series of Parity Obligations then Outstanding under this Indenture. Such Additional Parity Obligations shall be secured by the General Trust Estate on a parity of lien with any Series 2017 Warrants and any other Parity Obligations remaining Outstanding after the issuance of such Additional Parity Obligations, provided that the Issuer complies with the provisions of ***Section 8.2***.

(b) Additional Parity Obligations may be in the form of (i) Additional Warrants issued under this Indenture, (ii) debt obligations issued under a separate indenture, or (ii) a note or other debt obligation issued under a loan agreement or other financing document.

(c) The following obligations shall not qualify as Additional Parity Obligations: (i) Subordinate Lien Obligations, (ii) interest rate swaps and other Hedging Agreements, (iii) fees and reimbursement obligations due to any provider of Credit Enhancement, and (iv) fees of remarketing agents or other entities performing similar functions with respect to Additional Parity Obligations. Any pledge of the Pledged Tax Proceeds for payment of amounts due on items described in clauses (i) through (iv) of this paragraph shall be subject and subordinate to the pledge thereof for the benefit of the Holders of Parity Obligations.

SECTION 8.2 Conditions to Issuance of Additional Parity Obligations

(a) Additional Parity Obligations may be issued only if the Issuer delivers the following documentation to the Trustee prior to the issuance of such Additional Parity Obligations:

(1) **Authorizing Document.** The Issuer must deliver to the Trustee an Authorizing Document that meets each of the following requirements:

(A) The Authorizing Document must authorize the issuance of the Additional Parity Obligations, must provide the pricing terms of the Additional Parity Obligations, including the principal amount, maturities, interest rates, principal and interest payment dates, and redemption or prepayment features, and must identify the Parity Obligations to be refunded or otherwise retired by such Additional Parity Obligations. The Authorizing Document may also contain provisions for optional or mandatory tender for purchase and other provisions that are not contrary to, or prohibited by, the terms of this Indenture. The Authorizing Document may adopt by reference any portion of this Indenture relating to the form of the Additional Parity Obligations, including provisions for transfer, exchange and payment, or may provide separate terms for such provisions.

(B) The Authorizing Document may contain additional events of default; provided, however, that (i) an event of default under any Authorizing Document other than a Supplemental Indenture shall not constitute an Indenture Default unless the Trustee receives written notice of the existence of such event of default from the Holder or Holders of such Additional Parity Obligations, or from a trustee for such Holders, and (ii) the provisions of this Indenture with respect to the remedies available under this Indenture upon default, including without limitation the provisions with respect to acceleration of the due date of Parity Obligations as provided in ***Section 11.2(a)***, shall control for all Parity Obligations.

(C) The Authorizing Document may provide for Credit Enhancement for the benefit of such Additional Parity Obligations, but the rights of the provider of such Credit Enhancement shall be limited as provided in ***Section 15.5***.

(D) The Additional Parity Obligations shall be secured by the Reserve Fund unless the Authorizing Document expressly provides that the related Additional Parity Obligations are not secured by the Reserve Fund. If the Additional Parity Obligations are to be secured by the Reserve Fund, the Authorizing Document shall require a deposit to the Reserve Fund on the date of issuance of such Additional Parity Obligations in the amount necessary to make the balance in the Reserve Fund equal to the Required Reserve Fund Balance. Such deposit may be made from the proceeds of such Additional Parity Obligations or from other funds of the Issuer.

(E) The Authorizing Document may confirm the Issuer's obligation to transfer funds from the Tax Proceeds Account for deposit to an Additional Parity Obligation Debt Service Fund established pursuant to such Authorizing Document for the purpose of paying Debt Service on such Additional Parity Obligations, as provided in Section 9.1(b).

(F) If the Authorizing Document establishes a separate Parity Obligation Debt Service Fund that will not be held by the Trustee, or requires Debt Service payments directly to the Holder of the Additional Parity Obligations, such Authorizing Document shall also require notice and other procedures, reasonably acceptable to the Trustee, for such deposits or payments. The Trustee shall not be required to make any such deposits or payments unless it receives notice in accordance with the Authorizing Document.

(G) Any Additional Parity Obligation Debt Service Fund established by the Authorizing Document shall be for the sole benefit of the related Additional Parity Obligations.

(2) **Debt Service Requirement.** The Issuer must deliver to the Trustee a certificate executed by the Chief Financial Officer or the Director of Finance of the Issuer confirming that after giving effect to the application of the proceeds of the Additional Parity Obligations proposed to be issued, either (i) the Maximum Annual Debt Service payable on all Parity Obligations Outstanding on the date of the proposed Additional Parity Obligations (including the Additional Parity Obligations proposed to be issued, but excluding the Parity Obligations to be refunded or otherwise retired by such Additional Parity Obligations) will not be increased, or (ii) the net proceeds of the Sales Tax received by the Issuer during the Fiscal Year preceding the issuance of the proposed Additional Parity Obligations was not less than 200% of the Maximum Annual Debt Service on the Parity Obligations Outstanding on the date of the proposed Parity Obligations (including the Additional Parity Obligations proposed to be issued, but excluding the Parity Obligations to be refunded or otherwise retired by such Additional Parity Obligations).

(3) **Opinion of Counsel.** The Issuer must deliver to the Trustee an Opinion of Counsel stating in effect that the documentation delivered to the Trustee complies in form and scope with the requirements of this ***Section 8.2(a)***; provided, however, that the delivery of such Opinion of Counsel shall not be construed as a verification by such Counsel of financial data, expectations or estimates contained in the supporting documentation delivered to the Trustee. The Issuer must also deliver to the Trustee a Favorable Tax Opinion with respect to the issuance of the Additional Parity Obligations.

(b) Upon receipt of the documentation required by ***Section 8.2(a)*** the Trustee shall execute a certificate substantially in the form provided in ***Exhibit 8.2(b)*** confirming the status of such Additional Parity Obligations under this Indenture.

SECTION 8.3 Effect of Issuance of Additional Parity Obligations

All Additional Parity Obligations issued in accordance with the provisions of this Article shall be secured by the General Trust Estate on an equal and proportionate basis with any Series 2017 Warrants or other Parity Obligations that remain Outstanding after the issuance of the Additional Parity Obligations; provided, however, that an Authorizing Document may provide that the Additional Parity Obligations authorized are not secured by the Reserve Fund. Additional Parity Obligations shall not be secured by the Series 2017 Trust Estate.

ARTICLE 9

Funds and Accounts

SECTION 9.1 Tax Proceeds Account

(a) The Issuer shall establish and maintain an account (the "Tax Proceeds Account") in its own name with a bank or financial institution (including the Trustee's commercial banking department) for the collection of receipts from the Sales Tax. The Issuer shall provide notice to the Trustee identifying the location and account number for the Tax Proceeds Account. Upon request of the Trustee, the Issuer shall also provide copies of monthly bank statements for the Tax Proceeds Account and such additional information and documentation with respect to the Tax Proceeds Account as the Trustee shall reasonably request. Subject to the County's normal procedures for the recording, administration and application of tax revenues, the Issuer shall immediately deposit all receipts from the Sales Tax into the Tax Proceeds Account. The Tax Proceeds Account shall not be considered an Indenture Fund or otherwise part of the Trust Estate; provided, however, that if an Indenture Default exists the Trustee may exercise the remedies with respect to the Tax Proceeds Account described in ***Section 9.1(d).***

(b) During each Fiscal Year, the Issuer shall make monthly transfers of all funds on deposit in the Tax Proceeds Account to the Trustee until the Trustee confirms in writing that it has received funds sufficient to pay:

(i) all amounts payable as Debt Service on the Parity Obligations during such Fiscal Year;

(ii) any ongoing expenses of administration of the Parity Obligations;

(iii) any amounts necessary to restore the Reserve Fund to the Required Reserve Fund Balance;

(iv) Any amounts necessary to provide for the payment of rebate, if any, or other amounts due to the United States; and

(v) the fees and expenses of the Trustee for its services rendered and to be rendered during such Fiscal Year.

