JEFFERSON COUNTY COMMISSION

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Warren Averett
CPAs AND ADVISORS

JEFFERSON COUNTY COMMISSION
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JEFFERSON COUNTY COMMISSION

JAMES A. "JIMMIE" STEPHENS - PRESIDENT
LASHUNDA SCALES - PRESIDENT PRO TEMPORE
SHEILA TYSON
T. JOE KNIGHT
STEVE AMMONS

TONY PETELOS
Chief Executive Officer

FINANCE DEPARTMENT
JOHN S. HENRY CPA, CTP
Chief Financial Officer
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203

March 28, 2019

We are pleased to submit the Jefferson County Commission's (the "Commission") Financial Statements for the fiscal year ended September 30, 2018 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 year ended September 30, 2018. 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"). 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 2018 Financial Statements, but anticipates providing MD&A for its fiscal year 2019 Financial Statements.

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 38 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) Public Works, Community Services & Inter-Governmental Relations, (2) Community Development & Health Services, (3) Finance, Judicial, Emergency Management & Development and General Services, (4) Information Technology & Economic Development and (5) Administrative and Infrastructure. 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 for 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. 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 and 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. 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 meeting(s) 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 made 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 received approximately $527 million in research awards in 2018 and was ranked twenty-third nationally in National Institutes of Health financed research among all universities in the same year.

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. These three facilities will be joined by a new Toyota/Mazda plant within the same radius with an expected completion date in 2021. 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 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. On September 30, 2014, the District Court denied the County's motion to dismiss. 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 issues of constitutional, statutory, and equitable 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. On August 16, 2018, the 11th Circuit issued a decision in favor of the County, reversing the District Court's prior decision and remanding to the District Court to dismiss the appeal of the Confirmation Order. On October 31, 2018, the 11th Circuit denied a request for rehearing. On January 29, 2019, the parties who appealed the order confirming the Plan filed a petition for writ of certiorari with the U.S. Supreme Court. On March 4, 2019, the U.S. Supreme Court denied the petition. The petitioners have until March 29, 2019 to file a petition for rehearing of the order denying the petition for writ of certiorari.

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 developed by Tyler Technologies, Inc. The Commission is in the third year of fully utilizing the Munis ERP software. In addition to increasing its working knowledge of the Munis ERP system, the

Commission has fully staffed its accounting and finance unit. The Commission has also fully staffed the executive management team for the County, providing stable operational leadership.

- The Commission ended the fiscal year with a General Fund balance of $154.0 million. In the prior year financial statements, the Commission reported a General Fund balance of $130.1 million.

- The General Fund Cash Balance for the year ended September 30, 2018 was $85.9 million, which was approximately 48.1 percent of General Fund Operating Expenditures for fiscal year 2018.

- The Unassigned General Fund Balance for the year ended September 30, 2018 was $55.0 million, which was approximately 30.8 percent of General Fund Operating Expenditures for fiscal year 2018.

- Executing on the fiscal policies adopted in fiscal year 2011, the Commission funded three reserve accounts. The Commission funded the Uncertainty Fund at $5.0 million, the Catastrophic Event Fund at $5.0 million and the Budget Stabilization Fund at $5.0 million.

- The Commission created a separate fund dedicated to large-scale economic development with a funding of $10 million for 2018. The Fund has an ending balance of $7.6 million as of fiscal year end 2018.

- The Sanitary Operations Fund reported a Net Position at September 30, 2018 of $617.0 million. Sanitary Operations Fund Revenue increased to $231.0 million for the year ended September 30, 2018 from $218.6 million for the year ended September 30, 2017.

- During the fiscal year, the Commission issued $138.2 million aggregate principal amount of Series 2018-A and Series 2018-B General Obligation Refunding Warrants. The Series 2018-A Warrants were issued for the purpose of current refunding the Commission's General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, the Commission's General Obligation Capital Improvement Warrants, Series 2004-A and The Jefferson County Public Building Authority's Lease Revenue Warrants, Series 2006. The Series 2018-B Warrants were issued for the purpose of current refunding the Commission's General Obligation Warrants, Series 2013-A and Series 2013-C. The Series 2018 Warrants have a final maturity of April 1, 2026. The issuance of the Series 2018-A Warrants resulted in a True Interest Cost (TIC) of 2.60% and the issuance of the Series 2018-B Warrants resulted in a True Interest Cost (TIC) of 2.49%. The current refunding allowed the Commission to lower annual debt service costs. See Note J (Warrants Payable) for more details on the Series 2018-A and Series 2018-B Warrants.

- In June 2015, the Governmental Accounting Standards Board (GASB) released new accounting standards for public sector postretirement benefit programs and the employers (the Commission) that sponsor them. This updated standard is referred to as GASB 75 and 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 on the balance sheet of the employer. The Commission's total OPEB liability as of September 30, 2018 is $113.9 million.

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
Chief Financial Officer

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CPAs AND ADVISORS

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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, 2018, 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, 2018, 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.

Emphasis of Matter
As discussed in Note B to the basic financial statements, in 2018, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This significantly changed the accounting for the Commission's other postemployment benefits (OPEB) liability and related disclosures. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 104 through 107 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 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, the statement of changes in assets and liabilities – agency funds, and the combining general fund financial statements by category, 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, the statement of changes in assets and liabilities – agency funds, and the combining general fund financial statements by category, 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, the statement of changes in assets and liabilities – agency funds, and the combining general fund financial statements by category 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 28, 2019

JEFFERSON COUNTY COMMISSION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and investments	$ 158,026	$ 14,236	$ 172,262
Accounts receivable, net	5,908	34,327	40,235
Taxes receivable, net	182,935	6,008	188,943
Due from (to) other governments	-	(1,153)	(1,153)
Prepaid expenses and other current assets	420	-	420
Bond insurance costs	-	1,013	1,013
Restricted assets – current	4,668	354,098	358,766
Total Current Assets	351,957	408,529	760,486
Noncurrent Assets			
Advances due from (to) other funds	29,946	(29,946)	-
Investments – property held for sale	-	20,383	20,383
Bond insurance costs	-	31,470	31,470
Loans receivable, net	15,512	-	15,512
Net pension asset	107,350	17,929	125,279
Restricted assets	43,029	2,717	45,746
Capital assets:			
Depreciable assets, net	280,689	2,085,117	2,365,806
Nondepreciable assets	50,232	162,818	213,050
	526,758	2,290,488	2,817,246
Deferred Outflows of Resources			
Commitment to BJCC	17,810	-	17,810
Deferred outflows - pension	11,679	1,951	13,630
Deferred outflows - OPEB	3,504	989	4,493
	32,993	2,940	35,933
	$ 911,708	$ 2,701,957	$ 3,613,665

See notes to financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities			
Accounts payable	$ 22,758	$ 16,137	$ 38,895
Deposits payable	2,110	-	2,110
Unearned revenue	-	-	-
Accrued wages and benefits	6,177	947	7,124
Accrued interest	2,914	35,539	38,453
Retainage payable	670	3,744	4,414
Due to other governments	23,823	-	23,823
Estimated liability for compensated absences	9,657	1,824	11,481
Estimated litigation liability	2,378	262	2,640
Estimated claims liability	1,328	495	1,823
Current portion of commitment to BJCC	326	-	326
Warrants payable	33,000	14,215	47,215
Add: Unamortized premiums (discounts)	6,643	(1,000)	5,643
	39,643	13,215	52,858
Total Current Liabilities	111,784	72,163	183,947
Noncurrent Liabilities			
Capital lease obligations	4,595	-	4,595
Estimated liability for landfill closure and postclosure care costs	-	14,352	14,352
Total OPEB liability	87,879	24,801	112,680
Estimated liability for compensated absences	10,099	1,973	12,072
Estimated litigation liability	15,511	-	15,511
Estimated claims liability	4,129	1,101	5,230
Commitment to BJCC	17,484	-	17,484
Warrants payable	448,360	1,990,837	2,439,197
Add: Unamortized premiums (discounts)	46,675	(31,081)	15,594
	495,035	1,959,756	2,454,791
Total Liabilities	746,516	2,074,146	2,820,662
Deferred Inflows of Resources			
Property taxes	139,570	6,212	145,782
Gain on refunding of warrants, net	12,115	-	12,115
Deferred inflows - pension	31,045	5,185	36,230
Deferred inflows - OPEB	4,571	1,290	5,861
Net Position			
Net investment in capital assets	326,326	307,447	633,773
Restricted for:			
Debt service or capital improvements	-	354,098	354,098
Debt service	6,530	-	6,530
Closure and postclosure care	-	219	219
Net pension asset and deferred outflows/inflows	87,984	14,695	102,679
Other purposes	86,937	-	86,937
Unrestricted	(529,886)	(61,335)	(591,221)
	$ (22,109)	$ 615,124	$ 593,015

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(IN THOUSANDS)

			Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contri-butions	Capital Grants and Contri-butions	Govern-mental Activities	Business-Type Activities	Total
Primary Government								
Governmental Activities:								
General government	$ 128,222	$ (7,342)	$ 30,387	$ 15,552	$ -	$ (74,941)	$ -	$ (74,941)
Public safety	85,227	-	-	-	-	(85,227)	-	(85,227)
Highways and roads	38,365	-	711	1,078	-	(36,576)	-	(36,576)
Health and welfare	55,336	2,028	2,369	-	-	(54,995)	-	(54,995)
Community development	4,805	-	-	4,521	-	(284)	-	(284)
Contributions to other entities	37,384	-	-	-	-	(37,384)	-	(37,384)
Interest and fiscal charges	18,919	-	-	-	-	(18,919)	-	(18,919)
Total Governmental Activities	368,258	(5,314)	33,467	21,151	-	(308,326)	-	(308,326)
Business-Type Activities:								
Economic and Industrial Development Authority	1,196	-	-	-	-	-	(1,196)	(1,196)
Landfill operations	1,657	104	-	-	-	-	(1,761)	(1,761)
Sanitary operations	341,695	5,171	223,789	-	10,027	-	(113,050)	(113,050)
Total Business-Type Activities	344,548	5,275	223,789	-	10,027	-	(116,007)	(116,007)
Total Primary Government	$ 712,806	$ (39)	$ 257,256	$ 21,151	$ 10,027	(308,326)	(116,007)	(424,333)
General Revenues and Transfers								
Taxes:								
Property taxes						111,931	6,441	118,372
Sales tax						219,428	-	219,428
Other taxes						8,527	-	8,527
Licenses and permits						12,824	-	12,824
Unrestricted investment earnings						1,447	486	1,933
Miscellaneous						15,498	2,597	18,095
Transfers to agency funds						(3,113)	-	(3,113)
Total General Revenues and Transfers						366,542	9,524	376,066
Change in Net Position						58,216	(106,483)	(48,267)
Net Position – Beginning of Year, as Previously Reported						(7,364)	742,198	734,834
Prior Period Adjustment (Note B)						(72,961)	(20,591)	(93,552)
Net Position – Beginning of Year, as Adjusted						(80,325)	721,607	641,282
Net Position – End of Year						$ (22,109)	$ 615,124	$ 593,015

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
BALANCE SHEET –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS	General Fund	Debt Service Fund	Special Sales Tax Revenue Fund	Public Building Authority	Bridge and Public Building Fund	Indigent Care Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	$ 85,924	$ -	$ -	$ -	$ 1,846	$ 15,856	$ 54,400	$ 158,026
Accounts receivable, net	1,240	-	-	-	-	734	3,934	5,908
Taxes receivable, net	80,562	-	19,469	-	-	9,948	10,105	120,084
Taxes receivable, net, highways and roads	-	-	-	-	43,784	-	19,067	62,851
Prepaid expenses and other current assets	200	-	-	-	-	220	-	420
Restricted assets	11,824	2,265	31,205	-	-	-	2,403	47,697
Advances due from (to) other funds	56,539	(1,463)	(32,651)	-	-	-	7,521	29,946
	$ 236,289	$ 802	$ 18,023	$ -	$ 45,630	$ 26,758	$ 97,430	$ 424,932
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	$ 11,159	$ -	$ -	$ -	$ -	$ 3,549	$ 8,050	$ 22,758
Deposits payable	-	-	-	-	-	-	2,110	2,110
Unearned revenue	-	-	-	-	-	-	-	-
Accrued wages and benefits	4,786	-	-	-	-	488	903	6,177
Retainage payable	-	-	-	-	-	-	670	670
Due (from) to other governments	(1,523)	-	18,000	-	-	-	7,346	23,823
Estimated litigation liability	1,255	-	-	-	-	11	1,112	2,378
Estimated claims liability	1,006	-	-	-	-	104	218	1,328
Total Liabilities	16,683	-	18,000	-	-	4,152	20,409	59,244
Deferred Inflows of Resources								
Property taxes	65,560	-	-	-	45,269	-	28,741	139,570
Fund Balances								
Nonspendable	56,539	-	-	-	-	-	-	56,539
Restricted	11,824	2,265	23	-	361	17,397	32,875	64,745
Assigned	30,685	-	-	-	-	5,209	19,236	55,130
Unassigned	54,998	(1,463)	-	-	-	-	(3,831)	49,704
	154,046	802	23	-	361	22,606	48,280	226,118
	$ 236,289	$ 802	$ 18,023	$ -	$ 45,630	$ 26,758	$ 97,430	$ 424,932

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018
(IN THOUSANDS)

