JEFFERSON COUNTY COMMISSION

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Warren Averett
CPAs AND ADVISORS

JEFFERSON COUNTY COMMISSION
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JEFFERSON COUNTY COMMISSION **TONY PETELOS – CHIEF EXECUTIVE OFFICER**

JAMES A. (JIMMIE) STEPHENS – PRESIDENT
GEORGE F. BOWMAN
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March 24, 2015

We are pleased to submit the Jefferson County Commission's (the "Commission") Financial Statements for the fiscal year ended September 30, 2014 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.

Adherence to GAAP

GAAP requires that the Commission provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). Due to the Commission's past economic issues and the resulting litigation described in *Financial Difficulties* below, the Commission elected to forego providing MD&A in conjunction with Financial Statements provided in prior years. The Commission has elected to forego providing MD&A for its fiscal year 2014 Financial Statements, but plans to meet GAAP requirements for MD&A with its Financial Statements for the fiscal year ending September 30, 2015.

Financial Difficulties

Since early 2008, the Commission has worked tirelessly to overcome unprecedented financial obstacles and damage caused by conduct and circumstances beyond the Commission's control. The confluence of two major factors led to the Commission's difficulties. First, the Commission was overwhelmed by debt service obligations related to its sanitary sewer system (the "Sewer System"), which led to credit rating downgrades and accelerated repayment schedules in relation to the Sewer System's debt of over $3.1 billion in outstanding principal. The aforementioned issues with the Sewer System obligations also spilled over to millions of dollars of the Commission's non-Sewer System long-term obligations and touched all aspects of the Commission's finances. The 2008 credit rating downgrades of the companies that insured the Sewer System debt led to hundreds of millions of dollars of additional Sewer System liabilities and spawned voluminous litigation. For years, the Commission attempted unsuccessfully through arm's length negotiations to reach binding, comprehensive agreements with insurers, banks, hedge funds and other holders of the Sewer System indebtedness. Despite the Commission's best and determined efforts, a comprehensive restructuring could not be reached with the Commission's creditors due to their diverse interests and increasingly intolerable demands for unreasonable Sewer System rate increases and the imposition of untenable repayment terms for the Commission's outstanding long-term obligations.

Second, while the Sewer System difficulties were unfolding, a combination of litigation and lack of legislative action left the Commission without the ability to collect an occupational tax, one of the Commission's principal sources of revenue. The loss of the occupational tax left the Commission without over $75.0 million of annual revenues used to fund the Commission's general operations and payment of long-term general obligations. The Commission was forced to undergo painful service reductions, all the while incurring massive legal fees and diverting the resources and attention of officials away from governing Jefferson County. Eventually, it was clear that judicial relief was necessary to enable the Commission to structure a long term plan to reestablish the Commission's financial health and viability.

Chapter 9 Bankruptcy

On November 9, 2011, the Commission filed a petition for relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Proceeding") in the United States Bankruptcy Court for the Northern District of Alabama (the "Bankruptcy Court"). The Bankruptcy Proceeding was styled *In re: Jefferson County, Alabama, Case No. 11-05736*-9. On November 6, 2013, the Commission filed a Chapter 9 Plan of Adjustment with the Bankruptcy Court which further modified the Commission's Chapter 9 Plan of Adjustment originally filed with the Bankruptcy Court on June 30, 2013 (as subsequently further supplemented, amended, or modified, the "Plan"). The Bankruptcy Court held a hearing on confirmation of the Plan on November 20-21, 2013, and entered an order confirming the Plan on November 22, 2013 (the "Confirmation Order"). Upon entry by the Bankruptcy Court, the Confirmation Order became immediately effective and enforceable. On December 3, 2013, the Commission proceeded with consummation of substantially all the transactions contemplated by the Plan, and all other conditions to the effectiveness of the Plan were either satisfied or waived. Pursuant to the Commission's Plan, many litigation matters to which the Commission had been a party were compromised, settled and dismissed with prejudice, and the underlying claims against the Commission discharged, as of the December 3, 2013 "Effective Date" of the Plan. An appeal of the order confirming the Plan has been filed with the U.S. District Court for the Northern District of Alabama (the "District Court") and remains pending. The Commission has moved to dismiss that appeal on the grounds that, among other things, the appeal is moot. The Commission subsequently asked the District Court to certify its ruling for interlocutory appeal to the United States Court of Appeals for the Eleventh Circuit (the "11th Circuit"). On December 2, 2014 the District Court certified its order for appeal on the issues of mootness. On December 10, 2014, the Commission filed a petition for interlocutory appeal with the 11th Circuit, which has not ruled on the petition.

See Note A (Bankruptcy and Restructuring) 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

- On September 30, 2013 the Commission's Warrants Payable associated with the Sewer System totaled approximately $3.1 billion. As a result of the restructuring brought about through the Commission's Chapter 9 bankruptcy, Sewer System Warrants Payable at September 30, 2014 was approximately $1.8 billion for a decrease of approximately $1.3 billion in Warrants Payable and a corresponding decrease of Sewer System Total Liabilities of approximately $1.4 billion during the same timeframe.

- The Sanitary Operations Fund reported a Net Position at September 30, 2014 of $952.9 million, an increase of $1.3 billion over the prior year Net Position at September 30, 2013 of ($334.0) million.

- The Unassigned General Fund Balance at September 30, 2014 was $102.1 million, a $34.9 million increase over the Unassigned General Fund Balance at the end of fiscal year 2013. The Unassigned General Fund Balance was approximately 70 percent of General Fund Operating Expenses for fiscal year 2014.

- The Commission experienced a net increase in General Fund Balance of $8.4 million in fiscal year 2014.

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INDEPENDENT AUDITORS' REPORT

March 24, 2015

To the Commissioners
Jefferson County Commission
Birmingham, Alabama

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, 2014, and the related notes to the 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 the 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 represent 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.

To the Commissioners
Jefferson County Commission
March 24, 2015

Basis for Qualified Opinions on Governmental Activities, Business Type Activities and Sanitary Operations Fund

As discussed in Note E, we were unable to obtain a valuation of certain capital assets donated to the Commission related to infrastructure of new subdivisions, and we were unable to satisfy ourselves about the values of such donated assets through alternative procedures.

Qualified Opinions

In our opinion, based on our audit and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain the valuation of certain donated capital assets, as discussed in the "Basis for Qualified Opinions on Governmental Activities, Business Type Activities and Sanitary Operations Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the sanitary operations fund of the Jefferson County Commission as of September 30, 2014, the changes in financial position and, where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 each major fund other than the sanitary operations fund and the aggregate remaining fund information of the Jefferson County Commission as of September 30, 2014, and the changes in financial position and, where applicable, the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, the United States Bankruptcy Court for the Northern District of Alabama confirmed the Commission's Chapter 9 Plan of Adjustment for Jefferson County, Alabama (dated June 30, 2013) (as subsequently further supplemented, amended or modified, the "Plan") on November 22, 2013. Confirmation of the Plan resulted in the discharge of many litigation matters to which the Commission had been a party, and substantially altered various debt agreements of the Commission. The Plan was consummated on December 3, 2013, and the Commission emerged from bankruptcy. In connection with its emergence from bankruptcy, the Commission recorded significant transactions in its books and records, including Extraordinary Item: Gain on Bankruptcy. Our opinion is not modified with respect to this matter.