(c) The amounts so transferred shall be deposited in the Series 2017 Debt Service Fund and in any Parity Obligation Debt Service Fund, in the Reserve Fund, in the Trustee's separate account, or in such other Indenture Fund as may be appropriate. Upon receipt of the Trustee's confirmation that the amounts required in (i) through (iv) above have been fully funded for the current Fiscal Year, the Issuer shall not be obligated to transfer any additional amounts from the Tax Proceeds Account during the remainder of such Fiscal Year and shall apply all additional receipts from the Sales Tax to the uses and in the priorities established in the Sales Tax Act.

(d) If an Indenture Default exists, the Trustee may direct the Issuer to terminate the Tax Proceeds Account, to transfer possession and control of any money remaining in the Tax Proceeds Account to the Trustee, and to transfer all additional receipts from the Sales Tax to the Trustee immediately upon receipt. The Issuer shall complete such transfer of money remaining in the Tax Proceeds Account within 3 Business Days after receipt of such notice and shall transfer all additional receipts when received. In such event, the Trustee shall deposit all Sales Tax receipts into a separate account to be maintained by the Trustee, shall apply all such proceeds to the amounts described in subparagraphs (i) through (iv) above, and shall release any excess Sales Tax receipts to the Issuer to be applied as provided in the Sales Tax Act.

If no Indenture Default exists, the Trustee may, in its discretion, allow the Issuer to resume use of a separate Tax Proceeds Account.

SECTION 9.2 Series 2017 Debt Service Fund and Additional Parity Obligation Debt Service Funds

(a) There is hereby established a special trust fund which shall be designated the "Series 2017 Debt Service Fund". The Trustee shall be the depository, custodian and disbursing agent for the Series 2017 Debt Service

Fund. The Series 2017 Debt Service Fund shall be part of the Series 2017 Trust Estate and shall be held by the Trustee for the benefit of the Holders of the Series 2017 Warrants.

(b) Deposits shall be made by the Trustee to the Series 2017 Debt Service Fund as follows:

(1) From the amounts transferred by the Issuer to the Trustee from the Tax Proceeds Account as required by Section 9.1(b), the Trustee shall make deposits into the Series 2017 Debt Service Fund until the amount held therein is sufficient to pay all Debt Service payable on the Series 2017 Warrants on each Warrant Payment Date occurring during the current Fiscal Year.

(2) On any Warrant Payment Date, if the amount on deposit in the Series 2017 Debt Service Fund is not sufficient for any reason to pay Debt Service due on the Series 2017 Warrants on such Warrant Payment Date, the Trustee shall transfer money to the Series 2017 Debt Service Fund from the Reserve Fund as provided in ***Section 9.3(c)(1)***.

The Issuer may claim a credit against such deposits for the amount of investment earnings realized in the Series 2017 Debt Service Fund that have not been credited against prior deposits.

(c) On each Warrant Payment Date money in the Series 2017 Debt Service Fund shall be applied by the Trustee to pay Debt Service on the Series 2017 Warrants.

(d) If money is on deposit in the Series 2017 Debt Service Fund on any Warrant Payment Date sufficient to pay Debt Service on the Series 2017 Warrants due and payable on such Date, but the Holder of any Warrant that matures on such Date or that is subject to redemption on such Date fails to surrender such Warrant to the Trustee for payment of Debt Service due and payable on such Date, the Trustee shall segregate and hold in trust for the benefit of the person entitled thereto money sufficient to pay the Debt Service due and payable on such Warrant on such Date. Money so segregated and held in trust shall not be a part of the Trust Estate and shall not be invested, but shall constitute a separate trust fund for the benefit of the persons entitled to such Debt Service.

(e) The Trustee shall establish a separate fund (each an "Additional Parity Obligation Debt Service Fund") to be used for payment of Debt Service on each series of Additional Parity Obligations. Any such Additional Parity Obligation Debt Service Fund shall not be part of the Series 2017 Trust Estate established under this Indenture, but shall be part of the trust estate or security established for the benefit of the related Additional Parity Obligations. The Issuer shall transfer money from the Tax Proceeds Account to the Trustee for deposit in such Additional Parity Obligation Debt Service Funds as required by Section 9.1(b) and by the related Authorizing Document.

SECTION 9.3 Reserve Fund

(a) There is hereby established a special trust fund which shall be designated the "Reserve Fund". The Trustee shall be the depository, custodian and disbursing agent for the Reserve Fund. The Reserve Fund shall be part of the General Trust Estate and shall be held by the Trustee for the benefit of the Holders of all Parity Obligations; provided, however, that the Series 2017 Warrants are not secured by the Reserve Fund, and provided further that an Authorizing Document may provide that the related Additional Parity Obligations authorized are not secured by the Reserve Fund.

(b) Deposits to the Reserve Fund shall be made on the following dates:

(1) On the date of issuance of any Additional Parity Obligations secured by the Reserve Fund, the Issuer shall make a deposit to the Reserve Fund sufficient to make the balance in the Reserve Fund equal to the Required Reserve Fund Balance as of such date.

(2) If any withdrawal from the Reserve Fund is made pursuant to ***Section 9.3(c)(1)***, funds transferred by the Issuer from the Tax Proceeds Account as required by Section 9.1(b) shall be deposited in the Reserve Fund until the balance in the Reserve Fund is equal to the Required Reserve Fund Balance.

(c) Withdrawals from the Reserve Fund shall be made as follows:

(1) On each Parity Obligation Payment Date with respect to Parity Obligations secured by the Reserve Fund, money in the Reserve Fund shall be withdrawn by the Trustee and used to pay Debt Service on such Parity Obligations, but only if and to the extent that money on deposit in the related Parity Obligation Debt Service Fund is not sufficient for such purpose and payment from the Reserve Fund is necessary to prevent a default in the payment of such Debt Service.

(2) Investment earnings from the Reserve Fund shall, at the written request of the Issuer, be transferred by the Trustee to the Parity Obligation Debt Service Fund related to Parity Obligations secured by the Reserve Fund (pro rata based on the Outstanding Parity Obligations related to each such Fund) so long as the balance in the Reserve Fund, after giving effect to such transfer, is not less than the Required Reserve Fund Balance.

(d) The amount of the Required Reserve Fund Balance shall be determined (i) on the date of initial delivery of any Additional Parity Obligations that will be secured by the Reserve Fund and (ii) on any date when the Issuer requests a withdrawal of any excess money in the Reserve Fund. If the Issuer requests a withdrawal of money from the Reserve Fund it shall deliver to the Trustee a Certificate of an Authorized Officer of the Issuer containing a calculation of the Required Reserve Fund Balance as of such date, together with such supporting documentation as the Trustee shall reasonably request. The amount by which the balance in the Reserve Fund on any such determination date exceeds the Required Reserve Fund Balance shall be withdrawn and applied as directed in writing by the Issuer; provided, however, that if such direction is for any purpose other than the retirement or Defeasance of Parity Obligations or deposit in a Parity Obligation Debt Service Fund, such direction must be accompanied by a Favorable Tax Opinion.

(e) The balance in the Reserve Fund shall be determined by valuing Qualified Investments on deposit at fair market value as of the date of determination (exclusive of accrued interest).

SECTION 9.4 Series 2017 Costs of Issuance Fund

(a) There is hereby established with the Trustee a trust fund which shall be designated the "Series 2017 Costs of Issuance Fund". A deposit to the Series 2017 Costs of Issuance Fund is to be made pursuant to ***Section 5.2***. The Trustee shall be the depository, custodian and disbursing agent for the Series 2017 Costs of Issuance Fund. The Series 2017 Costs of Issuance Fund shall be part of the Series 2017 Trust Estate and shall be held by the Trustee for the benefit of the Holders of the Series 2017 Warrants.

(b) Money in the Series 2017 Costs of Issuance Fund shall be paid out by the Trustee from time to time for the purpose of paying Costs of Issuance with respect to the Series 2017 Warrants upon delivery to the Trustee of a requisition substantially in the form attached as ***Exhibit 9.4***, executed by an Authorized Representative of the Issuer.

(c) After an Authorized Representative of the Issuer certifies to the Trustee that money remaining in the Series 2017 Costs of Issuance Fund is not needed to pay Costs of Issuance with respect to the Series 2017 Warrants, any balance remaining in the Series 2017 Costs of Issuance Fund shall be applied in such manner as the Issuer may direct; provided however that if the Issuer does not direct such balance to be used for the redemption of Series 2017 Warrants, such direction must be accompanied by a Favorable Tax Opinion.