Total Fund Balances – Governmental Funds		$	226,118
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.			330,921
Loans receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			15,512
Amounts related to premiums on long-term liabilities are not reported in the funds.			(53,318)
Amounts related to deferred inflows from gain on refunding of long-term liabilities are not reported in the funds.			(12,115)
Net pension asset and pension-related deferred outflows and inflows are not reported in the funds.			87,984
Total OPEB liability and OPEB-related deferred outflows and inflows are not reported in the funds.			(88,946)
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	(481,360)		
Capital lease obligations	(4,595)		
Accrued interest	(2,914)		
Estimated liability for compensated absences	(19,756)		
Estimated litigation liability	(15,511)		
Estimated claims liability	(4,129)		
Total long-term liabilities			(528,265)
Total Net Position – Governmental Activities		$	(22,109)

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, 2018
(IN THOUSANDS)

	General Fund	Debt Service Fund	Special Sales Tax Revenue Fund	Public Building Authority	Bridge and Public Building Fund	Indigent Care Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues								
Taxes	$ 97,902	$ -	$ 111,600	$ -	$ 46,150	$ 58,192	$ 25,916	$ 339,760
Licenses and permits	10,818	-	-	-	-	-	2,006	12,824
Intergovernmental	8,734	2,075	-	-	791	407	9,144	21,151
Charges for services, net	30,387	-	-	-	-	2,369	711	33,467
Miscellaneous	7,234	-	-	5,829	-	804	1,358	15,225
Interest and investment income	742	-	100	2	250	29	324	1,447
	155,817	2,075	111,700	5,831	47,191	61,801	39,459	423,874
Expenditures								
Current:								
General government	104,101	-	-	-	-	-	12,492	116,593
Public safety	81,852	-	-	-	-	-	-	81,852
Highways and roads	-	-	-	-	5,830	-	25,124	30,954
Health and welfare	-	-	-	-	-	48,965	4,811	53,776
Community development	-	-	-	-	-	-	4,796	4,796
Capital outlay	-	-	-	-	-	111	23,657	23,768
Indirect expenses	(7,477)	-	-	-	-	2,028	135	(5,314)
Contributions to other entities	-	-	24,100	-	-	-	13,284	37,384
Debt service:								
Principal retirement	-	115,255	-	54,100	-	-	9,087	178,442
Interest and fiscal charges	9	8,369	-	3,152	-	-	18,216	29,746
	178,485	123,624	24,100	57,252	5,830	51,104	111,602	551,997
Excess (Deficiency) of Revenues over Expenditures	(22,668)	(121,549)	87,600	(51,421)	41,361	10,697	(72,143)	(128,123)
Other Financing Sources (Uses)								
Sale of capital assets	194	-	-	-	-	-	126	320
Issuance of refunding warrants	-	138,175	-	-	-	-	-	138,175
Premium on warrants	-	13,209	-	-	-	-	-	13,209
Transfers in	87,545	1,000	-	48,411	-	-	88,285	225,241
Transfers out	(41,113)	(49,433)	(95,330)	-	(41,000)	(2,500)	-	(229,376)
	46,626	102,951	(95,330)	48,411	(41,000)	(2,500)	88,411	147,569
Net Changes in Fund Balances	23,958	(18,598)	(7,730)	(3,010)	361	8,197	16,268	19,446
Fund Balances - Beginning of Year	130,088	19,400	7,753	3,010	-	14,409	32,012	206,672
Fund Balances – End of Year	$ 154,046	$ 802	$ 23	$ -	$ 361	$ 22,606	$ 48,280	$ 226,118

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, 2018
(IN THOUSANDS)

Net Changes in Fund Balances – Governmental Funds		$ 19,446
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 ($23,768) exceeded (were less than) depreciation ($24,933) in the current period.		(1,165)
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		(2,029)
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	4,719	
Amortization of bond insurance costs	(8)	
Amortization of gain on refunding of warrants	1,712	
Proceeds from issuance of long-term debt	(151,384)	
Repayments of principal – warrants payable and capital leases	178,442	33,481
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	4,308	
Change in compensated absences	(1,131)	
Change in estimated litigation liability	(109)	
Change in claims liability	(340)	2,728
Change in net pension asset and change in pension – related deferred outflows and inflows are not reported in the funds.		7,066
Change in OPEB liability and change in OPEB-related deferred outflows and inflows are not reported in the funds.		(2,550)
Governmental funds report proceeds from the sale of capital assets as other financial sources. However, the statement of activities reports disposals, contributions and transfers of capital assets as gains or losses:		
Donated capital assets		
Transfers of capital assets		
Loss on disposal of capital assets	1,239	1,239
Change in Net Position – Governmental Activities		$ 58,216

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Current Assets			
Cash and investments	$ 12,348	$ 1,888	$ 14,236
Accounts receivable, net	34,093	234	34,327
Taxes receivable, net	6,008	-	6,008
Due from (to) other governments	1,982	(3,135)	(1,153)
Bond insurance costs	1,013	-	1,013
Restricted assets – current	354,098	-	354,098
Total Current Assets	409,542	(1,013)	408,529
Noncurrent Assets			
Advances due from (to) other funds	-	(29,946)	(29,946)
Investments – property held for sale	-	20,383	20,383
Restricted assets	-	2,717	2,717
Bond insurance costs	31,470	-	31,470
Net pension asset	17,929	-	17,929
Capital assets:			
Depreciable assets, net	2,072,607	12,510	2,085,117
Nondepreciable assets	154,911	7,907	162,818
	2,276,917	13,571	2,290,488
Deferred Outflows of Resources			
Deferred outflows - pension	1,951	-	1,951
Deferred outflows - OPEB	989	-	989
	$ 2,689,399	$ 12,558	$ 2,701,957

See notes to financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Current Liabilities			
Accounts payable	$ 16,070	$ 67	$ 16,137
Accrued wages and benefits	947	-	947
Accrued interest	35,539	-	35,539
Retainage payable	3,744	-	3,744
Estimated liability for compensated absences	1,824	-	1,824
Estimated litigation liability	262	-	262
Estimated claims liability	495	-	495
Warrants payable	14,215	-	14,215
Less: Unamortized discounts	(1,000)	-	(1,000)
	13,215	-	13,215
Total Current Liabilities	72,096	67	72,163
Noncurrent Liabilities			
Estimated liability for landfill closure and postclosure care costs	-	14,352	14,352
Total OPEB liability	24,801	-	24,801
Estimated liability for compensated absences	1,973	-	1,973
Estimated claims liability	1,101	-	1,101
Warrants payable	1,990,837	-	1,990,837
Less: Unamortized discounts	(31,081)	-	(31,081)
	1,959,756	-	1,959,756
Total Liabilities	2,059,727	14,419	2,074,146
Deferred Inflows of Resources			
Property taxes	6,212	-	6,212
Deferred inflows - pension	5,185	-	5,185
Deferred inflows - OPEB	1,290	-	1,290
Net Position			
Net investment in capital assets	287,030	20,417	307,447
Restricted for:			
Debt service or capital improvements	354,098	-	354,098
Closure and postclosure care	-	219	219
Net pension assets and deferred outflows/inflows	14,695	-	14,695
Unrestricted	(38,838)	(22,497)	(61,335)
	$ 616,985	$ (1,861)	$ 615,124

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, 2018
(IN THOUSANDS)

	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Operating Revenues			
Taxes	$ 6,441	$ -	$ 6,441
Intergovernmental	109	-	109
Charges for services, net	223,789	-	223,789
Other operating revenue	694	1,653	2,347
	231,033	1,653	232,686
Operating Expenses			
Salaries	20,899	252	21,151
Employee benefits and payroll taxes	7,245	18	7,263
Maintenance	12,905	-	12,905
Materials and supplies	4,959	-	4,959
Utilities	9,750	54	9,804
Outside services	11,977	728	12,705
Office expenses	1,000	99	1,099
Depreciation	142,415	1,810	144,225
Closure and postclosure care	-	(252)	(252)
Indirect expenses	5,171	104	5,275
	216,321	2,813	219,134
Operating Income (Loss)	14,712	(1,160)	13,552
Nonoperating Revenues (Expenses)			
Interest expense, net	(71,204)	(144)	(71,348)
Interest expense (accretion)	(57,383)	-	(57,383)
Interest revenue	399	87	486
Warrant related costs	(1,958)	-	(1,958)
Contributions of infrastructure assets	10,027	-	10,027
Gain (loss) on sale or retirement of capital assets	141	-	141
	(119,978)	(57)	(120,035)
Change in Net Position	(105,266)	(1,217)	(106,483)
Net Position – Beginning of Year, as Previously Reported	742,842	(644)	742,198
Prior Period Adjustment (Note B)	(20,591)	-	(20,591)
Net Position – Beginning of Year, as Adjusted	722,251	(644)	721,607
Net Position – End of Year	$ 616,985	$ (1,861)	$ 615,124

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(IN THOUSANDS)

	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from services	$ 215,102	$ 309	$ 215,411
Cash payments to employees	(27,520)	(270)	(27,790)
Cash payments for goods and services	(49,482)	(952)	(50,434)
Other receipts and payments, net	8,026	11,430	19,456
Net Cash Provided (Used) by Operating Activities	146,126	10,517	156,643
Cash Flows from Capital and Related Financing Activities			
Repayment of warrants payable	(12,995)	-	(12,995)
Acquisition of capital assets	(68,601)	(9,419)	(78,020)
Sale of capital assets	141	1,225	1,366
Interest paid	(71,546)	(144)	(71,690)
Net Cash Used by Capital and Related Financing Activities	(153,001)	(8,338)	(161,339)
Cash Flows from Investing Activities			
Investment income	399	87	486
Net Cash Provided by Investing Activities	399	87	486
Change in Cash and Investments	(6,476)	2,266	(4,210)
Cash and Investments – Beginning of Year	372,922	2,339	375,261
Cash and Investments – End of Year	$ 366,446	$ 4,605	$ 371,051
Displayed As			
Cash and investments	$ 12,348	$ 1,888	$ 14,236
Restricted assets – current and noncurrent cash and investments	354,098	2,717	356,815
	$ 366,446	$ 4,605	$ 371,051

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(IN THOUSANDS)
(Continued)

	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	$ 14,712	$ (1,160)	$ 13,552
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	142,415	1,810	144,225
Provision for bad debts	1,337	-	1,337
Change in accounts receivable	(10,206)	56	(10,150)
Change in taxes receivable, net	(176)	-	(176)
Change in due from (to) other governments	182	1,835	2,017
Change in advances due to other funds	-	8,195	8,195
Change in accounts payable	(3,720)	33	(3,687)
Change in accrued wages and benefits	114	-	114
Change in retainage payable	958	-	958
Change in estimated claims liability	(124)	-	(124)
Change in estimated liability for compensated absences	363	-	363
Change in estimated liability for landfill closure and postclosure care costs	-	(252)	(252)
Change in total OPEB liability and OPEB-related deferred inflows and outflows	719	-	719
Change in net pension asset and pension - related deferred inflows and outflows	(577)	-	(577)
Change in deferred inflows – property taxes	129	-	129
	131,414	11,677	143,091
Net Cash Provided by Operating Activities	$ 146,126	$ 10,517	$ 156,643

See notes to financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS AND DEFERRED OUTFLOWS

Current Assets		
Cash and investments	$	2,623
Accounts receivable, net		81
Other receivables		106
Net pension asset		5,065
Property and equipment, net		893
		8,768
Deferred outflows - pension		551
Deferred outflows - OPEB		50
	$	9,369

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Accounts payable	$	62
Accrued employee expenses		1,379
Due to other governments		5,152
Total OPEB liability		1,246
		7,839
Deferred inflows - OPEB		65
Deferred inflows - pension		1,465
Net position		-
	$	9,369

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, or if the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. 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 (the 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 2018, 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.

		Fund Financial Statements		
	Government-wide Financial Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire government (except fiduciary funds)	Activities of the Commission that are not proprietary or fiduciary	Activities of the Commission that operate similar to businesses	Activities for which the Commission acts as trustee for someone else's resources
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be liquidated and liabilities that come due during the year or soon thereafter; no capital assets nor long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. Within the general fund, the Commission distinguishes four sub-funds: the Uncertainty Fund, Catastrophic Fund, Budget Stabilization Fund and the Economic Development Fund. The Uncertainty and Catastrophic Funds account for cash and investments assigned for the purpose of providing resources when significant unexpected events occur. The Budget Stabilization Fund is to provide reserve funds for unexpected economic or other budgetary circumstances. The Economic Development Fund accounts for resources assigned for use to foster large scale economic development opportunities.
- *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.
- *Special Sales Tax Revenue Fund* – This fund is used to account for the special revenue sales tax collected and used for the payment of the Commission's principal and interest on certain governmental bonds and distributed in accordance with Article 9 of the trust indenture dated July 1, 2017.
- *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.
- *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.
- *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:

- *Limited Obligation School Fund* – This fund was used to account for the educational sales tax collected for the payment of principal and interest on the Limited Obligation School Warrants until the Warrants were refunded in July 2017. After the refunding, only delinquent amounts of educational sales tax assessed in prior months are continuing to be collected in this fund.
- *Community Development Fund* – This fund is used to account for the expenditure of federal block grant funds.
- *Limited Obligation Refunding Debt* – This fund is used to account for the payment of principal and interest on the Series 2017 Limited Obligation Refunding Debt.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- *Capital Improvements Fund* – This fund is used to account for the financial resources used in the improvement of major capital facilities.
- *Road Construction Fund* – This fund is used to account for the financial resources expended in the construction of roads.
- *Home Grant Fund* – This fund is used to account for the expenditure of funds received to create affordable housing for low income households.
- *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.
- *Workforce Development Fund* (called Economic Development Fund prior to 2018) – This fund is used to account for the expenditures of the Workforce Innovation Opportunity Act (WIOA).
- *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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.
- *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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

The Commission maintains a fiscal policy 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 with a secondary objective to generate returns that exceed standard money market funds and overnight investments. 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.