To the Commissioners
Jefferson County Commission
March 24, 2015

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 89 through 92 and the schedule of funding progress - defined benefit pension plan and other postemployment benefits plan (unaudited) on page 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining and individual nonmajor fund financial statements, included in the supplementary information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain the valuation of certain donated capital assets, as discussed previously, based on our audit, the procedures performed as described above and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Warren Averett, LLC

Birmingham, Alabama

JEFFERSON COUNTY COMMISSION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(IN THOUSANDS)

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and investments	$ 191,989	$ 12,067	$ 204,056
Accounts receivable, net	2,025	21,024	23,049
Loans receivable, net	3,358	-	3,358
Taxes receivable, net	155,987	5,800	161,787
Patient accounts receivable, net	564	-	564
Due from other governments	2,546	746	3,292
Inventories	343	-	343
Prepaid expenses and other current assets	1,556	-	1,556
Bond insurance costs	271	907	1,178
Restricted assets - current	153,605	274,135	427,740
Total Current Assets	512,244	314,679	826,923
Noncurrent Assets			
Advances due from (to) other funds	27,207	(27,207)	-
Bond insurance costs	3,039	35,360	38,399
Loans receivable, net	18,721	-	18,721
Restricted assets	8,480	247	8,727
Capital assets:			
Depreciable assets, net	285,078	2,429,418	2,714,496
Nondepreciable assets	40,024	62,627	102,651
	382,549	2,500,445	2,882,994
	$ 894,793	$ 2,815,124	$ 3,709,917

See notes to the financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities			
Accounts payable	$ 23,610	$ 7,731	$ 31,341
Deposits payable	1,611	-	1,611
Unearned revenue	11,746	116	11,862
Accrued wages and benefits	3,314	671	3,985
Accrued interest	12,495	36,104	48,599
Retainage payable	473	1,067	1,540
Capital lease obligations	254	-	254
Estimated liability for compensated absences	6,694	1,080	7,774
Estimated claims liability	1,768	514	2,282
Estimated third-party payor settlements	361	-	361
Warrants payable	68,180	-	68,180
Add: Unamortized premiums (discounts)	2,457	(896)	1,561
	70,637	(896)	69,741
Total Current Liabilities	132,963	46,387	179,350
Noncurrent Liabilities			
Capital lease obligations	153	-	153
Estimated liability for landfill closure and postclosure care costs	-	11,611	11,611
Estimated liability for other postemployment benefits	9,280	2,449	11,729
Estimated liability for compensated absences	9,031	2,144	11,175
Estimated litigation liability	13,407	-	13,407
Estimated claims liability	1,988	1,247	3,235
Warrants payable	849,210	1,821,210	2,670,420
Add: Unamortized premiums (discounts)	22,603	(34,924)	(12,321)
	871,813	1,786,286	2,658,099
Total Liabilities	1,038,635	1,850,124	2,888,759
Deferred Inflows of Resources			
Property taxes	111,300	5,800	117,100
Net Position			
Net investment in capital assets	261,597	1,017,057	1,278,654
Restricted for:			
Debt service or capital improvements	-	274,135	274,135
Debt service	145,312	-	145,312
Closure and postclosure care	-	247	247
Other purposes	84,490	-	84,490
Unrestricted	(746,541)	(332,239)	(1,078,780)
	$ (255,142)	$ 959,200	$ 704,058

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)

			Program Revenues		Net (Expenses) Revenues and Changes in Net Position Primary Government		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating and Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	$ 103,827	$ (6,696)	$ 28,293	$ 19,942	$ (48,896)	$ -	$ (48,896)
Public safety	65,700	-	974	13	(64,713)	-	(64,713)
Highways and roads	20,030	-	2,525	1,241	(16,264)	-	(16,264)
Health and welfare	49,334	2,425	-	4,460	(47,299)	-	(47,299)
Education - other	21,312	-	-	-	(21,312)	-	(21,312)
Interest and fiscal charges	42,062	-	-	-	(42,062)	-	(42,062)
Total Governmental Activities	302,265	(4,271)	31,792	25,656	(240,546)	-	(240,546)
Business-Type Activities:							
Economic and Industrial Development Authority	871	-	-	-	-	(871)	(871)
Landfill operations	3,043	20	-	-	-	(3,063)	(3,063)
Sanitary operations	295,916	4,251	174,232	-	-	(125,935)	(125,935)
Total Business-Type Activities	299,830	4,271	174,232	-	-	(129,869)	(129,869)
Total Primary Government	$ 602,095	$ -	$ 206,024	$ 25,656	(240,546)	(129,869)	(370,415)
General Revenues and Transfers							
Taxes:							
Property taxes					103,833	5,996	109,829
Sales tax					180,291	-	180,291
Other taxes					10,977	-	10,977
Licenses and permits					12,207	-	12,207
Unrestricted investment earnings					402	427	829
Miscellaneous					6,705	1,820	8,525
Transfers					15,335	(15,335)	-
Total General Revenues and Transfers					329,750	(7,092)	322,658
Extraordinary Item: Gain on Bankruptcy					22,188	1,405,919	1,428,107
Change in Net Position					111,392	1,268,958	1,380,350
Net Position - beginning of year, as previously reported					(359,830)	(284,263)	(644,093)
Prior Period Adjustments					(6,704)	(25,495)	(32,199)
Net Position - beginning of year, as adjusted					(366,534)	(309,758)	(676,292)
Net Position - end of year					$ (255,142)	$ 959,200	$ 704,058

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
BALANCE SHEET -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
(IN THOUSANDS)