SECTION 9.5 Investment of Indenture Funds

(a) Except as otherwise expressly provided in this Indenture, any money held as part of an Indenture Fund shall be invested or reinvested in Qualified Investments by the Trustee in accordance with the instructions of the Issuer, to the extent that such investment is, in the opinion of the Trustee, feasible and consistent with the purposes for which such Fund was created. Interest and profits on investments in the Reserve Fund may be transferred to the Series 2017 Debt Service Fund or to any other Parity Obligation Debt Service Fund related to Parity Obligations secured by the Reserve Fund, as provided in ***Section 9.3(c)(2)***. Except as provided with respect to investment earnings on the Reserve Fund, any investment made with money on deposit in an Indenture Fund shall be held by or under control of the Trustee and shall be deemed at all times a part of the Indenture Fund where such money was on deposit, and the interest and profits realized from such investment shall be credited to such Indenture Fund and any loss resulting from such investment shall be charged to such Indenture Fund.

(b) Any investment of money in the Indenture Funds may be made by the Trustee through its own bond department, investment department or other commercial banking department providing investment services.

(c) The Trustee shall follow the instructions of the Issuer with respect to investments of the Indenture Funds as provided in this Section, but the Trustee shall not be responsible for (i) determining that any such investment complies with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code, or (ii) calculating the amount of, or making payment of, any rebate due to the United States under Section 148(f) of the Internal Revenue Code.

(d) If the Trustee shall have actual notice that any Qualified Investments held by the Trustee shall no longer have the required rating, the Trustee shall promptly notify the Issuer of the downgrade or withdrawal of such investment's rating.

SECTION 9.6 Application of Funds After Indenture Indebtedness Defeased

(a) After all Outstanding Warrants have been paid or Defeased, any money or investments remaining in the Series 2017 Debt Service Fund shall be paid to the Issuer if no Indenture Default exists.

(b) After all Indenture Indebtedness has been paid Defeased, any money or investments remaining in the Indenture Funds or otherwise constituting part of the Trust Estate shall be paid to the Issuer if no Indenture Default exists.

ARTICLE 10

Representations and Covenants

SECTION 10.1 General Representations

The Issuer makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) Under the provisions of the Enabling Law, it has the power to consummate the transactions described in the Warrant Documents to which it is a party.

(b) The Warrant Documents to which it is a party constitute legal, valid and binding obligations of the Issuer and are enforceable against it in accordance with the terms of such Documents, except as enforcement thereof may be limited by (i) bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights and (ii) general principles of equity, including the exercise of judicial discretion in appropriate cases.

(c) The lien imposed by this Indenture on the Indenture Funds is a first-priority lien, and there is no pledge, assignment or other lien in effect with respect to the Indenture Funds other than the lien imposed by this Indenture. The lien imposed by this Indenture on the Pledged Tax Proceeds is a first-priority lien, and there is no pledge, assignment or other lien in effect with respect to the proceeds of the Sales Tax other than the lien imposed by this Indenture.

SECTION 10.2 Encumbrances on Trust Estate

The Issuer will not create any pledge, charge, encumbrance or lien of any kind on the Trust Estate or any part thereof prior to or on a parity with the lien of this Indenture and will not create or permit any other lien on the Trust Estate or any part thereof other than a subordinate lien on the Pledged Tax Proceeds with respect to Subordinate Obligations.

SECTION 10.3 Payment of Parity Obligations

(a) The Issuer will, from funds constituting part of the Trust Estate, duly and punctually pay, or cause to be paid, the Debt Service on the Parity Obligations as and when the same shall become due and will duly and punctually deposit, or cause to be deposited, in the Indenture Funds the amounts required to be deposited therein, all in accordance with the terms of the Parity Obligations and this Indenture.

(b) The Issuer will not extend or consent to the extension of the time for payment of Debt Service on the Parity Obligations, unless such extension is consented to by the Holder of the Parity Obligation(s) affected.

SECTION 10.4 Inspection of Records

The Issuer will at any and all times, upon the request of the Trustee, afford and procure a reasonable opportunity for the Trustee by its representatives to inspect any books, records, reports and other papers of the Issuer relating to the performance by the Issuer of its covenants in this Indenture, and the Issuer will furnish to the Trustee any and all information as the Trustee may reasonably request with respect to the performance by the Issuer of its covenants in this Indenture.

SECTION 10.5 Advances by Trustee

If the Issuer shall fail to perform any of its covenants in this Indenture, the Trustee may, but shall not be required, at any time and from time to time, to make advances to effect performance of any such covenant on behalf of the Issuer. Any money so advanced by the Trustee, together with interest at the Post-Default Rate, shall be repaid upon demand and such advances shall be secured under this Indenture prior to the Parity Obligations.

SECTION 10.6 Compliance with the Tax Certificate and Agreement

The Issuer will comply with the covenants and agreements on its part contained in the Tax Certificate and Agreement.

SECTION 10.7 Levy of Sales Tax

The Issuer will levy and collect the Sales Tax and will apply the Sales Tax proceeds as provided in this Indenture until the payment in full of the Parity Obligations. If the Sales Tax is determined to be invalid by the Alabama Supreme Court or by the United States Supreme Court with the result that the Pledged Tax Proceeds are no longer available to pay debt service on the Series 2017 Warrants and any Additional Parity Warrants, the Issuer will, in accordance with then applicable law, levy and collect a new tax under Section 40-12-4 of the Code of Alabama (or other applicable section at the time) in such amount as may be permitted by applicable state law and needed to (i) pay all amounts due on the Series 2017 Warrants and any Additional Parity Warrants, or (ii) pay the amounts due on a new series of warrants issued to refund and retire the Series 2017 Warrants and any outstanding Additional Parity Warrants.

ARTICLE 11

Defaults and Remedies

SECTION 11.1 Events of Default

Any one or more of the following shall constitute an event of default (an "Indenture Default") under this Indenture (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) failure to pay (i) the interest on any Parity Obligation when such interest becomes due and payable, or (ii) the principal of (or premium, if any, on) any Parity Obligation when such principal (or premium, if any) becomes due and payable, whether at its stated maturity, by declaration of acceleration or call for redemption or prepayment or otherwise; or

(b) failure by the Issuer to make any payment or deposit required by ***Section 9.1*** for more than 10 days after notice from the Trustee of such failure; or

(c) default in the performance, or breach, of any covenant or warranty of the Issuer in this Indenture (other than a covenant or warranty a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after notice of such default or breach, stating that such notice is a "notice of default" hereunder, has been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Parity Obligations, unless, in the case of a default or breach that cannot be cured by the payment of money, the Issuer initiates efforts to correct such default or breach within 30 days from the receipt of such notice and diligently pursues such action until the default or breach is corrected; or

(d) an Act of Bankruptcy by the Issuer; or

(e) an event of default, as therein defined, shall occur under any Authorizing Document with respect to Additional Parity Obligations and any applicable grace or notice period shall expire; provided, however, that an event of default under any Authorizing Document other than a Supplemental Indenture shall not constitute an Indenture Default unless the Trustee receives written notice of the existence of such event of default from the Holder or Holders of such Additional Parity Obligations, or from a trustee for such Holders.

SECTION 11.2 Remedies

(a) **Acceleration of Maturity**. If an Indenture Default described in Section 11.1(a) of this Indenture exists, the Trustee or the Holders of not less than a majority in principal amount of the Parity Obligations Outstanding may declare the principal of all Parity Obligations and the interest accrued thereon to be due and payable immediately, by notice to the Issuer (and to the Trustee, if given by Holders), and upon any such declaration such Debt Service shall become immediately due and payable. The acceleration of the maturity of Parity Obligations after an Indenture Default is subject to the following additional conditions:

(1) The maturity of all Parity Obligations must be accelerated if the maturity of any Parity Obligations is accelerated. If an Authorizing Document authorizes the Holder or Holders of Additional Parity Obligations, or a trustee for such Holders, to accelerate or otherwise demand payment of such Additional Parity Obligations if an event of default occurs under such Authorizing Document, such Holder or Holders, or a trustee for such Holder or Holders, may demand payment from assets of the Issuer that are not part of the General Trust Estate, or from assets that are part of the Trust Estate established for the sole benefit of such Additional Parity Obligations, but the Trustee shall not apply the General Trust Estate to the principal amount accelerated unless the maturity of all Parity Obligations has been accelerated or the Holders of all other Parity Obligations Outstanding consent to such payment.