Statutes authorize the Commission to invest in obligations of U.S. Treasury and federal agency securities, along with certain pre-refunded 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 provided that such investments are 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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2018, is comprised of the following:

	Indigent Care Fund
Patient receivables	$ 9,656
Allowance accounts	8,922
Net patient receivables	$ 734

Allowances for uncollectible accounts on accounts receivable, other than patient receivables, totaled $25,519 at September 30, 2018.

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 $11,647 to local contractors for special needs housing developments within the County (maturities ranging from January 2018 to July 2045 with interest rates ranging from zero to two percent, payable at maturity). These loans totaled $22,717 (net of an allowance of $8,118) at September 30, 2018.

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 $2,473 (net of an allowance of $1,560) at September 30, 2018.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2018.

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 reflects 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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2018, the liability for accrued vacation and compensatory leave included in the government-wide statement of net position is approximately $16,654 of which $14,034 is reported in the governmental activities and $2,620 is reported in the business-type activities. Of this amount, an estimated $11,369 is payable within a year.

As of September 30, 2018, the liability for accrued sick leave included in the government-wide statement of net position is approximately $6,899. Of this amount, $5,722 is reported in the governmental activities, and $1,177 is reported in the business-type activities. Due and payable within one year of September 30, 2018, is approximately $112.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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), other postemployment benefits (OPEB)-related deferred outflows, which result from the Commission's OPEB plan (the OPEB Plan), and amounts resulting from a commitment to the Birmingham-Jefferson Civic Center Authority (BJCC). Pension-related and OPEB-related deferred outflows represent amounts resulting from timing differences of contributions made subsequent to plan measurement dates but as of the date of the basic financial statements, and net differences between projected and actual experience and earnings of the plans.

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 and OPEB-related deferred inflows, which represent the difference between projected and actual experience and earnings of the plans.

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 framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB Statement No. 72, *Fair Value Measurements and Application*, are described as follows:

- Level 1 – Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities which might be exchanged in multiple active markets.

- Level 2 – Inputs to valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads; and inputs that are market-corroborated by observable market data.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Subsequent Events
Management has evaluated subsequent events and their potential effects on these financial statements through March 28, 2019, the date the financial statements were issued. See Note S for subsequent event disclosures.

NOTE B - 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 Commission adopted the provisions of this statement during the year ended September 30, 2018, resulting in a restatement of beginning unrestricted net position at October 1, 2017, by decreasing unrestricted net position as follows:

	Governmental Activities	Business-Type Activities
Net Position – September 30, 2017, as previously reported	$ (7,364)	$ 742,198
Cumulative effect of implementing GASB Statement No. 75	(72,961)	(20,591)
Net Position – September 30, 2017, as adjusted	$ (80,325)	$ 721,607

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Commission adopted Statement No. 89 during the year ended September 30, 2018 and, as a result, did not capitalize any construction period interest during fiscal 2018.

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.

NOTE B - SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED

Statement No. 84, *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities.

Statement No. 84 provides that governments should report activities meeting the criteria in a fiduciary fund in the basic financial statements and present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Commission is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The main rules of Statement No. 87 with respect to government entities that are lessees require that the lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

Under Statement No. 87, government entities that are lessors must:

- Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease.

The requirements of this statement are effective for fiscal year 2021. The Commission is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. This statement clarifies which liabilities governments should include in their note disclosures related to debt by requiring that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. The policy underlying this requirement is that direct borrowings and direct placements may expose a government to risks that are different from or additional to risks related to other types of debts. Statement No. 88 is effective for reporting periods beginning after June 15, 2018. The Commission is currently evaluating the impact this standard may have on its financial statements.

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 Commission. 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, Special Sales Tax Fund, Bridge and Public Building Fund, and Indigent Care Fund are presented in the required supplementary information section.

Deficit Fund Balance of Individual Funds

At September 30, 2018, the Community Development Fund had a deficit fund balance in the amount of $100.

At September 30, 2018, the Landfill Operations Fund and Jefferson County Economic and Industrial Development Authority had deficit fund balances in the amounts of $1,201 and $660, respectively, and amounts due to other funds of $7,694 and $22,252, respectively.

NOTE D - CASH AND INVESTMENTS

Cash and Investments

As of September 30, 2018, the components of cash and cash equivalents, investments and restricted assets are as follows:

	Governmental Activities	Business-Type Activities	Total
Petty cash	$ 129	$ 1,888	$ 2,017
Cash and cash equivalents	157,897	12,348	170,245
	158,026	14,236	172,262
Restricted assets held for:			
Closure and postclosure care	-	219	219
Debt service	33,625	55,987	89,612
Debt service or capital improvements	-	300,609	300,609
Other purposes	14,072	-	14,072
Total restricted assets	47,697	356,815	404,512
Property held for sale	-	20,383	20,383
Total cash and investments	$ 205,723	$ 391,434	$ 597,157

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	$ 185,921	$ 86,306	$ 272,227
Investments:			
U.S. Treasury bills	-	41,959	41,959
Certificates of deposit	-	30,000	30,000
U.S. Government agencies:			
GNMA pools			
Pass thru securities	-	211,788	211,788
Other federal agencies	13,285	-	13,285
Municipal bonds	3,382	-	3,382
Short term investment fixed income fund	3,135	-	3,135
Property held for sale	-	20,383	20,383
Total investments	19,802	304,130	323,932
Other restricted assets:			
Held for postclosure care	-	219	219
Accrued interest receivable on restricted investments	-	779	779
	$ 205,723	$ 391,434	$ 597,157

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 46% of cash and investments in cash and cash equivalents. For investments held, the maturity table below indicates that approximately 27% 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 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 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, 2018, 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, 2018, 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	> 15 Years
U.S. Treasury bills	$ 41,959	$ 41,959	$ -	$ -	$ -	$ -
Certificates of deposit	30,000	-	30,000	-	-	-
U.S. Government Agencies:						
GNMA pools	211,788	-	364	144,599	66,825	-
Pass thru securities	13,285	-	5,205	8,080	-	-
Other federal agencies	3,382	1,416	1,095	871	-	-
Fixed income short-term investment fund	3,135	3,135	-	-	-	-
	$303,549	$ 46,510	$36,664	$153,550	$ 66,825	$ -

NOTE D - CASH AND INVESTMENTS – CONTINUED

For mortgage-backed securities (GNMA pools and pass thru 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 their 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 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 S&P Global Ratings Inc. (S&P) rating agencies.

NOTE D - CASH AND INVESTMENTS – CONTINUED

As of September 30, 2018, 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**
$ 14,994	Aaa	4.94%	$ 14,994	AA+	4.94%
1,673	NR	0.55	1,673	NR	0.55
286,882	NA	94.51	286,882	NA	94.51
$ 303,549		100.00%	$ 303,549		100.00%

Ratings are not provided for the certificates of deposit, 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 four investments ($1,673) held by the Commission as of September 30, 2018, 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 $211,788 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. In addition, the investments listed above include $41,959 of U.S. Treasury Bills, which represent short-term debt obligations backed by the U.S. Government. There were no other concentrations of investments noted at September 30, 2018.

Certain cash and cash equivalents, consisting primarily of money market or deposit accounts held at September 30, 2018, were with three large regional financial institutions and totaled approximately $195,000 (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 to the financial statements. 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 Bills - Fair values for U.S. Treasury Bills were determined using quoted market prices and are classified as Level 1 within the fair value hierarchy.
- Certificates of Deposit – Fair values for Certificates of Deposit were determined using quoted market prices and are classified as Level 1 within the fair value hierarchy.
- U.S. Government Agency Securities and Municipal Bonds - 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.

Land Held for Sale – The Commission measures fair value of property held for sale using the asking sell price at the time the property is put on the market.

The following fair value hierarchy table presents information about the Commission's investments measured at fair value as of September 30, 2018:

		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 bills	$ 41,959	$ 41,959	$ -	$ -
Certificates of deposit	30,000	30,000	-	-
U.S. Government agency securities	228,455	-	228,455	-
Fixed income short term investment mutual fund	3,135	-	3,135	-
Land held for sale	20,383	-	20,383	-
Total investments	$ 323,932	$ 71,959	$ 251,973	$ -

NOTE D - CASH AND INVESTMENTS – CONTINUED

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, 2018, was as follows:

Governmental Activities	Balance at September 30, 2017	Additions	Disposals	Transfers/ Reclassifi-cations	Balance at September 30, 2018
Nondepreciable capital assets:					
Land	$ 18,151	$ 29	$ -	$ -	$ 18,180
Construction in progress	32,254	13,047	(941)	(12,308)	32,052
	50,405	13,076	(941)	(12,308)	50,232
Depreciable capital assets:					
Buildings	452,326	202	-	907	453,435
Improvements other than land/buildings	195,504	1,257	(70)	12,748	209,439
Maintenance equipment	17,343	610	(417)	-	17,536
Motor vehicles	49,343	4,166	(3,540)	(831)	49,138
Equipment under capital lease	16,165	4,578	-	-	20,743
Miscellaneous equipment	14,959	3,642	(1,821)	1,265	18,045
Office furniture and fixtures	21,976	-	(2,599)	-	19,377
Software	4,603	627	-	-	5,230
	772,219	15,082	(8,447)	14,089	792,943
Less accumulated depreciation for:					
Buildings	(260,787)	(7,360)	-	(13,388)	(281,535)
Improvements other than land/buildings	(122,202)	(7,561)	24	-	(129,739)
Maintenance equipment	(14,040)	(623)	403	-	(14,260)
Motor vehicles	(37,605)	(4,682)	3,296	837	(38,154)
Equipment under capital lease	(15,196)	(764)	-		(15,960)
Miscellaneous equipment	(22,894)	(1,750)	1,783	13,198	(9,663)
Office furniture and fixtures	(21,044)	(591)	2,593	-	(19,042)
Software	(2,299)	(1,602)	-	-	(3,901)
	(496,067)	(24,933)	8,099	647	(512,254)
Total depreciable capital assets, net	276,152	(9,851)	(348)	14,736	280,689
Total capital assets, net	$ 326,557	$ 3,225	$ (1,289)	$ 2,428	$ 330,921

NOTE E - CAPITAL ASSETS – CONTINUED

Business-Type Activities	Balance at September 30, 2017	Additions	Disposals	Transfers/ Reclassifi- cations	Balance at September 30, 2018
Nondepreciable capital assets:					
Land	$ 30,284	$ -	$ -	$ -	$ 30,284
Construction in progress	99,864	65,090	-	(32,420)	132,534
	130,148	65,090	-	(32,420)	162,818
Depreciable capital assets:					
Buildings	1,024,386	-	-	(1,126)	1,023,260
Improvements other than land/buildings	3,600,969	10,027	(18)	31,456	3,642,434
Maintenance equipment	6,394	78	(960)	699	6,211
Motor vehicles	21,220	2,313	(707)	17	22,843
Miscellaneous equipment	6,038	414	(2,954)	1,689	5,187
Office furniture and fixtures	1,160	98	(874)	371	755
Software	422	-	-	-	422
	4,660,589	12,930	(5,513)	33,106	4,701,112
Less accumulated depreciation for:					
Buildings	(436,166)	(23,615)	-	893	(458,888)
Improvements other than land/buildings	(2,017,413)	(117,230)	-	672	(2,133,971)
Maintenance equipment	(4,618)	(1,012)	949		(4,681)
Motor vehicles	(15,793)	(1,601)	620	(6)	(16,780)
Miscellaneous equipment	(2,219)	(586)	2,782	-	(23)
Office furniture and fixtures	(966)	(40)	874	(1,330)	(1,462)
Software	(49)	(141)	-	-	(190)
	(2,477,224)	(144,225)	5,225	229	(2,615,995)
Total depreciable capital assets, net	2,183,365	(131,295)	(288)	33,335	2,085,117
Total capital assets, net	$ 2,313,513	$ (66,205)	$ (288)	$ 915	$ 2,247,935

The net book value of landfill operations capital assets leased to a third party at September 30, 2018, is $20,396. 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	$	11,634
Public safety		3,375
Highways and roads		8,521
Health		1,394
Welfare		9
Total depreciation expense – governmental activities	$	24,933
Business-type activities:		
Landfill operations	$	1,798
Sanitary operations		142,415
Industrial Development Authority		12
Total depreciation expense – business-type activities	$	144,225

NOTE F - UNEARNED REVENUES / DEFERRED INFLOWS

In instances where assets have been received by the Commission for services to be rendered in future periods, asset balances have been offset by an unearned revenue liability account. Deferred inflows are reported in governmental funds to offset receivables or deposits for revenues that do not meet the availability criterion under the modified accrual basis of accounting. At September 30, 2018, the various components of unearned revenue and deferred inflows reported in the governmental funds and proprietary funds consisted of ad valorem taxes – property.

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, 2018, amounts paid by the Commission under operating lease agreements totaled approximately $1,026 for governmental 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, 2018:

2019	$	918
2020		918
2021		918
2022		918
2023		918
Thereafter		37,867
	$	42,457

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 2018 of $1,397 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.

