JEFFERSON COUNTY COMMISSION

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Warren Averett
CPAs AND ADVISORS

JEFFERSON COUNTY COMMISSION
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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

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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.

	Business-Type Activities			Governmental Activities	
Fiscal Year Ending September 30	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

	Total Principal, Interest and Accretion Requirements to Maturity				
Fiscal Year Ending September 30	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 Contribu-tion (a)	Interest on Existing NOO (b)	Adjust-ment to ARC (c)	Annual OPEB Cost (a+b+c = d)	Annual Contribu-tion Amount (e)	Percent-age of OPEB Cost Contribut-ed (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

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