(2) At any time after such a declaration of acceleration has been made pursuant to this Section, the Holders of a majority in principal amount of the Parity Obligations Outstanding may, by notice to the Issuer and the Trustee, rescind and annul such declaration and its consequences if

(A) the Issuer has deposited with the Trustee a sum sufficient to pay

(i) all overdue installments of interest on all Parity Obligations,

(ii) the principal of (and premium, if any, on) any Parity Obligations which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Parity Obligations,

(iii) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Parity Obligations, and

(iv) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(B) all Indenture Defaults, other than the nonpayment of the principal of Parity Obligations which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in ***Section 11.10***.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(b) **Receiver**. If an Indenture Default exists, the Trustee shall be entitled, upon the order of any court of competent jurisdiction, to the appointment of a receiver of the Pledged Tax Proceeds. The court appointing such receiver may grant to such receiver all powers and duties permitted by law, including the power to collect all Pledged Tax Proceeds.

(c) **Rights and Remedies Cumulative**. No right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Parity Obligations is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

(d) **Remedies Subject to Applicable Law**. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 11.3 Application of Money Collected

Any money collected by the Trustee pursuant to this Article and any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Parity Obligations and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First**: To the payment of all undeducted amounts due the Trustee under ***Section 12.7***;

(b) **Second**: To the payment of the whole amount then due and unpaid upon the Outstanding Parity Obligations for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Parity Obligations) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Parity Obligations, then to the payment of such principal (and premium, if any) and interest, without any preference or priority, ratably according to the aggregate amount so due; provided, however, that payments with respect to Parity Obligations owned by or on behalf of the Issuer shall be made only after all other Parity Obligations have been Defeased; and

(c) **Third**: To the payment of the remainder, if any, to the Issuer or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 11.4 Trustee May Enforce Claims without Possession of Parity Obligations

All rights of action and claims under this Indenture or the Parity Obligations may be prosecuted and enforced by the Trustee without the possession of any of the Parity Obligations or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Parity Obligations in respect of which such judgment has been recovered.

SECTION 11.5 Limitation on Suits

No Holder of any Parity Obligation shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Indenture, or for the appointment of a receiver or trustee or for any other remedy hereunder, unless

(a) such Holder has previously given notice to the Trustee of a continuing Indenture Default;

(b) the Holders of not less than 25% in principal amount of the Outstanding Parity Obligations shall have made request to the Trustee to institute proceedings in respect of such Indenture Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Parity Obligations;

it being understood and intended that no one or more Holders of Parity Obligations shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the lien of this Indenture or the rights of any other Holders of Parity Obligations, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Parity Obligations.

SECTION 11.6 Unconditional Right of Holders of Parity Obligations to Payment

Notwithstanding any other provision in this Indenture, the Holder of any Parity Obligation shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Parity Obligation on the Maturity Date expressed in such Parity Obligation (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 11.7 Restoration of Positions

If the Trustee or any Holder of a Parity Obligation has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Holder, then and in every such case the Issuer, the Trustee and the Holders of Parity Obligations shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders of Parity Obligations shall continue as though no such proceeding had been instituted.

SECTION 11.8 Delay or Omission Not Waiver

No delay or omission of the Trustee or of any Holder of Parity Obligations to exercise any right or remedy accruing upon an Indenture Default shall impair any such right or remedy or constitute a waiver of any such Indenture Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of Parity Obligations may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by such Holders, as the case may be.

SECTION 11.9 Control by Holders of Parity Obligations

The Holders of a majority in principal amount of the Outstanding Parity Obligations shall have the right, during the continuance of an Indenture Default,

(a) to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Parity Obligations or otherwise, and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder, including the power to direct or withhold directions for acceleration of the maturity of the Parity Obligations pursuant to ***Section 11.2(a)***; provided that

(1) such direction shall not be in conflict with any rule of law or this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders of Parity Obligations not taking part in such direction.

SECTION 11.10 Waiver of Past Defaults

(a) Before any judgment or decree for payment of money due has been obtained by the Trustee, the Holders of not less than a majority in principal amount of the Outstanding Parity Obligations may, by notice to the Trustee and the Issuer, on behalf of all Holders of Parity Obligations waive any past default hereunder or under any other Warrant Document and its consequences, except a default

(1) in the payment of Debt Service on any Parity Obligation, or

(2) in respect of a covenant or provision hereof which under ***Article 13*** cannot be modified or amended without the consent of the Holder of each Outstanding Parity Obligation affected.

(b) Upon any such waiver, such default shall cease to exist, and any Indenture Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 11.11 Suits to Protect the Trust Estate

The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture and to protect its interests and the interests of the Holders of the Parity Obligations in the Trust Estate and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Holders of Parity Obligations or the Trustee.

ARTICLE 12

The Trustee

SECTION 12.1 Certain Duties and Responsibilities of Trustee

(a) Except during the continuance of an Indenture Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) If an Indenture Default exists, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) The Trustee shall not incur liability for its action or inaction with respect to the performance of its duties and obligations under this Indenture unless such action or inaction constitutes willful misconduct or gross negligence under the circumstances. Liability of the Trustee for such action or inaction shall be further limited as follows:

(1) the Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of the Outstanding Parity Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(3) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 12.2 Notice of Defaults

(a) If a notice event described in ***Section 12.2(b)*** exists, the Trustee shall notify Holders of Parity Obligations of such event within 30 days after the Trustee becomes aware of its existence; provided, however, that the Trustee shall be protected in withholding such notice if (1) the notice event has been cured or waived or otherwise ceases to exist before such notice is given; or (2) the Trustee determines in good faith that the withholding of such notice is in the interest of Holders of Parity Obligations.

(b) For purposes of this Section, the following shall constitute "notice events":

(1) the occurrence of an Indenture Default; and

(2) any event which is, or after notice or lapse of time or both would become, an Indenture Default.

SECTION 12.3 Certain Rights of Trustee

Except as otherwise provided in ***Section 12.1***:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, warrant, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by a written certificate or order executed by an Authorized Representative of the Issuer.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate executed by an Authorized Representative of the Issuer.

(d) The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Parity Obligations pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, warrant, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Issuer, personally or by agent or attorney.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 12.4 Not Responsible for Recitals

The recitals contained herein and in the Parity Obligations, except the certificate of authentication on the Warrants, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Indenture or of the Parity Obligations.

SECTION 12.5 May Hold Parity Obligations

The Trustee in its individual or any other capacity, may become the Holder or pledgee of Parity Obligations and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee.

SECTION 12.6 Money Held in Trust

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent expressly provided in this Indenture or required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise provided in ***Article 9***.

SECTION 12.7 Compensation and Reimbursement

(a) The Issuer agrees to pay to the Trustee, or to reimburse the Trustee for, but solely from the Trust Estate:

(1) reasonable compensation for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

(2) all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's gross negligence or bad faith.

(b) As security for the performance of the obligations of the Issuer under this Section, the Trustee shall be secured under this Indenture by a lien prior to the Parity Obligations, and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any money held by it as a part of the Trust Estate.

SECTION 12.8 Corporate Trustee Required; Eligibility

There shall at all times be a Trustee hereunder which shall (i) be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state, (ii) be authorized under such laws to exercise corporate trust powers, (iii) be subject to supervision or examination by federal or state authority, and (iv) have an investment grade rating for its long-term deposits from each Rating Agency that provides a rating on any Parity Obligations or, if no Parity Obligations are rated, by any Rating Agency.

SECTION 12.9 Resignation and Removal; Appointment of Successor

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under ***Section 12.10***.

(b) The Trustee may resign at any time by giving notice thereof to the Issuer. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Parity Obligations by notice delivered to the Trustee and the Issuer. If no Indenture Default exists, the Trustee may be removed at any time by the Issuer by notice delivered to the Trustee.