The recorded liability for landfill closure and postclosure care costs is $14,352 as of September 30, 2018. This estimate was based on 100-percent usage (filled) of the Jefferson County Landfill Number 1, Cell No. 1, 51-percent usage (filled) of the Jefferson County Landfill Number 1, Cell No. 2, 95-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, 2018, are $3,410 and 2.4 years, respectively. Future subcells in Cell No. 2 are planned, so these estimates will require modification as new subcells as constructed.

NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS – CONTINUED

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 $219 as of September 30, 2018, 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, 2018, 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, 2018. 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 – LONG-TERM DEBT

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, Governmental Activities – General Obligation Refunding Warrants), for the primary purpose of school capital projects and related improvements (Governmental Activities - Limited Obligation School Warrants, Governmental Activities – Limited Obligation Refunding 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.

BUSINESS-TYPE ACTIVITIES

2013 Sewer Revenue Warrants
The Commission entered into a Trust Indenture dated as of December 1, 2013, 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).

NOTE J - LONG-TERM DEBT – CONTINUED

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.

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 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.

NOTE J - LONG-TERM DEBT – 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 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 - LONG-TERM DEBT – CONTINUED

General Obligation Refunding Warrants

In 2018, the Commission issued two series of refunding warrants under the Trust Indenture dated May 1, 2018 (2018 Trust Indenture), between Jefferson County, Alabama and Wilmington Trust, National Association, as Trustee. The first series of refunding warrants, Series 2018-A, were issued for the purpose of refunding the General Obligation Warrants, Series 2003-A and 2004-A, and the Lease Revenue Warrants, Series 2006. The General Obligation Warrants, Series 2003-A and 2004-A, and the Lease Revenue Warrants, Series 2006 were defeased on May 31, 2018, and fully redeemed pursuant to their terms on July 2, 2018. The sources and uses for the 2018-A refunding are as follows:

Sources of Funds

Principal amount of Series 2018-A Warrants	$	111,360
Plus: net original issue premium		11,819
Amounts held in funds established for 2018 Refunded Warrants		416
Total Sources	$	123,595

Uses of Funds

Refunding of Refunded Warrants	$	122,869
Expenses of issuance		726
Total Uses	$	123,595

NOTE J - LONG-TERM DEBT – CONTINUED

The second series of refunding warrants, Series 2018-B, were issued for the purpose of partially refunding the General Obligation Warrants, Series 2013-A and 2013-C. The General Obligation Warrants, Series 2013-A and 2013-C were partially defeased on September 17, 2018 and partially redeemed pursuant to their terms on December 3, 2018. The sources and uses for the 2018-B refunding are as follows:

Sources of Funds

Principal amount of Series 2018-B Warrants	$	26,815
Plus: net original issue premium		1,390
Total Sources	$	28,205

Uses of Funds

Refunding of Refunded Warrants	$	27,923
Expenses of issuance		169
Amounts held in subaccount for debt service payment on Series 2018-B Warrants		113
Total Uses	$	28,205

The Commission completed the current refunding to reduce its total debt service payments over the next 8 years by $14,154 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $12,468.

The Series 2018-A current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old warrants of $2,936, which is presented as a deferred inflow of resources on the statement of net position, net of accumulated amortization of $169. The deferred inflow is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the new debt.

The Series 2018-B current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old warrants ($685), which is presented as a deferred inflow of resources on the statement of net position, net of accumulated amortization of $-0-. The amount is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the new debt.

The warrants issued under the 2018 Trust Indenture are general obligations of the Commission for the payment of which its full faith and credit is pledged. Payment of the warrants is secured by a pledge and assignment of the Trust Estate established under the 2018 Trust Indenture, which includes money in the funds and accounts designated as “Indenture Funds” under the 2018 Trust Indenture.

NOTE J - LONG-TERM DEBT – CONTINUED

The 2018 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.

Limited Obligation Refunding Warrants
In 2017, the Commission issued refunding warrants under the Trust Indenture dated July 1, 2017 (2017 Trust Indenture), between Jefferson County, Alabama and Regions Bank, as Trustee, for the purpose of refunding the outstanding Limited Obligation School Warrants, Series 2004-A and Series 2005-A. The Limited Obligation School Warrants, Series 2005-B were fully redeemed pursuant to their terms on March 1, 2017.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old warrants of $11,834, which is presented as a deferred inflow of resources on the statement of net position, net of accumulated amortization of $1,801. The deferred inflow is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the new debt.

The warrants issued under the 2017 Trust Indenture are not general obligations of the Commission, but represent limited obligations of the Commission, payable solely out of the Trust Estate established under the 2017 Trust Indenture which includes a pledge of the gross proceeds of a new one cent Special Revenue Sales and Use Tax. Payment of the principal and interest on the warrants when due is secured on an equal and proportionate basis by the Trust Estate.

The 2017 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 (the Building Authority) issued warrants under the Trust Indenture dated August 1, 2006 (Lease Revenue Warrant Trust Indenture) between the Building Authority and First Commercial Bank, as Trustee (the LR Series 2006 Warrants Trustee), for the purpose of funding capital projects and improvements, including construction of a new jail facility and courthouse located in Bessemer, Alabama. 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.

The Commission entered into a new lease agreement effective January 1, 2013 (2013 Lease Agreement) with the Building Authority related to the LR Series 2006 Warrants. Simultaneous with the 2013 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.

NOTE J - LONG-TERM DEBT – CONTINUED

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

Warrants payable consist of the following at September 30, 2018:

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	74,271
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	205,977
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	788,290
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	72,822
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	468,687
	2,005,052

NOTE J - LONG-TERM DEBT – CONTINUED

Governmental Activities:

General Obligation Warrants, Series 2013-A, with interest paid semi-annually at a fixed rate of 4.90% and principal balance due April 1, 2019	$ 6,275
General Obligation Warrants, Series 2013-C, with interest paid semi-annually at a fixed rate of 4.90% and principal balance due April 1, 2019	6,190
Limited Obligation Refunding Warrants, Series 2017, with interest paid semiannually at fixed rates ranging from 3.00% to 5.00% and annual principal payments through 2037	330,720
General Obligation Refunding Warrants, Series 2018-A, with interest paid semiannually at fixed rates ranging from 4.00% to 5.00% and annual principal payments through 2026	111,360
General Obligation Refunding Warrants, Series 2018-B, with interest paid semiannually at fixed rates ranging from 4.00% to 5.00% and annual principal payments through 2021	26,815
	481,360
	2,486,412
Less unamortized net discount (premiums) (net of current portion net premium of $5,643)	(15,594)
Less principal amounts due within one year	47,215
Warrants payable – noncurrent, net	$ 2,454,791

NOTE J - LONG-TERM DEBT – CONTINUED

The following is a summary of the warrants that are authorized or outstanding for the Commission as of September 30, 2018.

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, 2018.

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 $74,271 at September 30, 2018.

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 October 1, 2023

NOTE J - LONG-TERM DEBT – 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 $205,977 at September 30, 2018.

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 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 2016 to 2054. The Series 2013-D Warrants have an outstanding balance of $788,290 at September 30, 2018.

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 $72,822 at September 30, 2018.

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 October 1, 2023.

NOTE J - LONG-TERM DEBT – 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 $468,687 at September 30, 2018.

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, 2018.

NOTE J - LONG-TERM DEBT – CONTINUED

GOVERNMENTAL ACTIVITIES

General Obligation Warrants

General Obligation Capital Improvement and Refunding Warrants, Series 2003-A

A Material Event Notice dated December 18, 2017, stated that the ‘A’ long-term insurer credit rating assigned to the GO Series 2003-A Warrants by S&P was affirmed on December 1, 2017. The GO Series 2003-A Warrants were insured by National. S&P then withdrew such rating on the same day at National’s request.

A Material Event Notice dated January 23, 2018, stated that the long-term insured credit rating assigned to the GO Series 2003-A Warrants by Moody’s was lowered to ‘Baa2’ from ‘A3’ on January 17, 2018.

A Material Event Notice dated June 1, 2018, stated that on May 31, 2018, the Commission established an irrevocable trust fund for the redemption of the GO Series 2003-A Warrants and such Warrants were therefore defeased on such date.

The GO Series 2003-A Warrants were refunded during the current year and have no outstanding balance at September 30, 2018.

General Obligation Capital Improvement Warrants, Series 2004-A

A Material Event Notice dated December 18, 2017, stated that the ‘A’ long-term insurer credit rating assigned to the GO Series 2004-A Warrants by S&P was affirmed on December 1, 2017. The GO Series 2004-A Warrants were insured by National. S&P then withdrew such rating on the same day at National’s request.

A Material Event Notice dated January 23, 2018, stated that the long-term insured credit rating assigned to the GO Series 2004-A Warrants by Moody’s was lowered to ‘Baa2’ from ‘A3’ on January 17, 2018.

A Material Event Notice dated June 1, 2018, stated that on May 31, 2018, the Commission established an irrevocable trust fund for the redemption of the GO Series 2004-A Warrants and such Warrants were therefore defeased on such date.

The GO Series 2004-A Warrants were refunded during the current year and have no outstanding balance at September 30, 2018.

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, 2019.

NOTE J - LONG-TERM DEBT – CONTINUED

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. During 2018, the GO Series 2013-A Warrants were partially refunded in the aggregate principal amount of $13,405. The GO Series 2013-A Warrants have a remaining outstanding balance of $6,275 at September 30, 2018.

A Material Event Notice dated May 21, 2018, stated that the underlying rating assigned to the GO Series 2013-A Warrants was upgraded from ‘A’ to ‘AA-‘ by Fitch on May 3, 2018.

A Material Event Notice dated September 18, 2018, stated that on September 17, 2018, the Commission established an irrevocable trust fund for the partial redemption of the GO Series 2013-A Warrants and such Warrants were therefore partially defeased on such date.

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, 2019.

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. During 2018, the GO Series 2013-C Warrants were partially refunded in the aggregate principal amount of $13,220. The GO Series 2013-C Warrants have a remaining outstanding balance of $6,190 at September 30, 2018.

A Material Event Notice dated May 21, 2018, stated that the underlying rating assigned to the GO Series 2013-C Warrants was upgraded from ‘A’ to ‘AA-‘ by Fitch on May 3, 2018.

A Material Event Notice dated September 18, 2018, stated that on September 17, 2018, the Commission established an irrevocable trust fund for the partial redemption of the GO Series 2013-C Warrants and such Warrants were therefore partially defeased on such date.

NOTE J - LONG-TERM DEBT – CONTINUED

Lease Revenue Warrants, Series 2006

A Material Event Notice dated June 1, 2018, stated that on May 31, 2018, the Commission established an irrevocable trust fund for the redemption of the LR Series 2006 Warrants and such Warrants were therefore defeased on such date.

The LR Series 2006 Warrants were refunded during the current year and have no outstanding balance at September 30, 2018. Concurrently with the refunding of the LR Series 2006 Warrants, the Lease Revenue Warrant Trust Indenture was satisfied and terminated. On July 26, 2018, the Commission delivered a notice of termination of the 2013 Lease Agreement to the Building Authority pursuant to the terms of such agreement. On December 13, 2018, a termination of the 2013 Lease Agreement was executed by the Commission and the Building Authority.

Limited Obligation Refunding Warrants, Series 2017

The Commission issued $338,925 of tax-exempt Limited Obligation Refunding Warrants, Series 2017 (Series 2017 Warrants) under the Trust Indenture dated July 1, 2017 (Trust Indenture), between the Commission and Regions Bank (the Trustee). These warrants were issued for the purpose of (i) refunding the Commission’s LO Series 2004-A, 2005-A and 2005-B Warrants, and (ii) paying the costs of issuance of the Series 2017 Warrants.

The repayment obligations related to the Series 2017 Warrants are secured by a pledge and assignment of (i) the General Trust Estate established under the Trust Indenture, which includes the Pledged Tax Proceeds and money in the funds and accounts designated as “General Indenture Funds” under the Trust Indenture, and (ii) the Series 2017 Trust Estate established under the Trust Indenture, which includes money in the funds and accounts designated as “Series 2017 Indenture Funds” under the Trust Indenture. The Series 2017 Warrants have an outstanding balance of $330,720 at September 30, 2018.

A Material Event Notice dated May 21, 2018, stated that the underlying rating assigned to the Series 2017 Warrants was upgraded from “A” to “AA-” by Fitch on May 3, 2018.

General Obligation Refunding Warrants, Series 2018-A and 2018-B

The Commission issued $138,175 ($111,360 for GO Series 2018-A and $26,815 for GO Series 2018-B) of tax-exempt General Obligation Refunding Warrants, Series 2018-A and 2018-B (GO Series 2018-A and 2018-B Warrants) under the Trust Indenture dated May 1, 2018, between the Commission and Wilmington Trust, National Association. The GO Series 2018-A Warrants were issued for the purpose of (i) refunding the Commission’s GO Series 2003-A Warrants, (ii) refunding the Commission’s GO Series 2004-A Warrants, (iii) providing funds to redeem and retire the Building Authority’s LR Series 2006 Warrants, and (iv) paying the costs of issuance of the GO Series 2018-A Warrants.

The GO Series 2018-B Warrants were issued for the purpose of (i) partially refunding the Commission’s GO Series 2013-A Warrants in the aggregate principal amount of $13,405, (ii) partially refunding the Commission’s GO Series 2013-C Warrants in the aggregate principal amount of $13,220, and (iii) paying the costs of issuance of the GO Series 2018-B Warrants.

NOTE J - LONG-TERM DEBT – CONTINUED

The GO Series 2018-A and 2018-B Warrants are secured by a pledge and assignment of the Trust Estate established under the Trust Indenture, which includes money in the funds and accounts designated as "Indenture Funds" under the Trust Indenture. The GO Series 2018-A and 2018-B Warrants have an outstanding balance of $138,175 ($111,360 for GO Series 2018-A and $26,815 for GO Series 2018-B) at September 30, 2018.