ASSETS	General Fund	Limited Obligation School Fund	Indigent Care Fund	Bridge and Public Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	$ 96,536	$ -	$ 19,048	$ 1,878	$ 74,527	$ 191,989
Accounts receivable, net	1,967	-	-	-	58	2,025
Taxes receivable, net	71,269	18,673	8,971	40,131	-	139,044
Taxes receivable, net, highways and roads	-	-	-	-	16,943	16,943
Due from (to) other governments	9,346	-	-	-	(6,800)	2,546
Loans receivable, net	1,988	-	-	-	1,370	3,358
Patient accounts receivable, net	-	-	564	-	-	564
Inventories	-	-	343	-	-	343
Prepaid expenses and other current assets	1,493	-	63	-	-	1,556
Restricted assets	6,778	138,518	1,702	-	15,087	162,085
Advances due from (to) other funds	24,146	(50)	(7,466)	-	10,577	27,207
	$ 213,523	$ 157,141	$ 23,225	$ 42,009	$ 111,762	$ 547,660
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 12,093	$ 8	$ 7,971	$ -	$ 3,538	$ 23,610
Deposits payable	2	-	-	-	1,609	1,611
Unearned revenue	8,225	-	-	1,878	1,643	11,746
Accrued wages and benefits	2,750	-	307	-	257	3,314
Accrued interest	-	508	-	-	6,107	6,615
Retainage payable	87	-	-	-	386	473
Estimated third-party payor settlements	-	-	361	-	-	361
Estimated liability for compensated absences	5,936	-	707	-	51	6,694
Estimated claims liability	1,441	-	214	-	113	1,768
Total Liabilities	30,534	516	9,560	1,878	13,704	56,192
Deferred Inflows of Resources						
Property taxes	54,994	-	-	40,131	16,175	111,300
Fund Balances						
Nonspendable	19,034	-	-	-	11,654	30,688
Restricted	6,778	156,625	13,665	-	17,271	194,339
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	59,483	59,483
Unassigned	102,183	-	-	-	(6,525)	95,658
	127,995	156,625	13,665	-	81,883	380,168
	$ 213,523	$ 157,141	$ 23,225	$ 42,009	$ 111,762	$ 547,660

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(IN THOUSANDS)

Total Fund Balances - Governmental Funds		$	380,168
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.			325,102
Loans receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			18,721
Amounts related to premiums on long-term liabilities are not reported in the funds.			(25,060)
Amounts related to bond insurance costs on long-term liabilities are not reported in the funds.			3,310
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	(917,390)		
Capital lease obligations	(407)		
Accrued interest	(5,880)		
Estimated liability for other postemployment benefits	(9,280)		
Estimated liability for compensated absences	(9,031)		
Estimated litigation liability	(13,407)		
Estimated claims liability	(1,988)		
Total long-term liabilities			(957,383)
Total Net Position - Governmental Activities		$	(255,142)

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)

	General Fund	Limited Obligation School Fund	Indigent Care Fund	Bridge and Public Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 91,327	$ 97,242	$ 47,812	$ 41,830	$ 16,174	$ 294,385
Licenses and permits	10,213	-	-	-	1,994	12,207
Intergovernmental	17,582	-	-	768	7,306	25,656
Charges for services, net	29,254	-	179	-	2,359	31,792
Miscellaneous	6,462	-	1,339	-	308	8,109
Interest and investment income	156	80	8	75	83	402
	154,994	97,322	49,338	42,673	28,224	372,551
Expenditures						
Current:						
General government	87,018	178	-	-	6,018	93,214
Public safety	65,239	-	-	-	-	65,239
Highway and roads	-	-	-	4,000	10,869	14,869
Health and welfare	-	-	43,300	-	5,085	48,385
Education - other	-	21,312	-	-	-	21,312
Capital outlay	40	-	-	-	13,789	13,829
Indirect expenses	(6,696)	-	2,425	-	-	(4,271)
Debt service:						
Principal retirement	228	60,000	25	-	23,255	83,508
Interest and fiscal charges	27	31,759	-	-	12,808	44,594
	145,856	113,249	45,750	4,000	71,824	380,679
Excess (Deficiency) of Revenues over Expenditures	9,138	(15,927)	3,588	38,673	(43,600)	(8,128)
Other Financing Sources (Uses)						
Sale of capital assets	120	-	-	-	-	120
Transfers in	481	-	1,080	-	36,004	37,565
Transfers out	(1,279)	-	-	(38,673)	-	(39,952)
	(678)	-	1,080	(38,673)	36,004	(2,267)
Extraordinary Item						
Gain on bankruptcy	-	-	-	-	22,188	22,188
Net Changes in Fund Balances	8,460	(15,927)	4,668	-	14,592	11,793
Fund Balances - beginning of year	119,535	172,552	8,997	-	67,291	368,375
Fund Balances - end of year	$ 127,995	$ 156,625	$ 13,665	$ -	$ 81,883	$ 380,168

See notes to the 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, 2014
(IN THOUSANDS)

Net Changes in Fund Balances - Governmental Funds		$ 11,793
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 depreciation ($16,915) exceeded capital outlays ($13,829) in the current period.		(3,086)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Change in noncurrent portion of loans receivable		(1,529)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of principal exceeded amortization of debt-related items:		
Amortization of bond premiums	2,457	
Amortization of bond insurance costs	(268)	
Repayments of principal - capital lease obligations	253	
Repayments of principal - warrants payable	83,255	85,697
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 noncurrent portion of accrued interest	390	
Change in noncurrent portion of other postemployment benefits	47	
Change in noncurrent portion of compensated absences	221	
Change in noncurrent portion of estimated litigation liability	(4)	
Change in noncurrent portion of claims liability	141	795
The Cooper Green Hospital Fund account balances were transferred to the Indigent Care Fund, effective October 1, 2013. This is the amount that full accrual amounts transferred exceeded modified accrual amounts transferred.		17,722
Change in Net Position - Governmental Activities		$ 111,392

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2014
(IN THOUSANDS)

ASSETS	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Current Assets			
Cash and investments	$ 9,754	$ 2,313	$ 12,067
Accounts receivable, net	20,645	379	21,024
Taxes receivable, net	5,800	-	5,800
Due from (to) other governments	2,046	(1,300)	746
Bond insurance costs	907	-	907
Restricted assets - current	274,135	-	274,135
Total Current Assets	313,287	1,392	314,679
Noncurrent Assets			
Bond insurance costs	35,360	-	35,360
Restricted assets	-	247	247
Advances due to other funds	-	(27,207)	(27,207)
Capital assets:			
Depreciable assets, net	2,406,350	23,068	2,429,418
Nondepreciable assets	42,163	20,464	62,627
	2,483,873	16,572	2,500,445
	$ 2,797,160	$ 17,964	$ 2,815,124

See notes to the financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Current Liabilities			
Accounts payable	$ 7,723	$ 8	$ 7,731
Unearned revenue	116	-	116
Accrued wages and benefits	540	131	671
Accrued interest	36,104	-	36,104
Retainage payable	1,067	-	1,067
Estimated liability for compensated absences	1,080	-	1,080
Estimated claims liability	514	-	514
Warrants payable	-	-	-
Add: Unamortized premiums (discounts)	(896)	-	(896)
	(896)	-	(896)
Total Current Liabilities	46,248	139	46,387
Noncurrent Liabilities			
Estimated liability for landfill closure and postclosure care costs	-	11,611	11,611
Estimated liability for other postemployment benefits	2,449	-	2,449
Estimated liability for compensated absences	2,144	-	2,144
Estimated claims liability	1,247	-	1,247
Warrants payable	1,821,210	-	1,821,210
Add: Unamortized premiums (discounts)	(34,924)	-	(34,924)
	1,786,286	-	1,786,286
Total Liabilities	1,838,374	11,750	1,850,124
Deferred Inflows of Resources			
Property taxes	5,800	-	5,800
Net Position			
Net investment in capital assets	973,525	43,532	1,017,057
Restricted for:			
Debt service or capital improvements	274,135	-	274,135
Closure and postclosure care	-	247	247
Unrestricted	(294,674)	(37,565)	(332,239)
	$ 952,986	$ 6,214	$ 959,200