(d) If at any time:

(1) the Trustee shall cease to be eligible under ***Section 12.8*** and shall fail to resign after request therefor by the Issuer or by any Holder of Parity Obligations who has been a bona fide Holder of a Parity Obligation for at least 6 months, or

(2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case (i) the Issuer may remove the Trustee, or (ii) any Holder of Parity Obligations who has been a bona fide Holder for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, a successor Trustee shall be appointed by the Issuer. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed by the Holders of Parity Obligations. If, within 1 year after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed by the Holders of a majority in principal amount of the Outstanding Parity Obligations, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Issuer or the Holders of Parity Obligations and accepted appointment in the manner hereinafter provided, any Holder of Parity Obligations who has been a bona fide Holder for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Issuer shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee, to the Holders of Parity Obligations.

SECTION 12.10 Acceptance of Appointment by Successor

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in ***Section 12.7***. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

(b) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article, to the extent operative.

SECTION 12.11 Merger, Conversion, Consolidation or Succession to Business

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Parity Obligations shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Parity Obligations so authenticated with the same effect as if such successor Trustee had itself authenticated such Parity Obligations.

ARTICLE 13

Amendment of Warrant Documents

SECTION 13.1 General Requirements for Amendments

The Trustee may, on its own behalf and of behalf of the Holders of Parity Obligations, from time to time enter into, or consent to, an amendment of any Warrant Document only as permitted by this Article.

SECTION 13.2 Amendments Without Consent of Holders of Parity Obligations

An amendment of the Warrant Documents for any of the following purposes may be made, or consented to, by the Trustee without the consent of the Holders of any Parity Obligations:

(a) to correct or amplify the description of any property at any time subject to the lien of any Warrant Document, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the lien of any Warrant Document, or to subject to the lien of any Warrant Document, additional property; or

(b) to evidence the succession of another person to any Financing Participant and the assumption by any such successor of the covenants of such Financing Participant (provided that the requirements of the related Warrant Document for such succession and assumption are otherwise satisfied); or

(c) to add to the covenants of any Financing Participant for the benefit of Holders of Parity Obligations and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under the specified Warrant Documents permitting the enforcement of all or any of the several remedies provided therein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default; or

(d) to surrender any right or power conferred upon any Financing Participant other than rights or powers for the benefit of Holders of Parity Obligations; or

(e) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Holders of Parity Obligations; or

(f) to appoint a separate agent of the Issuer or the Trustee to perform any one or more of the following functions: (i) registration of transfers and exchanges of Parity Obligations and (ii) payment of Debt Service on the Parity Obligations; provided, however, that any such agent must be a bank or trust company with long-term obligations, at the time such appointment is made, in one of the three highest rating categories of at least one Rating Agency; or

(g) to facilitate and administer the addition of Credit Enhancement for the benefit of Holders of Parity Obligations, provided that, in the reasonable judgment of the Trustee, such provisions do not adversely affect the interests of Holders of Parity Obligations not secured by such Credit Enhancement.

SECTION 13.3 Amendments Requiring Consent of All Affected Holders of Parity Obligations

(a) An amendment of the Warrant Documents to change the stated due date of the principal of, or any installment of interest on, any Warrant, or to reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof; shall be entered into, or consented to, by the Trustee only with the consent of the Holder of each Warrant affected.

(b) An amendment of the Warrant Documents for any of the following purposes may be entered into, or consented to, by the Trustee only with the consent of the Holder of each Parity Obligation affected:

(1) to change the coin or currency in which, any Parity Obligation, or the interest thereon is payable, or

(2) to impair the right to institute suit for the enforcement of any such payment on or after the stated Maturity Date thereof (or, in the case of redemption, on or after the redemption date); or

(3) to reduce the percentage in principal amount of the Outstanding Parity Obligations, the consent of whose Holders is required for any amendment of the Warrant Documents, or the consent of whose Holders is required for any waiver provided for in the Warrant Documents; or

(4) to modify or alter the provisions of the proviso to the definition of the term “Outstanding”; or

(5) to modify any of the provisions of ***Section 13.4*** or ***Section 11.10***, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Parity Obligation affected thereby; or

(6) to permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any of the Trust Estate or terminate the lien of this Indenture on any property at any time subject hereto or deprive the Holder of any Parity Obligation of the security afforded by the lien of this Indenture; or

(7) to eliminate, reduce or delay the obligation of the Issuer to make payments at times and in amounts sufficient to pay Debt Service on the Parity Obligations.

SECTION 13.4 Amendments Requiring Majority Consent of Holders of Parity Obligations

An amendment of the Warrant Documents for any purpose not described in ***Sections 13.2*** or ***13.3*** may be entered into, or consented to, by the Trustee only with the consent of the Holders of a majority in principal amount of Parity Obligations Outstanding.

SECTION 13.5 Discretion of Trustee

The Trustee may in its discretion determine whether or not any Parity Obligations would be affected by any amendment of the Warrant Documents and any such determination shall be conclusive upon the Holders of all Parity Obligations, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

SECTION 13.6 Trustee Protected by Opinion of Counsel

In executing or consenting to any amendment permitted by this Article, the Trustee shall be entitled to receive, and, subject to ***Section 12.1***, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Indenture.

SECTION 13.7 Amendments Affecting Trustee's Personal Rights

The Trustee may, but shall not be obligated to, enter into any amendment that affects the Trustee's own rights, duties or immunities under the Warrant Documents.

SECTION 13.8 Effect on Holders of Parity Obligations

Upon the execution of any amendment under this Article, every Holder of Parity Obligations theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 13.9 Reference in Parity Obligations to Amendments

Parity Obligations authenticated and delivered after the execution of any amendment under this Article shall, if required by such amendment or by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. New Parity Obligations so modified as to conform to any such amendment shall, if required by such amendment or by the Trustee, be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Parity Obligations.

SECTION 13.10 Amendments Not to Affect Tax Exemption

No amendment may be made to the Warrant Documents unless the Trustee receives a Favorable Tax Opinion.

ARTICLE 14

Defeasance

SECTION 14.1 Payment of Indenture Indebtedness; Satisfaction and Discharge of Indenture

(a) Whenever all Indenture Indebtedness has been Defeased, then (i) this Indenture and the lien, rights and interests created hereby shall cease, terminate and become null and void (except as to any surviving rights of transfer or exchange of Parity Obligations herein or therein provided for), and (ii) the Trustee shall, upon the request of the Issuer, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Issuer or upon the order of the Issuer, all cash and securities then held by it hereunder as a part of the Trust Estate.

(b) A Parity Obligation shall be deemed "Defeased" if

(1) such Parity Obligation has been cancelled by the Trustee or delivered to the Trustee for cancellation, or

(2) such Parity Obligation shall have matured or been called for redemption and, on such Maturity Date or redemption date, money for the payment of Debt Service on such Parity Obligation is held by the Trustee in trust for the benefit of the person entitled thereto, or

(3) a trust for the payment of such Parity Obligation has been established in accordance with ***Section 14.2.***

(c) Indenture Indebtedness other than Debt Service on the Parity Obligations shall be deemed "Defeased" whenever the Issuer has paid, or made provisions satisfactory to the Trustee for payment of, all such Indenture Indebtedness.

SECTION 14.2 Trust for Payment of Debt Service

(a) The Issuer may provide for the payment of any Parity Obligation by establishing a trust for such purpose with the Trustee and depositing therein cash and/or Federal Securities which (assuming the due and punctual payment of the principal of and interest on such Federal Securities, but without reinvestment) will provide funds sufficient to pay the Debt Service on such Parity Obligation as the same becomes due and payable until the Maturity or redemption of such Parity Obligation; provided, however, that:

(1) Such Federal Securities must not be subject to redemption prior to their respective maturities at the option of the issuer of such Securities.

(2) If such Parity Obligation is to be redeemed prior to its Maturity Date, either (i) the Trustee shall receive evidence that notice of such redemption has been given in accordance with the provisions of this Indenture and such Parity Obligation or (ii) the Issuer shall confer on the Trustee irrevocable authority for the giving of such notice.

(3) If such Parity Obligation bears interest at a variable rate, such trust must provide for payment of interest at the maximum rate payable on such Parity Obligation until such Parity Obligation is to be retired.

(4) Such Parity Obligation shall not be subject to repurchase by the Issuer or the provider of any Credit Enhancement with respect to such Parity Obligation during the period such trust will be in effect.

(5) Prior to the establishment of such trust the Trustee must receive a Favorable Tax Opinion.