Fair Value of Warrants

Business-Type Activities
The estimated fair value for all Sewer Obligation Warrants outstanding of $2,005,052 based on independent pricing was approximately $2,361,000 as of September 30, 2018.

Governmental Obligations
The estimated fair value for General Obligation Warrants outstanding of $481,360 (including GO Warrants, LO Refunding Warrants, and GO Refunding Warrants) based on independent pricing was approximately $526,000 as of September 30, 2018.

NOTE J - LONG-TERM DEBT – CONTINUED

Summary of Warrant Transactions

The following is a summary of warrant transactions for the Commission for the year ended September 30, 2018. Activity related to the long-term debt is as follows:

Warrant Issue	Balance at September 30, 2017	Additions	Accretion	Payments / Retirements	Balance at September 30, 2018	Due Within One Year
Business-Type Activities:						
Series 2013-A	$ 395,005	$ -	$ -	$ -	$ 395,005	$ -
Series 2013-B	69,789	-	4,482	-	74,271	-
Series 2013-C	192,881	-	13,096	-	205,977	-
Series 2013-D	801,285	-	-	12,995	788,290	14,215
Series 2013-E	67,441	-	5,381	-	72,822	-
Series 2013-F	434,263	-	34,424	-	468,687	-
	1,960,664	-	57,383	12,995	2,005,052	14,215
Governmental Activities:						
Series 2003-A GO	39,125	-	-	39,125	-	-
Series 2004-A GO	37,555	-	-	37,555	-	-
Series 2006 Lease	54,100	-	-	54,100	-	-
Series 2013-A GO	25,700	-	-	19,425	6,275	6,275
Series 2013-C GO	25,340	-	-	19,150	6,190	6,190
Series 2017 LO Refunding	338,925	-	-	8,205	330,720	10,555
Series 2018 GO Refunding	-	138,175	-	-	138,175	9,980
	520,745	138,175	-	177,560	481,360	33,000
	$ 2,481,409	$ 138,175	$ 57,383	$ 190,555	$ 2,486,412	$ 47,215

NOTE J - LONG-TERM DEBT – CONTINUED

Maturity Schedules

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

Fiscal Year Ending September 30	Business-Type Activities Principal	Business-Type Activities Interest	Business-Type Activities Future Interest Accretion	Governmental Activities Principal	Governmental Activities Interest
2019	$ 14,215	$ 70,722	$ 61,718	$ 33,000	$ 21,752
2020	-	70,366	66,387	32,970	21,727
2021	-	70,366	71,414	34,560	20,079
2022	8,745	70,148	76,812	30,360	18,351
2023	10,980	69,655	82,637	31,835	16,877
2024-2028	32,631	685,262	84,157	120,390	62,110
2029-2033	65,389	814,601	81,306	94,505	37,499
2034-2038	135,625	916,422	20,682	95,585	12,265
2039-2043	365,314	695,747	-	8,155	831
2044-2048	366,708	631,003	-	-	-
2049-2053	766,475	411,860	-	-	-
2054-2058	238,970	7,463	-	-	-
	$ 2,005,052	$ 4,513,615	$ 545,113	$ 481,360	$ 211,491

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
2019	$ 47,215	$ 92,474	$ 139,689	$ 61,718	$ 201,407
2020	32,970	92,093	125,063	66,387	191,450
2021	34,560	90,445	125,005	71,414	196,419
2022	39,105	88,499	127,604	76,812	204,416
2023	42,815	86,532	129,347	82,637	211,984
2024-2028	153,021	747,372	900,393	84,157	984,550
2029-2033	159,894	852,100	1,011,994	81,306	1,093,300
2034-2038	231,210	928,687	1,159,897	20,682	1,180,579
2039-2043	373,469	696,578	1,070,047	-	1,070,047
2044-2048	366,708	631,003	997,711	-	997,711
2049-2053	766,475	411,860	1,178,335	-	1,178,335
2054-2058	238,970	7,463	246,433	-	246,433
	$ 2,486,412	$ 4,725,106	$ 7,211,518	$ 545,113	$ 7,756,631

NOTE J - LONG-TERM DEBT – 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	(3,532)	3,488
	33,468	(33,055)
Current year (amortization) accretion, net	(985)	973
Net balance at September 30, 2018	$ 32,483	$ (32,082)
Governmental Activities:		
Total net premiums (discounts) and bond insurance costs	$ 12,424	$ 51,347
Accreted (amortized), net in prior years	(9,886)	(33,948)
Previous additions net premiums (discounts) and bond insurance costs	-	45,064
Previous retirements net premiums (discount) and bond insurance costs	(2,431)	(14,264)
	107	48,199
Additions to net premiums (discounts) and bond insurance costs	-	13,209
Retirements of net premiums (discounts) and bond insurance costs	(99)	(3,371)
Current year (amortization) accretion, net	(8)	(4,719)
Net balance at September 30, 2018	$ -	$ 53,318
Commission Totals:		
Total net premiums (discounts) and bond insurance costs	$ 49,424	$ 14,804
Accreted (amortized), net in prior years	(13,418)	(30,460)
Previous additions net premiums (discounts) and bond insurance costs	-	45,064
Previous retirements net premiums (discount) and bond insurance costs	(2,431)	(14,264)
	33,575	15,144
Additions to net premiums (discounts) and bond insurance costs	-	13,209
Retirements of net premiums (discounts) and bond insurance costs	(99)	(3,370)
Current year (amortization) accretion, net	(993)	(3,746)
Net balance at September 30, 2018	$ 32,483	$ 21,237

NOTE J - LONG-TERM DEBT – CONTINUED

Restricted Accounts

Business-Type Activities

In accordance with the 2013 Sewer Indenture, the Commission established certain restricted revenue, 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 disbursement 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 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.

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 Senior Lien Debt Service Fund and Series 2013 Subordinate Lien Debt Service Fund are held and managed by the 2013 Sewer Trustee for the benefit of the holders of the Series 2013 Senior Lien Sewer Warrants and the Series 2013 Subordinate Lien Sewer Warrants, respectively, as discussed further above.

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

NOTE J - LONG-TERM DEBT – CONTINUED

Governmental Activities
The proceeds from some warrant issues 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.

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, 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 as enumerated in Rule 15c2-12.

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.

NOTE J - LONG-TERM DEBT – CONTINUED

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.

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, 2017, 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.

NOTE J - LONG-TERM DEBT – CONTINUED

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.

If the Commission undertakes the remedial action required by Section 10.9(b) and (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, 2018.

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 warrants 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, 2018.

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.

NOTE J - LONG-TERM DEBT – CONTINUED

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.

BJCC COMMITMENT

On July 17, 2018, the Commission entered into a funding agreement (Funding Agreement) with the Birmingham-Jefferson Civic Center Authority (BJCC) pursuant to which the Commission is obligated to make 60 semi-annual contributions of $500 on June 20 and December 20 of each year beginning on December 20, 2018. The Commission's obligation to make such contributions under the funding agreement is a general obligation of the Commission for which the Commission's full faith and credit are pledged. The Commission's semi-annual contributions are pledged and assigned by the BJCC for payment of debt service on its $17,810 Revenue Bonds (Jefferson County Funding), Series 2018E. The proceeds of such bonds will be used to finance improvements to the BJCC's civic center complex and to pay costs of issuance of the bonds. The remaining outstanding principal amount of the general obligation as of September 30, 2018 was $30,000.

Maturities of the BJCC commitment subsequent to September 30, 2018 are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2019	$ 326	$ 674	$ 1,000
2020	339	661	1,000
2021	351	649	1,000
2022	366	634	1,000
2023	379	621	1,000
Thereafter	16,049	8,951	25,000
	$ 17,810	$ 12,190	$ 30,000

NOTE K - 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, 2018. 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, 2017, the Measurement Date, membership in the Pension Plan consisted of the following:

Retired participants and beneficiaries currently receiving benefits	2,334
Terminated participants and beneficiaries entitled to but not yet receiving benefits	99
Terminated participants entitled to a refund of contributions	142
Active participants	2,409
	4,984

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% 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:

NOTE K - DEFINED BENEFIT PENSION PLAN – CONTINUED

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 6% 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 $8,259 for the year ended September 30, 2018, 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, 2017
Measurement Date: September 30, 2017
Reporting Date: September 30, 2018

NOTE K - DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions

The total pension liability as of September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. 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, 2017, 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, 2017, 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 K - 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, 2016	$ 1,007,175	$ 1,083,037	$ (75,862)
Service cost	19,490	-	19,490
Interest cost	68,349	-	68,349
Difference between expected and actual experience	(8,548)	-	(8,548)
Contributions – employer	-	7,627	(7,627)
Contributions – employee	-	7,592	(7,592)
Net investment income	-	120,056	(120,056)
Benefit payments, including refunds of member contributions	(61,527)	(61,527)	-
Administrative expense	-	(1,865)	1,865
Other changes	-	363	(363)
Net changes	17,764	72,246	(54,482)
Balances at September 30, 2017	$ 1,024,939	$ 1,155,283	$ (130,344)

September 30, 2017, is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of September 30, 2017, using standard roll-forward techniques. The difference between the expected total pension liability and the actual total pension liability as of September 30, 2017, is reflected as an experience gain or loss for the year.

NOTE K - DEFINED BENEFIT PENSION PLAN – CONTINUED

There was no change in the actuarial assumptions or benefit terms that affected the measurement of the net pension (asset) 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	$ (21,554)	$ (130,344)	$ (222,953)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2018, the Commission recognized pension expense (income) of $634. 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, 2018, 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	$ 5,922	$ 7,618
Net differences between projected and and actual earnings on plan investments	-	30,077
Employer contributions subsequent to the measurement date	8,259	-
Total	$ 14,181	$ 37,695

NOTE K - DEFINED BENEFIT PENSION PLAN – CONTINUED

Reported amounts included deferred outflows and deferred inflows presented in the Personnel Board in the Statement of Fiduciary Net Position. Deferred outflows of resources related to pensions of $8,259 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, 2019.

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:

2019	$	(6,842)
2020		937
2021		(16,683)
2022		(9,185)
	$	(31,773)

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note K, 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan does not issue a stand-alone financial report. Retirees and employees are not required to contribute to the OPEB Plan. The Commission subsidizes a portion of the retiree's health care insurance premiums based on the total years of service and age at retirement. The Commission's subsidy for each covered retired employee ranges from $209 to $1,664 per month, and total insurance premiums range from $678 to $2,022 per month. 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 L - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – 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.

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.

The total OPEB liability is measured as the portion of the present value of projected benefit payments that is attributable to past periods of employee service.

At September 30, 2016, the Valuation Date, membership in the OPEB Plan consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	470
Inactive members entitled to but not yet receiving benefits	-
Active employees	2,383
	2,853

During the year ended September 30, 2018, the Commission paid $4,798 for OPEB benefits as they came due.

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Total OPEB Liability
The Commission's total OPEB liability (TOL) of $113,926 was measured as of September 30, 2017, and was determined by an actuarial valuation as of September 30, 2016.

Actuarial assumptions and other inputs. The TOL in the September 30, 2016, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	3.25%
Real wage growth	1%
Wage inflation	4.25%
Salary increases	4.25% - 7.25%, including inflation
Municipal Bond index rate	
Prior measurement date	2.93%
Measurement date	3.57%
Healthcare cost trend rates	
Pre-Medicare	7.75% for 2016, decreasing to an ultimate rate of 5% by 2022

The discount rate was based on the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table. Post-retirement mortality rates were based on the sex distinct RP-2000 Combined Mortality Table projected with Scale AA from 2000, set forward 1 year for males. Special rates are used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2016 valuation were based on the experience investigation for the five year period ending September 30, 2009, used on the Pension Plan and adopted by the Pension Board on April 28, 2010.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rates of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Changes in the Total OPEB Liability

Changes in the total OPEB lability (TOL) are as follows:

	Total OPEB Liability
Balance at September 30, 2016	$ 116,801
Changes for the year:	
Service cost	5,477
Interest	3,353
Change in benefit terms	-
Differences between expected and actual experience	(224)
Changes in assumptions or other inputs	(6,683)
Benefit payments	(4,798)
Net changes	(2,875)
Balance at September 30, 2017	$ 113,926

The Commission does not have a special funding situation with respect to the OPEB plan.

The TOL is based upon an actuarial valuation performed as of the Valuation Date, September 30, 2016. An expected TOL is determined as of September 30, 2017, the Measurement Date, using standard roll forward techniques. The roll forward calculation begins with the TOL, as of the Valuation Date, September 30, 2016, adds the annual Normal Cost (also called the Service Cost), and subtracts expected benefit payments with interest at the Discount Rate for the year.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.93% to 3.57% due to a change in the municipal bond rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following information presents the TOL calculated using the discount rate of 3.57%, as well as what the TOL would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (2.57%)	Current Discount Rate (3.57%)	1% Increase (4.57%)
Total OPEB Liability	$ 124,573	$ 113,926	$ 104,359

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following information presents the TOL calculated using the current health care cost trend rate of 7.75%, as well as what the TOL would be if it were calculated using a rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.65%)	Current Health Care Cost Trend Rate (7.75%)	1% Increase (8.75%)
Total OPEB Liability	$ 101,361	$ 113,926	$ 128,703

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Commission recognized OPEB expense of $7,848. 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 OPEB expense, they are labeled deferred inflows. If they will increase OPEB 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 or other inputs, if any, are amortized over the average expected remaining service life of the active and inactive OPEB Plan members at the beginning of the measurement period. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (192)
Employer contributions subsequent to the measurement date	4,543	
Changes of assumptions or other inputs	-	(5,734)
Total	$ 4,543	$ (5,926)

Reported amounts included deferred outflows and deferred inflows presented in the Personnel Board in the Statement of Fiduciary Net Position. Deferred outflows of resources related to OPEB of $4,543 resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the TOL in the year ending September 30, 2019.