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)

	Cooper Green Hospital Fund	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Operating Revenues				
Taxes	$ -	$ 5,996	$ -	$ 5,996
Intergovernmental	-	105	-	105
Charges for services, net	-	174,127	-	174,127
Other operating revenue	-	584	1,237	1,821
	-	180,812	1,237	182,049
Operating Expenses				
Salaries	-	18,190	241	18,431
Employee benefits and payroll taxes	-	5,429	38	5,467
Materials and supplies	-	5,015	-	5,015
Utilities	-	8,380	45	8,425
Outside services	-	11,642	114	11,756
Office expenses	-	-	113	113
Depreciation	-	133,092	2,089	135,181
Closure and postclosure care	-	-	662	662
Indirect expenses	-	4,251	20	4,271
Miscellaneous	-	122	9	131
	-	186,121	3,331	189,452
Operating Loss	-	(5,309)	(2,094)	(7,403)
Nonoperating Revenues (Expenses)				
Interest expense, net	-	(70,965)	(604)	(71,569)
Interest expense (accretion)	-	(35,724)	-	(35,724)
Interest revenue	-	423	4	427
Warrant related costs	-	(7,357)	-	(7,357)
	-	(113,623)	(600)	(114,223)
Operating Transfers				
Transfers in	-	-	3,467	3,467
Transfers out	(18,802)	-	-	(18,802)
	(18,802)	-	3,467	(15,335)
Extraordinary Item				
Gain on bankruptcy	-	1,405,919	-	1,405,919
Change in Net Position	(18,802)	1,286,987	773	1,268,958
Net Position - beginning of year, as previously reported	18,802	(308,506)	5,441	(284,263)
Prior Period Adjustment	-	(25,495)	-	(25,495)
Net Position - beginning of year, as adjusted	18,802	(334,001)	5,441	(309,758)
Net Position - end of year	$ -	$ 952,986	$ 6,214	$ 959,200

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)

	Cooper Green Hospital Fund	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Cash Flows from Operating Activities				
Cash received from services	$ -	$ 171,092	$ 59	$ 171,151
Cash payments to employees	-	(22,176)	(148)	(22,324)
Cash payments for goods and services	-	(25,743)	(278)	(26,021)
Other receipts and payments, net	-	6,626	(4,787)	1,839
Net Cash Provided (Used) by Operating Activities	-	129,799	(5,154)	124,645
Cash Flows from Noncapital Financing Activities				
Operating transfers in (out)	(16,396)	-	3,467	(12,929)
Net Cash Provided (Used) by Noncapital Financing Activities	(16,396)	-	3,467	(12,929)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(12,573)	(13)	(12,586)
Interest paid	-	(124,684)	(602)	(125,286)
Net Cash Used in Capital and Related Financing Activities	-	(137,257)	(615)	(137,872)
Cash Flows from Investing Activities				
Interest received	-	423	4	427
Net Cash Provided by Investing Activities	-	423	4	427
Change in Cash and Investments	(16,396)	(7,035)	(2,298)	(25,729)
Cash and Investments - beginning of year	16,396	290,924	4,858	312,178
Cash and Investments - end of year	$ -	$ 283,889	$ 2,560	$ 286,449
Displayed As				
Cash and investments	$ -	$ 9,754	$ 2,313	$ 12,067
Restricted assets - current cash and investments	-	274,135	-	274,135
Restricted assets - noncurrent cash and investments	-	-	247	247
	$ -	$ 283,889	$ 2,560	$ 286,449

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)
(Continued)

	Cooper Green Hospital Fund	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities				
Operating loss	$ -	$ (5,309)	$ (2,094)	$ (7,403)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	-	133,092	2,089	135,181
Provision for bad debts	-	1,287	-	1,287
Change in accounts receivable	-	(3,688)	(33)	(3,721)
Change in taxes receivable, net	-	(822)	-	(822)
Change in due from (to) other governments	-	(634)	-	(634)
Change in inventories	-	-	21	21
Change in advances due to other funds	-	-	(5,891)	(5,891)
Change in accounts payable	-	3,667	(3)	3,664
Change in accrued wages and benefits	-	88	131	219
Change in retainage payable	-	109	-	109
Change in unearned revenue	-	654	-	654
Change in estimated claims liability	-	420	-	420
Change in estimated liability for compensated absences	-	352	-	352
Change in estimated liability for landfill closure and postclosure care costs	-	-	626	626
Change in estimated liability for other postemployment benefits	-	583	-	583
	-	135,108	(3,060)	132,048
Net Cash Provided (Used) by Operating Activities	$ -	$ 129,799	$ (5,154)	$ 124,645

See notes to the financial statements.

JEFFERSON COUNTY COMMISSION
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS
SEPTEMBER 30, 2014
(IN THOUSANDS)

ASSETS		
Current Assets		
Cash and investments	$	1,249
Accounts receivable, net		126
Other receivables		20
Loans receivable, net		73
Property and equipment, net		166
	$	1,634
LIABILITIES AND FUND BALANCE		
Accounts payable	$	436
Accrued employee expenses		1,219
Due to other governments		869
		2,524
Fund balance (deficit)		(890)
	$	1,634

See notes to the financial statements.

NOTE A - BANKRUPTCY AND RESTRUCTURING (amounts in thousands)

The Jefferson County Commission (The Commission), upon due authorization from the Commission, filed for relief under Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the Bankruptcy Code), on November 9, 2011 (the Filing Date), in the United States Bankruptcy Court for the Northern District of Alabama (the Bankruptcy Court), thereby commencing the case styled *In re Jefferson County, Alabama,* Case No. 11-05736 (the Bankruptcy Case).

On June 30, 2013, the Commission filed with the Bankruptcy Court its *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated June 30, 2013)* and its accompanying *Disclosure Statement Regarding Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated June 30, 2013).* On July 29, 2013, the Commission filed amended versions of those two documents, which were titled, respectively, the *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated July 29, 2013)* and the *Disclosure Statement Regarding Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated July 29, 2013).* By order dated August 7, 2013, the Bankruptcy Court approved the Commission's July 29, 2013 version of the disclosure statement (as approved, the Disclosure Statement) and scheduled the confirmation hearing on the Commission's Chapter 9 Plan of Adjustment.