(6) Prior to the establishment of such trust, the Trustee must receive verification satisfactory to the Trustee demonstrating that the principal and interest payments on the Federal Securities in such trust,

without reinvestment, together with the cash balance in such trust remaining after purchase of such Securities, will be sufficient to make the required payments from such trust.

(b) Any trust established pursuant to this Section may provide for payment of less than all Parity Obligations outstanding or less than all Parity Obligations of any remaining maturity.

(c) If any trust provides for payment of less than all Parity Obligations of the same Tenor, the Parity Obligations of such Tenor to be paid from the trust shall be selected by the Trustee by lot by such method as shall provide for the selection of portions (in Authorized Denominations) of the principal of Parity Obligations of such Tenor of a denomination larger than the smallest Authorized Denomination. Such selection shall be made within 7 days after such trust is established. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Parity Obligations. After such selection is made, Parity Obligations that are to be paid from such trust (including Parity Obligations issued in exchange for such Parity Obligations pursuant to the transfer or exchange provisions of this Indenture) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Holders whose Parity Obligations (or portions thereof) have been selected for payment from such trust and shall direct such Holders to surrender their Parity Obligations to the Trustee in exchange for Parity Obligations with the appropriate designation. The selection of Parity Obligations for payment from such trust pursuant to this Section shall be conclusive and binding on the Financing Participants and the Warrantholders.

(d) Cash and/or Federal Securities deposited with the Trustee pursuant to this Section shall not be a part of the Trust Estate but shall constitute a separate, irrevocable trust fund for the benefit of the Holder of the Parity Obligation to be paid from such fund.

ARTICLE 15

Miscellaneous

SECTION 15.1 Notices to Financing Participants

(a) Notices and other communications to Financing Participants pursuant to this Indenture must be in writing except as otherwise expressly provided in this Indenture. Any specific reference in this Indenture to "written notice" shall not be construed to mean that any other notice may be oral, unless such oral notice is specifically permitted by this Indenture under the circumstances.

(b) Notices and other communications pursuant to this Indenture may be delivered by any method provided in the directions for notices attached as ***Exhibit 15.1(b).*** A Financing Participant may change its directions for notices by giving notice to the other Financing Participants.

(c) Any notice shall be deemed given when actually received by the Financing Participant to whom the notice is addressed. In addition, any notice sent by certified mail shall be deemed received when sent by certified mail, addressed as provided in the notice directions included in ***Exhibit 15.1(b)*** or, if the designated Financing Participant has delivered a change notice, as specified in such change notice.

(d) Notice to any Financing Participant required by this Indenture may be waived in writing by such Financing Participant, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 15.2 Notices to Holders of Parity Obligations

(a) Notices and other communications to Holders of Parity Obligations pursuant to this Indenture must be in writing except as otherwise expressly provided in this Indenture. Any specific reference in this Indenture to "written notice" shall not be construed to mean that any other notice may be oral, unless such oral notice is specifically permitted by this Indenture under the circumstances.

(b) If the Book Entry System is in effect, notices and other communications to Holders of Parity Obligations will be delivered to Holders of Parity Obligations through the Book Entry System and shall be deemed delivered to Holders of Parity Obligations upon receipt by DTC. If the Book Entry System is terminated, notices and other communications to Holders of Parity Obligations may be delivered to such Holders at their address as it appears in the Warrant Register.

(c) Any notice to DTC or a Holder shall be deemed given when received by DTC or the Holder, as the case may be, or when sent by certified mail.

(d) Any defect in a notice to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

(e) Notice to any Holder required by this Indenture may be waived in writing by such Holder, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 15.3 Successors and Assigns

All covenants and agreements in this Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 15.4 Benefits of Indenture

Nothing in this Indenture or in the Parity Obligations, express or implied, shall give to any person, other than the parties hereto and their successors hereunder and the Holders of the Parity Obligations.

SECTION 15.5 Rights or Powers of Providers of Credit Enhancement

If expressly permitted by the terms of this Indenture (including any Authorizing Document with respect to Parity Obligations), the provider of any Credit Enhancement with respect to Parity Obligations may, on behalf of the Holders of the Parity Obligations secured by such Credit Enhancement (and without notice to or consent of such Holders), exercise the following rights and powers of such Holders under this Indenture:

(a) the right or power to provide directions with respect to the pursuit of remedies available to the Trustee if an Indenture Default exists, including without limitation the right or power to direct the acceleration of the Maturity Date of Parity Obligations and the right or power to approve any plan of reorganization of the Issuer under the Federal Bankruptcy Code;

(b) the right or power to waive any Indenture Default and its consequences; and

(c) the right or power to consent to, or approve, any amendment of this Indenture requiring the consent of Holders of Parity Obligations, other than an amendment described in ***Section 13.3***;

provided, however, that the provider of such Credit Enhancement may not exercise such rights and powers on behalf of Holders of Parity Obligations not secured by such Credit Enhancement.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this instrument to be duly executed by their duly authorized officers.

[Signature pages follow]

JEFFERSON COUNTY, ALABAMA

By:____

Title:______________________________________

[Seal]

Attest:

By:____

Title:______________________________________

STATE OF ALABAMA
JEFFERSON COUNTY

I, ________________________________, a Notary Public in and for said County in said State, do hereby certify that ____________________________, whose name as ___________________________ of Jefferson County, Alabama, a political subdivision of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said County.

Given under my hand and seal this the _______ day of _______________, 2017.

____
Notary Public

NOTARIAL SEAL

My commission expires:___________

REGIONS BANK

By:____

Title:_______________________________________

[SEAL]

Attest:

By:____

Title:_______________________________________

STATE OF ALABAMA
JEFFERSON COUNTY

I, ________________________________, a Notary Public in and for said County, in said State, hereby certify that _____________________________, whose name as ___________________________________ of REGIONS BANK, an Alabama banking corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said banking corporation.

Given under my hand and seal this the ________ day of _______________, 2017.

____
Notary Public

NOTARIAL SEAL

My commission expires:____________

This instrument was prepared by:

J. Foster Clark
Balch & Bingham LLP
1901 Sixth Avenue North, Suite 1500
Birmingham, Alabama 35203-4642
(205) 251-8100

EXHIBIT 5.1(c)

Form of Series 2017 Warrants

Jefferson County, Alabama
Limited Obligation Refunding Warrants, Series 2017

Number:

Maturity Date:

Interest Rate:

Date of Initial Delivery:

CUSIP:

Jefferson County, Alabama, a political subdivision of the State of Alabama (the "Issuer"), which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby acknowledges itself indebted to

CEDE & CO.,

or registered assigns, and directs the Trustee (as hereinafter defined, and as paying agent on behalf of the Issuer) to pay (but solely from the sources hereinafter identified) the principal sum of

____ **DOLLARS**

on the Maturity Date specified above and to pay interest hereon from the date of initial delivery of this warrant, or the most recent date to which interest has been paid or duly provided for, until the principal hereof shall become due and payable at the applicable interest rate specified below; provided, however, that all such payments shall be limited obligations of the Issuer payable solely from the sources hereinafter identified.

Authorizing Document

This warrant is issued pursuant to a Trust Indenture dated as of July 1, 2017 (the "Indenture"), between the Issuer and Regions Bank, an Alabama banking corporation (the "Trustee", which term includes any successor trustee under the Indenture). This warrant is part of a series of warrants issued pursuant to the Indenture and referred to in the Indenture and herein as the "Series 2017 Warrants". Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture. The provisions of the Indenture are hereby incorporated by reference as if fully set forth in this warrant.

Source of Payment

The Series 2017 Warrants and all other payment obligations under the Indenture are limited obligations of the Issuer payable solely out of the Trust Estate established under the Indenture, which includes the Pledged Tax Proceeds. Pursuant to the Indenture, the Issuer has established a special fund for the payment of Debt Service on the Series 2017 Warrants (the "Tax Proceeds Account") that will be held by the Issuer. During each fiscal year, the Issuer has obligated itself to pay or deposit the Pledged Tax Proceeds into the Tax Proceeds Account in amounts sufficient to provide for the payment of Debt Service on the Series 2017 Warrants as the same becomes due and payable during such fiscal year.

Security for Payment

Payment of the Series 2017 Warrants is secured by a pledge and assignment of (i) the General Trust Estate established under the Indenture, which includes the Pledged Tax Proceeds and money in the funds and accounts designated as "General Indenture Funds" under the Indenture, and (ii) the Series 2017 Trust Estate established under the Indenture, which includes money in the funds and accounts designated as "Series 2017 Indenture Funds" under the Indenture.