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – 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 OPEBs will be recognized in OPEB expense as follows:

2018	$	(981)
2019		(981)
2020		(981)
2021		(981)
2022		(981)
Thereafter		(1,021)
	$	(5,926)

NOTE M - 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 M - 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, 2018, 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	$ 573	$ 68	$ 4,598	$ 5,239
Incurred claims and claim adjustment expenses:				
Provision for insured events of current fiscal year	367	84	1,893	2,344
Increases/decreases in provision for insured events of prior fiscal years	(115)	(65)	(1,228)	(1,408)
Total incurred claims and claim adjustment expenses	252	19	665	936
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(203)	(22)	(425)	(650)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	(49)	(4)	-	(53)
Total payments	(252)	(26)	(425)	(703)
Accrual at end of fiscal year	$ 573	$ 61	$ 4,838	$ 5,472

NOTE M - RISK MANAGEMENT – CONTINUED

For the year ended September 30, 2018, changes in the claims liabilities for the health self-insured activities for the Commission are as follows:

Balance September 30, 2017	Claims Incurred	Claims Paid	Increase/ Decrease in Liability	Balance September 30, 2018
$ 1,613	$ 23,508	$ (23,540)	$ (32)	$ 1,581

NOTE N - 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, 2018, the Development Authority was indebted to the Commission in the amount of approximately $22,252, 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 O – TAX ABATEMENTS

The Commission enters into property tax abatement agreements with local businesses under the Tax Incentive Reform Act of 1992, Section 40-9B-1 et seq., of the Code of Alabama (1975). Under the Act, localities may grant property tax abatements on up to $3,000 of the assessed value of capital additions on a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. Additionally, the businesses may receive exemptions for non-educational sales taxes for construction transactions in expansion of business facilities at the point of sale.

The abatements may be granted to any business located within or promising to relocate to the County. For the fiscal year ended September 30, 2018, the Commission abated property taxes totaling $854 under this program.

The County also is subject to tax abatements granted by the Birmingham-Jefferson County Port Authority (BPA), an entity created by the Commission and the City of Birmingham in 2016 under Chapter 94, Title 11 of the Code of Alabama (1975). This authority has the stated purpose of developing any property on or near any navigable river for increasing business activity and employment in the County and the City.

The BPA issues abatements of ad valorem property taxes for economic development purposes to keep or attract businesses in accordance with Section 40-9B-9 of the Code of Alabama (1975). For the fiscal year ended September 30, 2018, the BPA abated property taxes totaling $3,859.

NOTE P - TRANSACTIONS WITH OTHER FUNDS

Advances due to/from Other Funds

The amounts of advances due to/from other funds at September 30, 2018, were as follows:

	Advances due from Other Funds			
	General Fund	**Nonmajor Enterprise Funds**	**Nonmajor Governmental Funds**	**Totals**
Advances due to other funds:				
General Fund	$ -	$ -	$ 1,387	$ 1,387
Debt service	-	1,463	-	1,463
Special Sales Tax Fund	26,517	-	6,134	32,651
Nonmajor Enterprise	31,409	-	-	31,409
	$ 57,926	$ 1,463	$ 7,521	$ 66,910

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.

NOTE P - TRANSACTIONS WITH OTHER FUNDS - CONTINUED

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2018, were as follows:

	Transfers in					
	General Fund	Debt Service Fund	Public Building Authority	Nonmajor Governmental Funds	Agency Funds	Totals
Transfers out:						
General Fund	$ 25,000	$ -	$ -	$ 13,000	$ 3,113	$ 41,113
Debt Service Fund	-	-	48,411	1,022	-	49,433
Special Sales Tax Revenue Fund	60,045	-	-	35,285	-	95,330
Indigent Care Fund	2,500	-	-	-	-	2,500
Bridge and Public Building Fund	-	-	-	41,000	-	41,000
Nonmajor Governmental Funds	-	1,000	-	(2,022)	-	(1,022)
	$ 87,545	$ 1,000	$ 48,411	$ 88,285	$ 3,113	$ 228,354

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, 2018, the Commission has commitments of the following:

Name of Commitment	Amount
Improvements to waste water treatment plants and system infrastructure	$ 27,708
Collection system management	13,901
Sewer repairs and maintenance	15,452
Hoover area pump station improvements	2,581
Pharmaceutical drugs and distribution services	2,024
Road construction and maintenance	2,722
Elevator modernization	1,200
Healthcare services	1,161
Minor pump station improvements	1,113
Billing and collection services	1,104
Storm shelter construction	1,850
Road department equipment	1,013
Fuel services	702
State courts	589
Courthouse renovations	579
	$ 73,699

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, 2018.

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.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – CONTINUED

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 Employment Discrimination 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 Employment Discrimination Receiver. On November 25, 2015, the United States District Court appointed Lorren Oliver to the position of Employment Discrimination Receiver.

On March 15, 2018, the parties filed a joint Proposed Plan for Transition of Authority from the Employment Discrimination Receiver to County and Appointment of Monitor. On June 6, 2018, the Court entered an order approving and adopting the proposed plan which provides that the Human Resources Director, County Manager, and County Commission shall oversee and direct all employment decisions of the County. The Order also appoints Lorren Oliver as Monitor of Jefferson County "until such time as this Court enters an order terminating the Consent Decree, or as otherwise directed by subsequent order."

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, 2018, 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. The Commission has accrued an estimated loss related to these sanctions as of September 30, 2018.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – CONTINUED

Jefferson County, Alabama v. City of Fultondale, Circuit Court of Jefferson County, Alabama, Birmingham Division, Case Number CV-2018-901852.00: On May 4, 2018, the Commission filed a complaint for declaratory judgment against the City of Fultondale, Alabama (the City) in the Circuit Court of Jefferson County seeking to collect approximately two years of defaulted principal and interest payments on a Limited Obligation Sales Tax Warrant and a Limited Obligation Tax Increment Warrant (collectively, the TIF Warrants) issued by the City to the Commission in 2006 to fund infrastructure improvements and construction for a retail development in a tax increment finance district established by the City. The Commission requested the Court to enter a judgment declaring that: (a) the City's obligation to the Commission for payment of debt service on the TIF Warrants remains due and payable and (b) the City's obligation to the Commission for payment of debt service includes all principal amounts outstanding on the TIF Warrants as of April 1, 2016, plus all accrued interest thereon. The Commission also sought a declaratory judgment addressing a disagreement regarding the amount of principal outstanding on the TIF Warrants as of April 1, 2016. On June 7, 2018, the City filed an answer and counterclaim for a declaratory judgment requesting an order from the Court providing: (a) that the terms of the TIF Warrants required the City to pay the Commission debt service on the TIF Warrants for ten years, (b) that after ten years the City's obligation to the Commission with regard to the TIF Warrants ended and (c) the City paid debt service on the TIF Warrants to the Commission as required, the TIF Warrants are paid in full and the City has no further obligation to the Commission. The Commission has vigorously contested these claims. At the time that the complaint for declaratory judgment was filed, the Commission maintained that the aggregate principal amount outstanding on the TIF Warrants was approximately $11,400,000. The conclusion of this matter is uncertain.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – CONTINUED

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.

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.

On March 29, 2017, the District Court issued its opinion on remand and held the State's sales tax on diesel fuel does not discriminate against rail carriers in violation of federal law. CSX appealed this ruling to the 11th Circuit and oral argument was held in October 2017. In March 2018, the 11th Circuit reversed the District Court's decision and held that Alabama's sales tax on diesel fuel used by rail carriers was discriminatory and violated the Railroad Revitalization and Regulatory Reform Act of 1976, as fuel purchased by water carriers is exempt from both the sales and excise tax and the State could not show that the exemption was compelled by federal law. The 11th Circuit also ruled that Alabama's sales and use tax exemption for motor carriers was sufficiently justified because motor carriers pay the "roughly equivalent" excise tax on fuel instead. Although the 11th Circuit granted the State's petition for rehearing, in April 2018 it largely upheld its March 2018 opinion with modest revisions regarding the scope of the sales and use tax exemption for water carriers. The 11th Circuit remanded the case to the District Court with instructions to enter declaratory and injunctive relief in favor of the rail carrier. On June 11, 2018, the District Court entered an order providing that the existing injunction will remain in effect, and staying the case until a petition for a writ of certiorari is filed or the deadline to do so has lapsed.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – CONTINUED

On October 5, 2018, the State filed a petition for a writ of certiorari, asking the U.S. Supreme Court to review the 11th Circuit's decision. CSX has also filed a conditional cross-petition for writ of certiorari requesting the U.S. Supreme Court to also review the motor carrier portion of the 11th Circuit's decision if it grants the State's petition. Both petitions remain pending at the moment.

Absent a successful petition for review by the State to the U.S. Supreme Court, it is likely that CSX will prevail in its case against the State in federal court.

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, 2018.

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.

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.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – CONTINUED

The 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 proposed 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 believed belonged to the Commission and not to the sewer ratepayers or could 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 adversary proceeding. 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 $1,630,000 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 Royal's 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.

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 were 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.

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – CONTINUED

Throughout the litigation with the Bennett plaintiffs, the Commission consistently argued that the claims asserted by the Bennett plaintiffs against parties other than the Commission were claims that belonged to the Commission and, therefore, the Commission could compromise and resolve such claims pursuant to its Chapter 9 debt restructuring efforts. Accordingly, the Commission's Plan of Adjustment provided, as part of its comprehensive compromise and settlement of the Commission's debt obligations with respect to the Commission's sanitary sewer system, for an injunction against the further prosecution by any person of the claims and causes of action asserted in the Bennett litigation. In the Confirmation Order, the Bankruptcy Court ruled that the claims asserted by the Bennett plaintiffs against parties other than the Commission did indeed belong to the Commission and that the Commission could, through the Plan of Adjustment, propose a binding settlement and release of such claims. Upon the Effective Date, the injunction against the continued prosecution of the Bennett litigation became effective and the adversary proceeding pending before the Bankruptcy Court was dismissed with prejudice.

The Bennett plaintiffs objected to confirmation of the Plan of Adjustment and 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.

On August 16, 2018, the 11th Circuit issued a decision in favor of the Commission, reversing the District Court's prior decision and remanding to the District Court to dismiss the Bennett plaintiffs' appeal of the Confirmation Order. In its opinion, the 11th Circuit noted as follows: "Having evaluated the factors relevant to an equitable mootness determination, we conclude that dismissing the ratepayers' appeal is appropriate. We note, in concluding, that no party has so far asked the bankruptcy court to exercise its jurisdiction to force Jefferson County to adjust its sewer rates according to the provisions of the confirmed plan. We therefore express no view on whether the ratepayers (or anyone else) will be able to mount a challenge to aspects of the plan in the future should the bankruptcy court in fact purport to exercise its jurisdiction to compel an increase in rates in compliance with the plan."

NOTE R - CONTINGENT LIABILITIES AND LITIGATION – CONTINUED

On October 31, 2018, the 11th Circuit denied the Bennett plaintiffs' request for rehearing. On January 29, 2019 the Bennett plaintiffs filed a petition for writ of certiorari with the U.S. Supreme Court. On March 4, 2019, the U.S. Supreme Court denied the Bennett plaintiffs' petition. The Bennett Plaintiffs have until March 29, 2019 to file a petition for rehearing of the order denying the petition for writ of certiorari. It is not possible to predict the outcome in any further appellate proceedings that may occur before the U.S. Supreme Court, nor is it possible to predict the outcome of any future challenge to the exercise by the Bankruptcy Court of its retained jurisdiction to compel sewer rate increases in compliance with the Plan of Adjustment. If confirmation of the Plan of Adjustment were to be overturned following a further appeal to the U.S. Supreme Court, the County 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 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, 2018, 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.

Business-Type Activities

2013 Sewer Warrants
The debt covenants for the Series 2013 Sewer Warrants require maintenance of rates, including compliance with the Rate Resolution in accordance with the 2013 Sewer Indenture (See Note J). The Commission implemented sewer user charge increases effective October 1, 2018.

The Series 2013 Sewer Warrants were assigned underlying ratings by S&P Global Ratings Inc. (S&P) at the time of their issuance. On December 21, 2018, S&P upgraded the underlying rating assigned to the Series 2013 Senior Lien Warrants from 'BBB' to 'BBB+' and the underlying rating assigned to the Series 2013 Subordinate Lien Warrants from 'BBB-' to 'BBB'. The underlying ratings of the Warrants were classified as "Outlook Stable" by S&P.

NOTE T - BANKRUPTCY SETTLEMENT AND CONFIRMATION

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.

NOTE T - BANKRUPTCY SETTLEMENT AND CONFIRMATION - CONTINUED

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.

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 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.