On November 6, 2013, the Commission filed with the Bankruptcy Court a further modified Chapter 9 plan, which was titled the *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated November 6, 2013).* On November 22, 2013, after conclusion of the confirmation hearing, the Bankruptcy Court entered its order (the Confirmation Order) confirming the Commission's November 6, 2013 Plan of Adjustment (as confirmed, the Plan of Adjustment).

The named plaintiffs in the *Bennett et al. v. Jefferson County, Alabama* litigation (described in Note S - Contingent Liabilities and Litigation) objected to confirmation of the Plan of Adjustment and have appealed the Confirmation Order to the U.S. District Court for the Northern District of Alabama. The *Bennett* plaintiffs, however, did not seek or obtain a stay of the Confirmation Order pending their appeal. On December 3, 2013, the Commission substantially consummated all the transactions contemplated by the Plan of Adjustment, and all other conditions to the effectiveness of the Plan of Adjustment were either satisfied or waived. Accordingly, December 3, 2013 is the Plan of Adjustment's "Effective Date", as that term is defined in the Plan of Adjustment. 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 United States Court of Appeals for the Eleventh Circuit (the 11th Circuit). On December 2, 2014, the District Court certified its order for appeal on the issue of mootness. On December 10, 2014, the Commission filed a petition for interlocutory appeal with the 11th Circuit, which has not ruled yet on the petition. The appeal is not yet concluded. See Note S - Contingent Liabilities and Litigation.

The Plan of Adjustment, as confirmed by the Confirmation Order, sets forth the manner in which the Commission proposed to adjust and treat all claims (herein Claims) in the Bankruptcy Case. The Plan of Adjustment, the Confirmation Order and the Disclosure Statement are all public documents and available for review. For a complete understanding of the Plan of Adjustment, as confirmed, and its terms, the Plan of Adjustment (including all exhibits and appendices attached thereto), the Confirmation Order and the Disclosure Statement should be reviewed. Following is a brief summary of some of the material terms of the Plan of Adjustment.

NOTE A - BANKRUPTCY AND RESTRUCTURING - Continued

Settlement of Sewer Warrant Claims and Related Obligations

The Plan of Adjustment was structured around a series of significant interrelated, multiparty compromises and settlements, including releases and injunctions, among the Commission and various creditors, most notably certain holders of the Commission's outstanding sewer warrants (the Sewer Warrants), insurers of the Sewer Warrants and liquidity providers for the Sewer Warrants.

Through the Plan of Adjustment's compromises and settlements, the Commission realized more than $1,200,000 of concessions from the holders of the Sewer Warrants, the insurers of the Sewer Warrants and the liquidity providers for the Sewer Warrants, plus the elimination of approximately $90,000 in swap termination fees and accrued interest relating to the Sewer Warrants.

To refund and retire fully the Sewer Warrants on these compromised terms, the Plan of Adjustment provided for the issuance by the Commission of new sewer warrants in an amount sufficient to make approximately $1,800,000 of distributions to the holders of Sewer Warrants and related claims. On December 3, 2013, the Effective Date of the Plan of Adjustment, the Commission issued and sold its new Sewer Revenue Warrants, Series 2013-A through Series 2013-F, in the aggregate principal amount of $1,785,486 (the "2013 Sewer Warrants"), the net proceeds of which were used to retire the existing Sewer Warrants and other debts relating to the Sewer Warrants in accordance with the terms of the confirmed Plan of Adjustment. The 2013 Sewer Warrants and related terms are discussed in Note J - Warrants Payable.

Settlement of Other Significant Commission Liabilities

The Plan of Adjustment also implemented a series of settlements concerning the Commission's other significant liabilities, including the following:

Certain Series 2001-B General Obligation Debt Claims. The Commission's General Obligation Series 2001-B Warrants (GO Series 2001-B Warrants) were issued as variable rate demand warrants, were tendered for purchase and were subsequently purchased by the liquidity providers for such warrants.

The Plan of Adjustment reflected the terms of a plan support agreement negotiated among the Commission, the liquidity providers and the trustee for these warrants setting forth the terms and provisions pursuant to which these GO Series 2001-B Warrants would be exchanged for new warrants and the agreement of one such liquidity provider that also was the counterparty to an interest rate swap agreement executed in connection with the GO Series 2001-B Warrants to accept the sum of ten dollars ($10.00) in full, final and complete settlement, satisfaction, release and exchange of its claim for a $7,894 termination payment relating to such interest rate swap agreement.

On the December 3, 2013 Effective Date, the Commission issued its new General Obligation Series 2013 Warrants (GO Series 2013 Warrants) for $105,000, which, in accordance with the confirmed Plan of Adjustment, were exchanged for the GO Series 2001-B Warrants. The GO Series 2013 Warrants are discussed further in Note J - Warrants Payable. In addition, the Commission paid ten dollars ($10.00) to the counterparty to an interest rate swap agreement relating to the GO Series 2001-B Warrants in full satisfaction of the counterparty's $9,606 swap termination payment and accrued interest (see Note K - Derivatives/Interest Rate Swap Agreements).

NOTE A - BANKRUPTCY AND RESTRUCTURING - Continued

Certain General Obligation Series 2003-A and Series 2004-A Warrant Claims. The GO Series 2003-A and 2004-A Warrants were insured by National Public Finance Guarantee Corporation (National). As of the Petition Date, the Commission had paid all scheduled principal and interest payments on these Warrants when due. Following the filing of the Bankruptcy Case, the Commission ceased making payments, and all principal and interest payments scheduled to come due during the duration of the Bankruptcy Case were paid by National pursuant to the municipal bond insurance policies.

The Plan of Adjustment reflected the terms of a plan support agreement negotiated between National and the Commission, which involved the settlement and compromise of numerous potential claim allowance and priority disputes between National and the Commission. Specifically, the Plan of Adjustment provided that National would receive a full recovery on the principal that National paid to holders of these warrants during the Bankruptcy Case, which recovery is split between two payments in 2014 and 2015.

The Plan of Adjustment also provided that the Commission would repay approximately $503 of pre-Filing Date interest in 2014 and $8,500 of post-Filing Date interest that National paid to holders of these warrants during the Bankruptcy Case in three payments in 2025, 2026 and 2027. The post-Filing Date obligations are noninterest bearing and subject to the Commission’s right to prepay such amounts in whole or in part using a 4.90-percent discount rate. Finally, the Plan of Adjustment provided for a compromise and settlement of National’s Claim for its fees and expenses through a single payment of $1,500 to National on the effective date of the Plan of Adjustment.

On the Effective Date of December 3, 2013, the Commission, in accordance with the terms of the confirmed Plan of Adjustment, paid all amounts due to be paid in accordance with its agreements with National, and executed and delivered to National other documents evidencing the Commission’s obligations under the Plan of Adjustment to make future payments for certain principal and interest paid by National to holders of the GO Series 2003-A and GO Series 2004-A Warrants. Also, see Note J - Warrants Payable for the prepayment made to National for interest discussed above, subsequent to the Effective Date but during fiscal 2014.