The Indenture authorizes the issuance of Additional Warrants and other debt obligations designated as "Additional Parity Obligations" (the Series 2017 Warrants, any Additional Warrants and any other debt obligations designated as Additional Parity Obligations being referred to collectively as "Parity Obligations") solely for the purpose of refunding all or a portion of the Series 2017 Warrants or any other Parity Obligations. All Parity Obligations will be secured by the Indenture on an equal and proportionate basis. The Series 2017 Trust Estate is for the sole benefit of the Holders of the Series 2017 Warrants.

Warrant Documents

Copies of the Warrant Documents are on file at the Office of the Trustee, and reference is hereby made to such instruments for a description of the properties pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Holders of the Series 2017 Warrants and the Financing Participants, and the terms upon which the Series 2017 Warrants are, and are to be, authenticated and delivered.

Transfer, Registration, Exchange and Payment Provisions

The ownership, transfer, exchange and payment of Series 2017 Warrants shall be governed by the Book Entry System administered by DTC until the Book Entry System is terminated pursuant to the terms and conditions of the Indenture. If the Book Entry System is terminated, the Indenture provides alternate provisions for the ownership, transfer, registration, exchange and payment of Series 2017 Warrants.

Applicable Interest Rate

The applicable interest rate for this warrant is specified above.

Computation of Interest Accrual

Interest on Series 2017 Warrants shall be computed on the basis of a 360-day year with 12 months of 30 days each.

Interest Payment Dates

Interest on Series 2017 Warrants is payable on the following dates: March 15 and September 15 of each year, beginning March 15, 2018.

Regular Record Date for Interest Payments

If the Book Entry System is in effect, the Trustee shall pay interest on this warrant to DTC, and interest shall be distributed to the Holder of this warrant in accordance with the rules and regulations of DTC. If the Book Entry System is terminated, the interest due on any Interest Payment Date with respect to this warrant shall be payable to the Holder of this warrant on the Regular Record Date for such Interest Payment Date.

Interest on Overdue Payments

Interest shall be payable on overdue principal on this warrant and (to the extent legally enforceable) on any overdue installment of interest on this warrant at the Post-Default Rate specified in the Indenture.

Authorized Denominations

Series 2017 Warrants may be in denominations of $5,000 or any multiple thereof.

Currency of Payment

Payment of Debt Service on this Series 2017 Warrant shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

Redemption Prior to Maturity

This warrant will be subject to redemption prior to its Maturity Date as follows:

(a) Optional Redemption. Any Series 2017 Warrant that matures on or after September 15, 2027 may be redeemed in whole or in part on any Business Day on or after March 15, 2027, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest thereon to the date of redemption.

(b) Scheduled Mandatory Redemption of Series 2017 Term Warrants**.** The Series 2017 Warrants maturing in ________ and ____________ are referred to herein as "Series 2017 Term Warrants". Series 2017 Term Warrants shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on dates and in principal amounts (after credit as provided below) as follows:

Series 2017 Term Warrants Maturing in _____

Redemption Date (________ 1)	Principal Amount to be Redeemed
	(maturity)

Series 2017 Term Warrants Maturing in _______

Redemption Date (________ 1)	Principal Amount to be Redeemed
	(maturity)

If less than all Series 2017 Warrant outstanding are being redeemed, the Indenture provides procedures for selection of Series 2017 Warrants to be redeemed.

Notice of redemption of any Series 2017 Warrant shall be given to the affected Holder not less than 20 days prior to the redemption date. Notice of redemption will be given to other Holders through methods established by the rules and regulations of the Book Entry System or, if the Book Entry System is not in effect, by certified mail.

A notice of optional redemption may state that the redemption of Series 2017 Warrants is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the Issuer shall not be required to redeem the Series 2017 Warrants (or portions thereof) identified in such notice, and any Series 2017 Warrants surrendered on the specified redemption date shall be returned to the Holders of such Series 2017 Warrants.

On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Series 2017 Warrants which are to be redeemed on that date shall be deposited with the Trustee, unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

If notice of redemption is given and any conditions to such redemption are met, the Series 2017 Warrants to be redeemed shall become due and payable on the redemption date at the applicable redemption price, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2017 Warrants shall cease to bear interest.

Any Series 2017 Warrant which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Series 2017 Warrant, without service charge, a new Series 2017 Warrant or Series 2017 Warrants of the same Tenor and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Series 2017 Warrant surrendered.

The Indenture permits the Issuer to purchase Series 2017 Warrants that have been called for optional redemption in lieu of retiring such Series 2017 Warrants on the redemption date. No notice to Holders is required in connection with a purchase in lieu of redemption.

Remedies

If an “Indenture Default”, as defined in the Indenture, shall occur with respect to the payment of the principal of, interest or premium on, any Parity Warrants, the principal of all Parity Obligations then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture. A receiver for the collection of the Pledged Tax Proceeds may also be appointed upon the occurrence or an Indenture Default.

The Holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments

The Indenture permits the amendment of the Warrant Documents and waivers of past defaults under such Documents and the consequences of such defaults, in certain circumstances without consent of Holders and in other circumstances with the consent of the Holders of all Parity Obligations or a specified percentage of such Holders. Any such consent or waiver by the Holder of this warrant shall be conclusive and binding upon such Holder and upon all future Holders of this warrant and of any warrant issued in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this warrant.

Exoneration of Public Officials and Employees of the Issuer

No recourse under or upon any covenant or agreement of the Indenture, or of any Series 2017 Warrants, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future public official or employee of the Issuer, or of any successor, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Indenture and the Series 2017 Warrants are solely the limited obligations of the Issuer, and that no personal liability whatever shall attach to, or is or shall be incurred by, any public official or employee of the Issuer or any successor, or any of them, because of the issuance of the Series 2017 Warrants, or under or by reason of the covenants or agreements contained in the Indenture or in any Series 2017 Warrants or implied therefrom.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this warrant do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this warrant shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

In Witness Whereof, the Issuer has caused this warrant to be duly executed under its official seal.

Dated: Date of initial delivery of this warrant identified above.

Jefferson County, Alabama

By:____
President of the Jefferson County Commission

[Seal]

Attest:

____
Minute Clerk

Certificate of Authentication

This is one of the Series 2017 Warrants referred to in the within-mentioned Indenture.

Date of authentication:________________

Regions Bank, as Trustee

By____
Authorized Officer

Certificate of Validation

Validated and confirmed by judgment of the Circuit Court of Jefferson County, State of Alabama, entered on the 6th day of April, 2017.

____
Circuit Clerk

Assignment

For value received, ______________________________________ hereby sell(s), assign(s) and transfer(s) unto [Please insert name and taxpayer identification number] ________________________________ this warrant and hereby irrevocably constitute(s) and appoint(s) ____________________________ attorney to transfer this warrant on the books of the within named Issuer at the office of the within named Trustee, with full power of substitution in the premises.

Dated: ________________________

____

NOTE: The name signed to this assignment must correspond with the name of the payee written on the face of the within warrant in all respects, without alteration, enlargement or change whatsoever.

Signature Guaranteed:

____
(Bank or Trust Company)

By____
(Authorized Officer)

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of the recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Registration Certificate

I hereby certify that this warrant has been duly registered by me as a claim against Jefferson County, Alabama, payable solely from the Pledged Tax Proceeds and the Trust Estate referred to herein.

Date of Registration: _________, 2017

____
Treasurer of Jefferson County, Alabama

EXHIBIT 8.2(b)

Certificate Confirming Status as Additional Parity Obligation

This [warrant] constitutes an Additional Parity Obligation within the meaning of that certain Trust Indenture dated _____, ____, as amended and supplemented, between Jefferson County, Alabama and the undersigned Trustee.