On August 16, 2018, the 11th Circuit issued a decision in favor of the Commission, reversing the District Court's prior decision and remanding to the District Court to dismiss the Bennett plaintiffs' appeal of the Confirmation Order. In its opinion, the 11th Circuit noted as follows: "Having evaluated the factors relevant to an equitable mootness determination, we conclude that dismissing the ratepayers' appeal is appropriate. We note, in concluding, that no party has so far asked the bankruptcy court to exercise its jurisdiction to force Jefferson County to adjust its sewer rates according to the provisions of the confirmed plan. We therefore express no view on whether the ratepayers (or anyone else) will be able to mount a challenge to aspects of the plan in the future should the bankruptcy court in fact purport to exercise its jurisdiction to compel an increase in rates in compliance with the plan."

On October 31, 2018, the 11th Circuit denied the Bennett plaintiffs' request for rehearing. On January 29, 2019 the Bennett plaintiffs filed a petition for writ of certiorari with the Supreme Court. On March 4, 2019, the Supreme Court denied the Bennett plaintiffs' petition. The Bennett Plaintiffs have until March 29, 2019 to file a petition for rehearing of the order denying the petition for writ of certiorari. It is not possible to predict the outcome in any further appellate proceedings that may occur before the Supreme Court, nor is it possible to predict the outcome of any future challenge to the exercise by the Bankruptcy Court of its retained jurisdiction to compel sewer rate increases in compliance with the Plan of Adjustment. If confirmation of the Plan of Adjustment were to be overturned following a further appeal to the Supreme Court, the County 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. See Note R - Contingent Liabilities and Litigation.

NOTE T - BANKRUPTCY SETTLEMENT AND CONFIRMATION - CONTINUED

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 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.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 119,978	$ 119,978	$ 97,902	$ 97,902
Licenses and permits	13,689	13,689	10,818	10,818
Intergovernmental	3,987	4,393	8,734	8,734
Charges for services, net	36,548	36,548	30,387	30,387
Miscellaneous	342	342	7,234	7,234
Interest and investment income	400	400	742	742
	174,944	175,350	155,817	155,817
Expenditures				
Current:				
General government	108,723	108,723	104,101	104,101
Public safety	64,864	68,700	81,852	81,852
Health and welfare	1,039	1,259	-	-
Indirect expenses	-	-	(7,477)	(7,477)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	9	9
	174,626	178,682	178,485	178,485
Excess (Deficiency) of Revenues over Expenditures	318	(3,332)	(22,668)	(22,668)
Other Financing Sources (Uses)				
Sale of capital assets, net	-	-	194	194
Transfers in	-	-	87,545	87,545
Transfers out	-	-	(41,113)	(41,113)
	-	-	46,626	46,626
Net Change in Fund Balance	318	(3,332)	23,958	23,958
Fund Balance – Beginning of Year	130,088	130,088	130,088	130,088
Fund Balance – End of Year	$ 130,406	$ 126,756	$ 154,046	$ 154,046

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL SALES TAX FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ -	$ 107,692	$ 111,600	$ 111,600
Charges for services, net	-	-	-	-
Investment income	-	-	100	100
	-	107,692	111,700	111,700
Expenditures				
Contributions to other entities	-	-	24,100	24,100
	-	-	24,100	24,100
Excess (Deficiency) of Revenues over Expenditures	-	107,692	87,600	87,600
Other Financing Sources (Uses)				
Transfers out	-	-	(95,330)	(95,330)
Net Change in Fund Balance	-	107,692	(7,730)	(7,730)
Fund Balance – Beginning of Year	7,754	7,754	7,753	7,753
Fund Balance – End of Year	$ 7,754	$ 115,446	$ 23	$ 23

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BRIDGE AND PUBLIC BUILDING FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 45,537	$ 45,537	$ 46,150	$ 46,150
Intergovernmental	-	-	791	791
Interest and investment income	-	-	250	250
	45,537	45,537	47,191	47,191
Expenditures				
Highway and roads	8,425	8,425	5,830	5,830
	8,425	8,425	5,830	5,830
Excess (Deficiency) of Revenues over Expenditures	37,112	37,112	41,361	41,361
Other Financing Sources (Uses)				
Transfers out	-	-	(41,000)	(41,000)
Net Change in Fund Balance	37,112	37,112	361	361
Fund Balance – Beginning of Year	-	-	-	-
Fund Balance – End of Year	$ 37,112	$ 37,112	$ 361	$ 361

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – INDIGENT CARE FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 55,130	$ 55,130	$ 58,192	$ 58,192
Intergovernmental	-	-	407	407
Charges for services, net	-	-	2,369	2,369
Miscellaneous	-	-	804	804
Interest and investment income	-	-	29	29
	55,130	55,130	61,801	61,801
Expenditures				
Health and welfare	56,914	58,238	48,965	48,965
Capital outlay	-	-	111	111
Indirect expenses	-	-	2,028	2,028
	56,914	58,238	51,104	51,104
Excess (Deficiency) of Revenues over Expenditures	(1,784)	(3,108)	10,697	10,697
Other Financing Sources (Uses)				
Transfers out	-	-	(2,500)	(2,500)
	-	-	(2,500)	(2,500)
Net Change in Fund Balance	(1,784)	(3,108)	8,197	8,197
Fund Balance – Beginning of Year	14,409	14,409	14,409	14,409
Fund Balance – End of Year	$ 12,625	$ 11,301	$ 22,606	$ 22,606

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS (UNAUDITED)
SEPTEMBER 30, 2018

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	$ 19,490	$ 17,798	$ 17,325	$ 16,860
Interest	68,349	65,859	64,608	63,046
Differences between expected and actual experience	(8,548)	12,504	(5,226)	-
Change in assumptions	-	-	-	-
Benefit payments	(60,683)	(58,760)	(57,021)	(55,458)
Refunds of contributions	(844)	(902)	(985)	(1,707)
Net change in total pension liability	17,764	36,499	18,701	22,741
Total pension liability – beginning	1,007,175	970,676	951,975	929,234
Total pension liability – ending (A)	$ 1,024,939	$ 1,007,175	$ 970,676	$ 951,975
PENSION FIDUCIARY NET POSITION				
Contributions – employer	$ 7,627	$ 7,393	$ 6,732	$ 6,587
Contributions – members	7,592	7,385	6,716	6,562
Contributions – other	441	584	439	771
Net investment income	120,056	97,411	(1,107)	105,706
Benefit payments	(60,683)	(58,760)	(57,021)	(55,458)
Administrative expense	(1,865)	(1,300)	(998)	(931)
Refunds of contributions	(844)	(902)	(985)	(1,707)
Other	(78)	(79)	(78)	(84)
Net change in plan fiduciary net position	72,246	51,732	(46,302)	61,446
Plan fiduciary net position – beginning	1,083,037	1,031,304	1,077,606	1,016,160
Plan fiduciary net position – ending (B)	$ 1,155,283	$ 1,083,036	$ 1,031,304	$ 1,077,606
NET PENSION (ASSET) LIABILITY (A) – (B)	$ (130,344)	$ (75,861)	$ (60,628)	$ (125,631)
COVERED EMPLOYEE PAYROLL	$ 127,117	$ 123,217	$ 112,200	$ 109,783
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(102.54%)	(61.57%)	(54.04%)	(114.44%)
NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	112.72%	107.53%	106.25%	113.2%

JEFFERSON COUNTY COMMISSION
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
(UNAUDITED)
SEPTEMBER 30, 2018

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 payroll upon which contributions were based.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
(UNAUDITED)
SEPTEMBER 30, 2018

Year	Actuarially Determined Contribution	Contributions From Commission	Contribution (Deficiency)/ Excess	Covered Employee Payroll	Contribution as a % of Payroll
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%
2017	7,627	7,627	-	127,117	6.00%
2018	8,259	8,259	-	139,000	6.00%

JEFFERSON COUNTY COMMISSION
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
(UNAUDITED)
SEPTEMBER 30, 2018

Valuation Date:	September 30, 2017
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:	48 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 CHANGES IN TOTAL OPEB
LIABILITY AND RELATED RATIOS
(UNAUDITED)
SEPTEMBER 30, 2018

		2017
TOTAL OPEB LIABILITY		
Service cost	$	5,477
Interest		3,353
Changes of benefit terms		-
Differences between expected and actual experience		(224)
Changes of assumptions or other inputs		(6,683)
Benefit payments		(4,798)
Net change in Total OPEB Liability		(2,875)
Total OPEB Liability – beginning		116,801
Total OPEB Liability – ending	$	113,926
Covered-employee payroll	$	126,645
Total OPEB Liability as a percentage of covered-employee payroll		89.96%

JEFFERSON COUNTY COMMISSION
NOTES TO SCHEDULE OF CHANGES TOTAL OPEB LIABILITY AND RELATED RATIOS
(UNAUDITED)
SEPTEMBER 30, 2018

The Schedule of Changes in Total OPEB Liability is not available for years prior to 2017.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The Commission does not have a special funding situation.

The reported Covered Employee Payroll during the measurement period is the payroll upon which contributions were based.

There were no changes of benefit terms during 2018.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.93% to 3.57% due to a change in the municipal bond rate.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY COMMISSION
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS	**Community Development Fund**	**Capital Improvements Fund**	**Road Fund**	**Road Construction Fund**	**Home Grant Fund**
Cash and investments	$ 504	$ 10,062	$ 23,159	$ 10,796	$ 572
Accounts receivable, net	1,990	-	72	-	122
Taxes receivable, net	-	-	-	-	-
Tax receivable, net, highways and roads	-	-	19,067	-	-
Restricted assets	-	-	2,249	-	-
Advances due from (to) other funds	(1,255)	-	-	-	(132)
	$ 1,239	$ 10,062	$ 44,547	$ 10,796	$ 562
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 1,182	2,987	$ 592	$ 2,200	$ -
Deposits payable	-	-	$ 2,110	-	-
Accrued wages and benefits	52	-	558	-	4
Due from (to) other governments	-	-	7,346	-	-
Retainage payable	103	410	-	157	-
Estimated litigation liability	-	-	1,066	-	-
Estimated claims liability	2	-	152	-	-
Total Liabilities	1,339	3,397	11,824	2,357	4
Deferred Inflows of Resources					
Property taxes	-	-	18,636	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	14,087	157	-
Assigned	3,162	5,972	2,751	6,572	30
Unassigned	(3,262)	693	(2,751)	1,710	528
	(100)	6,665	14,087	8,439	558
	$ 1,239	$ 10,062	$ 44,547	$ 10,796	$ 562

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS	Board of Equalization	Tax Assessor Birmingham	Tax Assessor Bessemer	Workforce Development Fund	Community Development Loan Fund
Cash and investments	$ 1,789	$ 3,352	$ 412	2,391	$ 81
Accounts receivable, net	-	-	-	1,750	-
Taxes receivable, net	5,506	2,896	1,703	-	-
Tax receivable, net, highways and roads	-	-	-	-	-
Restricted assets	-	-	-	-	-
Advances due from (to) other funds	-	-	-	-	-
	$ 7,295	$ 6,248	$ 2,115	$ 4,141	$ 81
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 61	$ 26	$ 7	995	$ -
Deposits payable	-	-	-	-	-
Accrued wages and benefits	133	61	53	42	-
Due (from) to other governments	-	-	-	-	-
Retainage payable	-	-	-	-	-
Estimated litigation liability	12	-	2	32	-
Estimated claims liability	30	21	10	3	-
Total Liabilities	236	108	72	1,072	-
Deferred Inflows of Resources					
Property taxes	5,506	2,896	1,703	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	1,553	3,244	340	3,069	81
Assigned	56	5	10	678	-
Unassigned	(56)	(5)	(10)	(678)	-
	1,553	3,244	340	3,069	81
	$ 7,295	$ 6,248	$ 2,115	$ 4,141	$ 81

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS	**Senior Citizens Services Fund**	**Limited Obligation School Fund**	**Limited Obligation Refunding Debt**	**Total Nonmajor Governmental Funds**
Cash and investments	$ 1,282	$ -	$ -	$ 54,400
Accounts receivable, net	-	-	-	3,934
Taxes receivable, net	-	-	-	10,105
Tax receivable, net, highways and roads	-	-	-	19,067
Restricted assets	-	-	154	2,403
Advances due from (to) other funds	-	-	8,908	7,521
	$ 1,282	$ -	$ 9,062	$ 97,430
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ -	$ -	$ 8,050
Deposits payable	-	-	-	2,110
Accrued wages and benefits	-	-	-	903
Due (from) to other governments	-	-	-	7,346
Retainage payable	-	-	-	670
Estimated litigation liability	-	-	-	1,112
Estimated claims liability	-	-	-	218
Total Liabilities	-	-	-	20,409
Deferred Inflows of Resources				
Property taxes	-	-	-	28,741
Fund Balances				
Nonspendable	-	-	-	-
Restricted	1,282	-	9,062	32,875
Assigned	-	-	-	19,236
Unassigned	-	-	-	(3,831)
	1,282	-	9,062	48,280
	$ 1,282	$ -	$ 9,062	$ 97,430

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, 2018
(IN THOUSANDS)