Certain School Debt Claims. The Commission’s Limited Obligation (LO) Series 2005-B Warrants were issued as variable rate demand warrants, and liquidity support was provided by Depfa Bank PLC (Depfa). In 2008, the principal amount of the Series 2005-B School Warrants then outstanding was tendered by investors and purchased by Depfa, and such Series 2005-B School Warrants were held as "bank warrants" for the benefit of Depfa pursuant to the standby purchase agreement between the Commission and Depfa.

The Plan of Adjustment reflected the terms of a plan support agreement negotiated between Depfa and the Commission whereby, among other things, the parties agreed on the amount of interest payable on the Series 2005-B School Warrants held by Depfa, and the Commission agreed to use certain future tax proceeds to redeem Series 2005-B School warrants held by Depfa.

On the Effective Date of December 3, 2013, the Commission, in accordance with the terms of the confirmed Plan of Adjustment, performed all its obligations then due in accordance with its agreements with Depfa.

NOTE A - BANKRUPTCY AND RESTRUCTURING - Continued

Bessemer Lease Claims. As discussed in Note J - Warrants Payable, the Jefferson County Public Building Authority (the Building Authority) issued the Lease Revenue (LR) Series 2006 Warrants, under which the Building Authority and the Commission entered into a lease (the Bessemer Lease) pursuant to which the Commission agreed to make rental payments on such dates and in such amounts sufficient to provide for the payment of debt service on the LR Series 2006 Warrants.

As of the Petition Date, the Commission's rent obligations under the Bessemer Lease exceeded $8,000 per year on an annualized basis. After evaluating its options, the Commission concluded that, given its cash flow constraints, it could no longer continue to maintain its obligations under the Bessemer Lease as originally structured. The Commission engaged in settlement discussions but was unable to reach a settlement prior to the lease rejection deadline under the Bankruptcy Code. Consequently, prior to such rejection deadline, the Commission moved to reject the Bessemer Lease.

Objections to the motion to reject were filed, but the Commission continued negotiations, which resulted in a stipulation among various interested parties that contemplated, among other things, the execution of a new lease (the New Bessemer Lease), which would extend the term of the Bessemer Lease from 2026 to 2037 and substantially reduce the annual rent payments due from the Commission.

Following a hearing to consider the objection of one creditor, the Bankruptcy Court entered an order on December 20, 2012, approving the New Bessemer Lease, which was executed by the Building Authority and the Commission in January 2013 (also see discussion in Note J - Warrants Payable).

Under the confirmed Plan of Adjustment, in full, final and complete settlement, satisfaction, release and exchange of all Claims relating to the Bessemer Lease, the Commission agreed to recognize and perform all of its obligations under the New Bessemer Lease and ratified its obligations under the New Bessemer Lease.

Other Unsecured Claims. The Plan of Adjustment provided that General Unsecured Claims against the Commission arising prior to the Petition Date would receive a pro rata distribution of a $5,000 General Unsecured Claims Pool established for their benefit by the Commission under the Plan of Adjustment.

The Plan of Adjustment provided for no distributions to be made on account of General Unsecured Claims other than the pro rata distributions from the General Unsecured Claims Pool. Upon the Plan of Adjustment becoming effective, the Commission and its property would be discharged and released of and from the General Unsecured Claims.

On the Effective Date of December 3, 2013, the Commission, in accordance with the terms of the confirmed Plan of Adjustment, funded the General Unsecured Claims Pool by depositing cash in the amount of $5,000 into a segregated, interest-bearing account established under the Plan of Adjustment for the benefit of holders of Allowed General Unsecured Claims in the Bankruptcy Case.

NOTE A - BANKRUPTCY AND RESTRUCTURING - Continued

Among the General Unsecured Claims are the claims of several landlords whose real estate leases with the Commission were rejected by the Commission in the Bankruptcy Case and of certain third parties whose economic development agreements were similarly rejected during the Bankruptcy Case. The total amount of General Unsecured Claims that will be entitled to receive distributions under the Plan of Adjustment is not yet known, but the Commission projects that the amount will exceed the $5,000 on deposit in the General Unsecured Claims Pool.

Other Unimpaired Claims. The Plan of Adjustment also designated certain claims as Other Unimpaired Claims. To the extent that claims are treated as Other Unimpaired Claims under the Plan of Adjustment, the rights of the holders of those claims were not altered by the Plan of Adjustment or the Confirmation Order. Among those claims identified in the Plan of Adjustment as Other Unimpaired Claims were the following claims, all as defined under the Plan of Adjustment: Consent Decree Claims, Deposit Refund Claims, Eminent Domain Claims, Employee Compensation Claims, Employee Indemnification Claims, OPEB Plan Claims, Pass-Through Obligation Claims, Retirement System Claims, Tax Abatement Agreement Claims and Workers Compensation Claims.

Under the Plan of Adjustment, the Commission reserved all of its rights, claims, counterclaims and defenses with respect to any and all such unimpaired claims.

The Discharge and Release of the Commission under the Plan of Adjustment
The Plan of Adjustment provided that rights afforded in the Plan and the treatment of all claims by the Plan of Adjustment would be in exchange for and in complete settlement, satisfaction, discharge and release of, and injunction against, all claims of any nature whatsoever arising prior to the Effective Date against the Commission or its property, including any interest accrued on such claims from and after the Petition Date.

The Plan of Adjustment specifically provided that, except as otherwise provided in the Plan of Adjustment or the Confirmation Order, on the Effective Date, the Commission and its property would be discharged and released to the fullest extent permitted by Bankruptcy Code Section 944(b) from all claims and rights that arose before the Effective Date, including all debts, obligations, demands and liabilities and all debts of the kind specified in Bankruptcy Code Sections 502(g), 502(h) or 502(i).

The Plan of Adjustment also provided for numerous releases among various parties, including the release of the Commission, as well as members of the Commission, employees of Jefferson County and other representatives and affiliates of Jefferson County, of and from various claims and causes of action, with such releases to become effective on the Effective Date of the Plan of Adjustment (also See Note S - Contingent Liabilities and Litigation).

NOTE A - BANKRUPTCY AND RESTRUCTURING - Continued

Summary of Financial Impact of Bankruptcy and Restructuring

The Plan of Adjustment for the Commission relating to the bankruptcy and reorganization was confirmed on November 22, 2013, with an Effective Date of December 3, 2013. Current Governmental Accounting Standards Board (GASB) accounting guidance states that the accounting and financial impact of a bankruptcy are recorded by the entity at the confirmation date of the bankruptcy. As a result, all financial transactions resulting from the Plan of Adjustment were recorded for the Commission as of the December 3, 2013 Effective Date in fiscal 2014.