Date:_________________

REGIONS BANK, as Trustee

By____
Authorized Officer

EXHIBIT 9.4

Requisition

To: Regions Bank, as trustee under
the Indenture referred to below   No. ________________

Re: Trust Indenture dated July 1, 2017 (the "Indenture") between Jefferson County, Alabama and the Trustee

Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

Request for Payment by the Issuer

The Issuer hereby requests payment from the Series 2017 Costs of Issuance Fund

of $____________________ to

Name of payee:____

Address of payee:____

____

Such payment will be made for the following purpose(s):

____

____

____

(Note: The Issuer is to describe purpose in reasonable detail. The Trustee shall be entitled to rely upon the certification by the Issuer in the following paragraph with respect to the purpose of this payment and shall not be required to verify that such purpose is authorized by the Indenture or that such purpose will not cause or result in a violation of any covenant in the Tax Certificate and Agreement.)

The Issuer hereby certifies that: (a) such payment is permitted by the terms of the Indenture, (b) no Indenture Default exists, and (c) such payment will not cause or result in the violation of any covenant contained in the Tax Certificate and Agreement.

Dated: __________________.

JEFFERSON COUNTY, ALABAMA

By:____
Authorized Representative of the Issuer

EXHIBIT 15.1(b)

Directions for Notices

Jefferson County, Alabama

Mailing address:	Jefferson County, Alabama Attention: County Manager Room 251 Jefferson County Courthouse 716 Richard Arrington Blvd. North Birmingham, AL 35203
Hand delivery or courier delivery address:	Same as above
Email address:	
Facsimile transmissions:	

Regions Bank, as Trustee

Mailing address:	Regions Bank Corporate Trust Department 1900 5th Avenue North, 26th Floor Birmingham, Alabama 35203
Hand delivery or courier delivery address:	Same as above
Email address:	Carmen.kilgore@regions.com
Facsimile transmissions:	205-264-5264

APPENDIX E

FORM OF THE DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated July __, 2017, is executed and delivered by Jefferson County, Alabama (the "County") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Series 2017 Warrants (hereinafter defined) and in order to assist the County in processing certain continuing disclosure with respect to the Series 2017 Warrants in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the County through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the County or anyone on the County's behalf regarding the "issuance of municipal securities" or any " municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a "Municipal Advisor" as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f) hereof; by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report of the County, containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the annual financial statements of the County for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the County and include the full name of the Series 2017 Warrants and the 9-digit CUSIP numbers for all Series 2017 Warrants to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the County pursuant to Section 9 hereof

“Disclosure Representative” means the Director of Finance of the County, or his designee, or such other person as the County shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the County's failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017 Warrants (including persons holding Series 2017 Warrants through nominees, depositories or other intermediaries) or (b) treated as the owner of any Series 2017 Warrants for federal income tax purposes.

“Information” means collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means the County.

"Official Statement" means that Official Statement prepared by the County in connection with the Series 2017 Warrants, as listed in Exhibit A.

"Sales Tax" means the privilege or license tax pledged for payment of debt service on the Series 2017 Warrants.

"Series 2017 Warrants" means the Series 2017 Warrants as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Trustee" means the institution, if any, identified as trustee in the document under which the Series 2017 Warrants were issued.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The County shall provide, annually, an electronic copy of its Annual Report and Certification to the Disclosure Dissemination Agent, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of each Annual Report and Certification, the Disclosure Dissemination Agent shall provide each such Annual Report to the MSRB not later than 270 days after the end of each fiscal year of the County, commencing with the fiscal year ended September 30, 2017. Such date and each anniversary thereof is the Annual Filing Date. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the· fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the County of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the County will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, filed in the manner required by the MSRB.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the County irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without· reference to the anticipated filing date for the Annual Report, filed in the manner required by the MSRB, and simultaneously notify the Disclosure Representative of the same.

(d) If Audited Financial Statements of the County are prepared but not available prior to the Annual Filing Date, the County shall, when such Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, if any, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the County pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. “Principal and interest payment delinquencies;”

2. "Non-Payment related defaults, if material;”

3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”

4. “unscheduled draws on credit enhancements reflecting financial difficulties;”

5. “Substitution of credit or liquidity providers, or their failure to perform;”

6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”

7. “Modifications to rights of securities holders, if material;”

8. “Bond calls, if material;”·

9. “Defeasances;”

10. “Release, substitution, .or sale of property securing repayment of the securities, if material;”

11. “Rating changes;"

12. “Tender offers;”

13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”

14. “Merger, consolidation, or acquisition of the obligated person, if material;” and

15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;·

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the County pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement.”

1. “amendment to continuing disclosure undertaking;”

2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”

4. “certain communications from the Internal Revenue Service;” other than those communications included in the Rule;

5. “secondary market purchases;”

6. “bid for auction rate or other securities;”

7. “capital or other financing plan;”

8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”

10. “derivative or other similar transaction;” and

11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the County pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”

“”

2. “change in fiscal year/timing of annual disclosure;”

3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”

5. “budget;”

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant report;” and

9. “other financial/operating data.”

(viii) provide the County evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The County may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report of the County shall contain Annual Financial Information with respect to the County, including the following information:

(i) Sales Tax collections for the previous fiscal year of the County;

(ii) a statement of the combined total of the ten largest Sales Tax payors in the County for the prior fiscal year and the percentage of total Sales Tax collections accounted for by such payors; and

(iii) general sales and use tax revenues, in format substantially similar to the table shown in APPENDIX A of the Official Statement under the heading "General Sales and Use Tax Revenues"

(b) Audited Financial Statements as described in the Official Statement for the County will be included in the Annual Report. If audited financial statements are not available, then unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. In such event, Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the County is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in the continuing disclosure undertaking related to the Series 2017 Warrants, the County is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Series 2017 Warrants constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2017 Warrants, or other material events affecting the tax status of the Series 2017 Warrants;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Series 2017 Warrants, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The County shall, in a timely manner not in excess of ten (10) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the County or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the County determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the County as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof.

SECTION 5. CUSIP Numbers. The County will provide the Dissemination Agent with the CUSIP numbers for (i) new Series 2017 Warrants at such time as they are issued or become subject to the Rule and (ii) any Series 2017 Warrants to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Series 2017 Warrants.

SECTION 6. Additional Disclosure Obligations. The County acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The County acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The County may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the County as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof.

(b) The County may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e) (vii) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the County as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof.

(c) The parties hereto acknowledge that the County is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the County and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Series 2017 Warrants upon the legal defeasance, prior redemption or payment in full of all of the Series 2017 Warrants, when the County is no longer an obligated person with respect to the Series 2017 Warrants, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The County has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure· Agreement. The County may upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the County or DAC, the County agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Series 2017 Warrants. Notwithstanding any replacement or appointment of a successor, the County shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days prior written notice to the County.

SECTION 10. Remedies in Event of Default. In the event of a failure of the County or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Series 2017 Warrants or under any other document relating to the Series 2017 Warrants, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. <u>Duties, Immunities and Liabilities of Disclosure Dissemination Agent</u>.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the County has provided such information: to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall .have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the Holders of the Series 2017 Warrants or any other party. The Disclosure Dissemination Agent shall have no responsibility for the County's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the County has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the County at all times. The obligations of the County under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Series 2017 Warrants.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the County.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the County and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the County and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Series 2017 Warrants and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the County or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the County. No such amendment shall become effective if the County shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, if any, for the Series 2017 Warrants, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Series 2017 Warrants, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Alabama (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the County have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By: ______________________________
Name: ______________________________
Title: ______________________________

By: JEFFERSON COUNTY, ALABAMA
as County

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF SERIES 2017 WARRANTS

Name of Issuer: Jefferson County, Alabama
Name of Bond Issue: Limited Obligation Refunding Warrants, Series 2017
Date of Issuance:
Date of Official Statement:

CUSIP Number:
CUSIP Number:
CUSIP Number:
CUSIP Number:
CUSIP Number:
CUSIP Number:
CUSIP Number:

CUSIP Number:
CUSIP Number:
CUSIP Number:
CUSIP Number:
CUSIP Number:
CUSIP Number:

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: **Jefferson County, Alabama**

Name of Bond Issue: **Limited Obligation Refunding Warrants, Series 2017**

Date of Issuance:

Date of Disclosure Agreement:

CUSIP Number:

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Series 2017 Warrants as required by the Disclosure Agreement between the County and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The County has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by __________________]

Dated: _________________________

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf
of the County

____

cc: ____________________________
[Disclosure Representative]

JEFFERSON COUNTY, ALABAMA • Limited Obligation Refunding Warrants, Series 2017

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