	Community Development Fund	Capital Improvements Fund	Road Fund	Road Construction Fund	Home Grant Fund
Revenues					
Taxes	$ -	$ -	$ 16,651	$ -	$ -
License and permits	-	-	2,006	-	-
Intergovernmental	4,399	-	287	-	122
Charges for services, net	-	-	97	614	-
Miscellaneous	532	-	147	-	626
Interest and investment income	-	-	114	-	-
	4,931	-	19,302	614	748
Expenditures					
Current:					
General government	-	3,376	-	-	122
Highways and roads	-	-	25,124	-	-
Health and welfare	-	-	-	-	-
Community development	4,789	-	-	-	-
Capital outlay	-	18,849	-	4,294	-
Indirect expenses	-	-	-	-	-
Debt service:					
Principal retirement	-	883	-	-	-
Interest and fiscal charges	-	17	-	-	-
	4,789	23,125	25,124	4,294	122
Excess (Deficiency) of Revenues over Expenditures	142	(23,125)	(5,822)	(3,680)	626
Other Financing Sources					
Sale of capital assets	-	-	-	119	-
Transfers in (out)	-	27,000	14,000	12,000	-
	-	27,000	14,000	12,119	-
Net Changes in Fund Balances	142	3,875	8,178	8,439	626
Fund Balances – Beginning of Year	(242)	2,790	5,909	-	(68)
Fund Balances – End of Year	$ (100)	$ 6,665	$ 14,087	$ 8,439	$ 558

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, 2018
(IN THOUSANDS)

	Board of Equalization	Tax Assessor Birmingham	Tax Assessor Bessemer	Workforce Development Fund	Community Development Loan Fund
Revenues					
Taxes	$ 4,768	$ 3,040	$ 1,408	$ -	$ -
License and permits	-	-	-	-	-
Intergovernmental	-	-	-	4,336	-
Charges for services, net	-	-	-	-	-
Miscellaneous	53	-	-	-	-
Interest and investment income	-	-	-	16	-
	4,821	3,040	1,408	4,352	-
Expenditures					
Current:					
General government	4,660	2,788	1,546	-	-
Highways and roads	-	-	-	-	-
Health and welfare	-	-	-	4,811	-
Community development	-	-	-	-	7
Capital outlay	266	224	24	-	-
Indirect expenses	52	71	12	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
	4,978	3,083	1,582	4,811	7
Excess (Deficiency) of Revenues over Expenditures	(157)	(43)	(174)	(459)	(7)
Other Financing Sources					
Sale of capital assets	7	-	-	-	-
Transfers in (out)	-	-	-	-	-
	7	-	-	-	-
Net Changes in Fund Balances	(150)	(43)	(174)	(459)	(7)
Fund Balances – Beginning of Year	1,703	3,287	514	3,528	88
Fund Balances – End of Year	$ 1,553	$ 3,244	$ 340	$ 3,069	$ 81

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, 2018
(IN THOUSANDS)

	Senior Citizens Services Fund	Limited Obligation School Fund	Limited Obligation Refunding Debt	Total Nonmajor Governmental Funds
Revenues				
Taxes	$ -	$ 49	$ -	$ 25,916
License and permits	-	-	-	2,006
Intergovernmental	-	-	-	9,144
Charges for services, net	-	-	-	711
Miscellaneous	-	-	-	1,358
Interest and investment income	-	14	180	324
	-	63	180	39,459
Expenditures				
Current:				
General government	-	-	-	12,492
Highways and roads	-	-	-	25,124
Health and welfare	-	-	-	4,811
Community development	-	-	-	4,796
Capital outlay	-	-	-	23,657
Indirect expenses	-	-	-	135
Contributions to other entities		13,284	-	13,284
Debt service:				
Principal retirement	-	-	8,204	9,087
Interest and fiscal charges	-	-	18,199	18,216
	-	13,284	26,403	111,602
Excess (Deficiency) of Revenues over Expenditures	-	(13,221)	(26,223)	(72,143)
Other Financing Sources				
Sale of capital assets	-	-	-	126
Transfers in (out)	-	-	35,285	88,285
	-	-	35,285	88,411
Net Changes in Fund Balances	-	(13,221)	9,062	16,268
Fund Balances – Beginning of Year	1,282	13,221	-	32,012
Fund Balances – End of Year	$ 1,282	$ -	$ 9,062	$ 48,280

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF NET POSITION –
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Current Assets			
Cash and investments	$ -	$ 1,888	$ 1,888
Accounts receivable, net	230	4	234
Total Current Assets	230	1,892	2,122
Noncurrent Assets			
Advances due (to) from other funds	(7,694)	(22,252)	(29,946)
Investments – property held for sale	-	20,383	20,383
Restricted assets	219	2,498	2,717
Capital assets:			
Depreciable assets, net	12,489	21	12,510
Nondepreciable assets	7,907	-	7,907
Total Noncurrent Assets	12,921	650	13,571
	$ 13,151	$ 2,542	$ 15,693

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF NET POSITION –
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

LIABILITIES AND NET POSITION	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Current Liabilities			
Accounts payable	$ -	$ 67	$ 67
Due to other governments	-	3,135	3,135
Total Current Liabilities	-	3,202	3,202
Noncurrent Liabilities			
Estimated liability for landfill closure and postclosure care costs	14,352	-	14,352
Total Liabilities	14,352	3,202	17,554
Net Position			
Net investment in capital assets	20,396	21	20,417
Restricted for:			
Closure and postclosure care	219	-	219
Unrestricted	(21,816)	(681)	(22,497)
	$ (1,201)	$ (660)	$ (1,861)

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, 2018
(IN THOUSANDS)

	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Operating Revenues			
Other operating revenue	$ 1,397	$ 256	$ 1,653
	1,397	256	1,653
Operating Expenses			
Salaries	-	252	252
Employee benefits and payroll taxes	-	18	18
Utilities	-	54	54
Outside services	14	714	728
Office expenses	-	99	99
Depreciation	1,798	12	1,810
Closure and postclosure care	(252)	-	(252)
Indirect expenses	104	-	104
	1,664	1,149	2,813
Operating Loss	(267)	(893)	(1,160)
Nonoperating Revenues (Expenses)			
Interest expense, net	(97)	(47)	(144)
Interest revenue	4	83	87
	(93)	36	(57)
Changes in Net Position	(360)	(857)	(1,217)
Net Position – Beginning of Year	(841)	197	(644)
Net Position – End of year	$ (1,201)	$ (660)	$ (1,861)

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(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	$ -	$ 309	$ 309
Cash payments to employees	-	(270)	(270)
Cash payments for goods and services	(118)	(834)	(952)
Other receipts and payments, net	211	11,219	11,430
Net Cash Provided by Operating Activities	93	10,424	10,517
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(9,419)	(9,419)
Proceeds from sale of property	-	1,225	1,225
Interest paid	(97)	(47)	(144)
Net Cash Used by Capital and Related Financing Activities	(97)	(8,241)	(8,338)
Cash Flows from Investing Activities			
Interest received	4	83	87
Net Cash Provided by Investing Activities	4	83	87
Change in Cash and Investments	-	2,266	2,266
Cash and Investments – Beginning of Year	219	2,120	2,339
Cash and Investments – End of Year	$ 219	$ 4,386	$ 4,605
Displayed As			
Cash and investments	$ -	$ 1,888	$ 1,888
Restricted assets – noncurrent cash and investments	219	2,498	2,717
	$ 219	$ 4,386	$ 4,605

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(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 by Operating Activities			
Operating loss	$ (267)	$ (893)	$ (1,160)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	1,798	12	1,810
Change in accounts receivable	3	53	56
Change in amounts due from other governments	-	1,835	1,835
Change in advances due to other funds	(1,189)	9,384	8,195
Change in accounts payable	-	33	33
Change in estimated liability for landfill closure and postclosure care costs	(252)	-	(252)
	360	11,317	11,677
Net Cash Provided by Operating Activities	$ 93	$ 10,424	$ 10,517

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
SEPTEMBER 30, 2018
(IN THOUSANDS)

	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018
City of Birmingham Revolving Loan Fund				
Assets				
Cash and investments	$ 1,039	$ 135	$ -	$ 1,174
	$ 1,039	$ 135	$ -	$ 1,174
Liabilities				
Due to other governments	$ 1,039	$ 135	$ -	$ 1,174
Personnel Board Fund				
Assets and Deferred Outflows				
Cash and investments	$ 846	$ 6,873	$ (7,018)	$ 701
Accounts receivable, net	-	6,626	(6,545)	81
Net pension asset	3,121	1,944	-	5,065
Property and equipment, net	1,145	-	(351)	794
Deferred outflows - pension	1,061	-	(510)	551
Deferred outflows - OPEB	-	50	-	50
	$ 6,173	$ 15,493	$ (14,424)	$ 7,242
Liabilities and Deferred Inflows				
Accounts payable	$ 138	$ 2,088	$ (2,171)	$ 55
Accrued employee expenses	1,380	5,849	(5,928)	1,301
Due to other governments	4,359	-	(1,249)	3,110
Total OPEB liability	191	1,055		1,246
Deferred inflows - OPEB	-	65	-	65
Deferred inflows - pension	105	1,360	-	1,465
	$ 6,173	$ 10,417	$ (9,348)	$ 7,242
Emergency Management Agency Fund				
Assets				
Cash and investments	$ 491	$ 1,672	$ (1,415)	$ 748
Other receivables	-	106	-	106
Property and equipment, net	133	-	(34)	99
	$ 624	$ 1,778	$ (1,449)	$ 953
Liabilities				
Accounts payable	$ 7	$ 539	$ (539)	$ 7
Accrued employee expenses	103	633	(658)	78
Due to other governments	514	354	-	868
	$ 624	$ 1,526	$ (1,197)	$ 953

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING BALANCE SHEET –
GENERAL FUND BY CATEGORY
SEPTEMBER 30, 2018
(IN THOUSANDS)

ASSETS	General Fund	Uncertainty Fund	Catastrophic Fund	Budget Stabilization Fund	Economic Development Fund	Total General Fund
Cash and investments	$ 63,341	$ 5,000	$ 5,000	$ 5,000	$ 7,583	$ 85,924
Accounts receivable, net	1,240	-	-	-	-	1,240
Taxes receivable, net	80,562	-	-	-	-	80,562
Prepaid expenses and other current assets	200	-	-	-	-	200
Restricted assets	11,824	-	-	-	-	11,824
Advances due from (to) other funds	56,539	-	-	-	-	56,539
	$ 213,706	$ 5,000	$ 5,000	$ 5,000	$ 7,583	$ 236,289
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 11,151	$ -	$ -	$ -	$ 8	$ 11,159
Accrued wages and benefits	4,786	-	-	-	-	4,786
Due (from) to other governments	(1,523)	-	-	-	-	(1,523)
Estimated litigation liability	1,255	-	-	-	-	1,255
Estimated claims liability	1,006	-	-	-	-	1,006
Total Liabilities	16,675	-	-	-	8	16,683
Deferred Inflows of Resources						
Property taxes	65,560	-	-	-	-	65,560
Fund Balances						
Nonspendable	56,539	-	-	-	-	56,539
Restricted	11,824	-	-	-	-	11,824
Assigned	8,110	5,000	5,000	5,000	7,575	30,685
Unassigned	54,998	-	-		-	54,998
	131,471	5,000	5,000	5,000	7,575	154,046
	$ 213,706	$ 5,000	$ 5,000	$ 5,000	$ 7,583	$ 236,289

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND BY CATEGORY
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(IN THOUSANDS)

	General Fund	Uncertainty Fund	Catastrophic Fund	Budget Stabilization Fund	Economic Development Fund	Total General Fund
Revenues						
Taxes	$ 97,902	$ -	$ -	$ -	$ -	$ 97,902
Licenses and permits	10,818	-	-	-	-	10,818
Intergovernmental	8,734	-	-	-	-	8,734
Charges for services, net	30,387	-	-	-	-	30,387
Miscellaneous	7,234	-	-	-	-	7,234
Interest and investment income	742	-	-	-	-	742
	155,817	-	-	-	-	155,817
Expenditures						
Current:						
General government	101,676	-	-	-	2,425	104,101
Public safety	81,852	-	-	-	-	81,852
Indirect expenses	(7,477)	-	-	-	-	(7,477)
Debt service:						
Interest and fiscal charges	9	-	-	-	-	9
	176,060	-	-	-	2,425	178,485
Excess (Deficiency) of Revenues over Expenditures	(20,243)	-	-	-	(2,425)	(22,668)
Other Financing Sources (Uses)						
Sale of capital assets	194	-	-	-	-	194
Transfers in	62,545	5,000	5,000	5,000	10,000	87,545
Transfers out	(41,113)	-	-	-	-	(41,113)
	21,626	5,000	5,000	5,000	10,000	46,626
Net Changes in Fund Balances	1,383	5,000	5,000	5,000	7,575	23,958
Fund Balances - beginning of year	130,088	-	-	-	-	130,088
Fund Balances – End of Year	$ 131,471	$ 5,000	$ 5,000	$ 5,000	$ 7,575	$ 154,046

See independent auditors' report.

ADDITIONAL INFORMATION

JEFFERSON COUNTY COMMISSION
COMMISSION MEMBERS AND ADMINISTRATIVE PERSONNEL
(UNAUDITED)
SEPTEMBER 30, 2018

Commission Members As of March 28, 2019			**Term Expires**
Hon. James A. Stephens	President	Suite 210 Jefferson County Courthouse Birmingham, AL 35203	2022
Hon. Lashunda Scales	President Pro Tem	Suite 240 Jefferson County Courthouse Birmingham, AL 35203	2022
Hon. Sheila Tyson	Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35203	2022
Hon. T. Joe Knight	Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35203	2022
Hon. Steve Ammons	Member	Suite 230 Jefferson County Courthouse Birmingham, AL 35203	2022

Administrative Personnel As of March 28, 2019		
Tony Petelos	Chief Executive Officer	Suite 251 Jefferson County Courthouse Birmingham, AL 35203
John Henry	Chief Financial Officer	Suite 810 Jefferson County Courthouse Birmingham, AL 35203
Theodore Lawson	County Attorney	Suite 280 Jefferson County Courthouse Birmingham, AL 35203