With the bankruptcy confirmation, the Commission retired certain warrant series and issued new warrants. The entire Sewer Revenue Warrant Series (totaling $3,107,518 as of December 3, 2013) was retired as well as the GO Series 2001-B Warrants (totaling $105,000 as of December 3, 2013). The Series 2013 Sewer Warrants totaling $1,785,486 and Series 2013 GO Warrants of $105,000 were issued as of December 3, 2013.

A summary of the new warrants issued and terms are presented in Note J - Warrants Payable. The Commission realized a net gain on the bankruptcy restructuring of the sewer warrants of approximately $1,406,000, net of various settlement costs. The net gain included the write off of bond issuance costs (approximately $30,693), unamortized premium ($5,867) and deferred loss on prior refundings ($231,208) which were written off with the retirement of the sewer warrants. Certain default and other interest, penalties and fees, interest rate swap termination fees and related accrued interest and other amounts previously accrued totaling approximately $262,766 were waived as part of the Plan of Adjustment effective December 3, 2013. Costs associated with the bankruptcy, such as professional fees (legal, trustee, rating agency, engineering, accounting, etc.) and similar types of costs, were charged to expense as incurred.

The Commission also realized a net gain on the bankruptcy restructuring of the GO 2001-B Warrants of approximately $22,188 net of various settlement costs, which included default interest of $11,265, swap termination fees and accrued interest of $9,605 that were waived as part of the restructuring and a $3,668 gain resulting from the prepayment of the National interest (discussed above and further in Note J - Warrants Payable). Costs associated with the bankruptcy, such as professional fees and similar types of costs, were charged to expense as incurred.

The Plan of Adjustment also contemplated a final waiver of all defaults on the retired Sewer Warrants and the retired and outstanding General and Limited Obligation Warrants. As such, the Commission made all such payments contemplated under the Plan of Adjustment for stated and mandatory principal and interest payments due and unpaid as of December 3, 2013, to warrant holders, bond insurers, liquidity providers (banks) and others. The original warrant terms were basically reinstated for the outstanding existing General Obligation and Limited Obligation Warrants held by the Commission.

The existing Sewer Revenue Warrants and GO Series 2001-B Warrants that were retired and the new Series 2013 GO Warrants and Series 2013 Sewer Warrants that were issued by the Commission in fiscal 2014 are discussed further in Note J - Warrants Payable.

NOTE B - 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, except that management has not capitalized certain donated capital assets or included related current disclosures due to the lack of available information. The 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.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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 2014, indirect expenses were allocated to the various functions using different bases, as deemed appropriate for the individual expense.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 are recognized in the fiscal year for which the taxes and grants are both due and collectible and available to fund operations.

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

Under the terms of grant agreements, the 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 position 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.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Other nonmajor governmental funds are as follows:

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

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 statement 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Prior to 2014, the Cooper Green Hospital Fund was reported as a separate major enterprise fund. Effective October 1, 2013, the Commission transferred the net position of Cooper Green Hospital Fund into the Indigent Care Fund and its activities from that date forward are included in the Indigent Care Fund.

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 fiduciary funds as its only type of agency fund. Fiduciary 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 organizations or other government.

The following fiduciary 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Adoption of New Accounting Pronouncements (amounts in thousands)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which is effective for the Commission for the fiscal year ended September 30, 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB 65 further clarifies that debt issuance costs, except for those costs related to prepaid insurance, should be expensed in the period incurred. Accordingly, the 2014 statement of net position has been adjusted to eliminate $6,704 and $25,495 of debt issuance costs from the beginning of the year net position balance for the Governmental Activities and Business-Type Activities Funds, respectively.

The adoption of this statement had the following impact on the Commission's financial statements for the year ended September 30, 2014:

	Governmental Activities	Business-Type Activities
Net Position - September 30, 2013 (as previously reported)	$ (359,830)	$ (284,263)
Cumulative effect of implementing GASB 65	(6,704)	(25,495)
Net Position - September 30, 2013 (as adjusted)	$ (366,534)	$ (309,758)

As a result of adopting GASB 65, certain tax revenues reported as unearned revenues at September 30, 2013 are reported as deferred inflows of resources in the statements of net position and balance sheets at September 30, 2014.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In March 2012, the GASB issued Statement No. 66, *Technical Corrections - 2012*, which is effective for the Commission for the fiscal year ended September 30, 2014. This statement was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The adoption of this statement did not have a material impact on the Commission's financial statements for the year ended September 30, 2014.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is effective for the Commission for the fiscal year ended September 30, 2014. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. The adoption of this statement did not have a material impact on the Commission's financial statements for the year ended September 30, 2014.

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

Cash and Investments
Cash includes cash on hand, demand deposits held by 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.

State statutes authorize the Commission to invest in obligations of the U.S. Treasury and securities of federal agencies and certificates of deposit.

Investments are reported at fair value, based on quoted market prices, except for money market investments, which are reported at amortized 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Final determinations of payments under these agreements are subject to review by appropriate authorities. Doubtful accounts are written off against the allowance as deemed uncollectible and recorded as recoveries of bad debts if subsequently collected. Patient accounts receivable, net, at September 30, 2014, is comprised of the following:

	Indigent Care Fund
Patient receivables	$ 5,901,000
Allowance accounts	5,337,000
Net patient receivables	$ 564,000

Allowances for uncollectible accounts on accounts receivable, other than patient receivables, totaled $26,349,000 at September 30, 2014.

In previous fiscal years, the Commission issued long-term loans with original balances of $16,929,000 to the City of Fultondale (maturity on April 1, 2016, with three-percent interest rate, payable annually) and $5,972,000 to local contractors for special needs housing developments within the County (maturities ranging from September 2017 to November 2039 with interest rates ranging from zero to two percent, payable at maturity). These loans totaled $19,396,000 (net of an allowance of $1,110,000) at September 30, 2014.

The Commission issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans totaled $1,520,000 (net of an allowance of $740,000) at September 30, 2014.

The Commission, as lead agency, administers a joint grant agreement with the City of Birmingham for Title IX Revolving Loans Funds to provide funding for qualifying private enterprises. At September 30, 2014, the balance of these loans receivable for the City of Birmingham totaled $73,000, which is presented in the statement of fiduciary net position.

Other miscellaneous loans were issued by the Commission with varying maturities and interest rates. These loans totaled $1,163,000 (net of an allowance of $332,000) at September 30, 2014.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Restricted Assets
Certain resources set aside for the repayment of certain general obligation and sewer revenue warrants are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts, 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.

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 their estimated fair market value on the date received. 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 the 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	$ 100,000	40 years
Equipment and furniture	5,000	5-10 years
Roads	250,000	15 years
Bridges	250,000	40 years
Collection sewer system assets	250,000	25-40 years
Treatment plant sewer system assets	250,000	40 years
Landfills and improvements	100,000	25 years

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. In accordance with authoritative accounting guidance, interest is not capitalized for construction projects of governmental funds. Net interest capitalized during fiscal year 2014 amounted to $861,000.

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, 2014.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 the 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.

Derivative Instruments/Interest Rate Swap Agreements

The Commission entered into several interest rate swap agreements in prior years in relation to the warrant agreements. All such agreements were terminated prior to September 30, 2009. The estimated termination fees plus any related accrued interest (which represented the estimated fair value at the termination date) were accrued. The termination fees and related accrued interest were included in the Bankruptcy Plan of Adjustment and settled or written off in fiscal 2014. See Note A - Bankruptcy and Restructuring and Note K - Derivatives/Interest Rate Swap Agreements.

Compensated Absences

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

Vacation Leave

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 B - 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, 2014, the liability for accrued vacation and compensatory leave included in the government-wide statement of net position is approximately $18,949,000 of which $15,725,000 is reported in the governmental activities and $3,224,000 is reported in the business-type activities. Of this amount, an estimated $7,774,000 is payable within a year.

Legal Fees and Costs Associated with Bankruptcy Proceedings

Legal fees for the Commission and costs associated with bankruptcy proceedings are expensed as incurred and are included in operating expenses in the accompanying financial statements.

Deferred Outflows and Inflows of Resources

GASB provides that certain amounts reported on the statements of net position and balance sheets of a governmental entity be reported separately from assets and liabilities and be reported as deferred outflows of resources and deferred inflows of resources. As of September 30, 2014, the Commission does not have any amounts that meet the definition of deferred outflows.

Deferred inflows of resources consist of 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.

NOTE B - 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 B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reclassification of Funds

Management determined a change in accounting policy for its fiscal year 2014 financial reporting of certain non-major funds. The changes resulted in the reporting of legally restricted revenues for senior citizens services in a special revenue fund for 2014, rather than in the Commission's general fund, as reported in prior years. In addition, in 2014, financial information related to the Personnel Board of Jefferson County Alabama and the Jefferson County Emergency Management Agency, both separate legal entities, are reported as separate agency funds. In 2013, the information for the Emergency Management Agency was reported as a special revenue fund, and information for the Personnel Board was reported in the Commission's general fund. As a result, beginning fund balances for these funds are not reported in the same fund balance totals as they were in 2013.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through March 24, 2015, the date the financial statements were issued. See Note T for subsequent event disclosures.

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The State Legislature enacted the County Financial Control Act of 1935, which is the present statutory basis for Commission budgeting operations. Under the terms of the County Financial Control Act, each county commission, at a meeting in September of each year, but in any event not later than the first meeting in October, must estimate the County's revenues and expenditures and appropriate for the various purposes the respective amounts that are to be used for each purpose. The budgets must be approved by the Commissioners. The appropriations must not exceed the total revenues available for appropriation. Expenditures may not legally exceed appropriations.

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

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

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

Deficit Fund Balance of Individual Funds

At September 30, 2014, the Community Development Fund and the Home Grant Fund had deficit fund balances in the amounts of $667,000 and $89,000, respectively, due to unearned revenue, which are amounts received after year end and not considered available to liquidate liabilities of the current period.

NOTE D - CASH AND INVESTMENTS (amounts in thousands)

Cash and Cash Equivalents

As of September 30, 2014, the components of cash and cash equivalents and restricted assets are as follows:

	Governmental Activities	Business-Type Activities	Total
Petty cash	$ 104	$ 1	$ 105
Equity in pooled investments	174,598	7,669	182,267
Cash and investments	17,287	4,397	21,684
Restricted assets held for:			
Closure and postclosure care	-	247	247
Retainage	473	-	473
Debt service	145,312	36,163	181,475
Capital improvements	6,356	237,972	244,328
Other purposes	9,944	-	9,944
Total restricted assets	162,085	274,382	436,467
Total cash and cash equivalents	$ 354,074	$ 286,449	$ 640,523

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	$ 231,471	$ 286,449	$ 517,920
Common Trust Funds – Fixed Income:			
Money market fund	122,130	-	122,130
Total investments	353,601	286,449	640,050
Restricted assets held for retainage	473	-	473
	$ 354,074	$ 286,449	$ 640,523

Custodial Credit Risk

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.

NOTE D - CASH AND INVESTMENTS – Continued

Statutes authorize the Commission to invest in obligations of the U.S. Treasury and federal agency securities, along with certain prerefunded public obligations, such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state. State law requires that such prerefunded public obligations, in which the Commission invests, be rated in the highest rating category of Standard & Poor's Ratings Services (S&P) and Moody's Investors Service, Inc. (Moody's). There were no investments held as of September 30, 2014.

Fair Value
The Commission maintains a portfolio of cash and cash equivalents as of September 30, 2014. The fair value is generally equivalent to the cost recorded due to the short term liquid nature of the accounts.

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

The Commission has entered into contracts for construction of various facilities within Jefferson County. Cash deposits were provided by some contractors that were used to purchase certificates of deposits and U.S. Government securities to be held by designated financial institutions in the name of the contractors and the Commission in lieu of retainage. These securities, totaling $2,063,000, are included as part of restricted assets in the accompanying statement of net position and are not included in investments discussed below. They are not covered by collateral agreements between financial institutions and the Commission, and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

Maturity
As of September 30, 2014, the Commission's funds were all in cash or cash equivalents, including money market accounts and funds held by financial institutions such as a common trust fund, which are all recorded at cost. All funds were current and available funds.

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 to less than 10 months.

Investment Risk
Investment securities are exposed to market risks. However, as noted above, the Commission had all funds invested in short term cash and cash equivalents as of September 30, 2014.

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 the total investments. There were no investments with a balance greater than five percent of total investments at September 30, 2014. However, the cash and cash equivalent money market accounts held at September 30, 2014 were primarily with two large regional financial institutions and accounted for approximately 60 percent of funds on hand. These funds are municipal deposits and the Commission is eligible for the SAFE Program, as discussed in detail above.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	(In Thousands)				
Governmental Activities	Balance at October 1, 2013	Additions	Disposals	Transfers/ Reclassifications	Balance at September 30, 2014
Nondepreciable capital assets:					
Land	$ 19,916	$ -	$ -	$ 1,078	$ 20,994
Construction in progress	15,664	3,777	-	(411)	19,030
	35,580	3,777	-	667	40,024
Depreciable capital assets:					
Buildings	403,949	-	-	53,918	457,867
Improvements other than land/buildings	165,074	-	-	342	165,416
Maintenance equipment	6,515	308	-	5,366	12,189
Motor vehicle (nonfleet)	14,515	1,921	(405)	(5)	16,026
Motor vehicle (fleet)	37,838	3,000	(1,136)	14	39,716
Equipment under capital lease	13,847	1,995	-	2,478	18,320
Miscellaneous equipment	44,575	3,025	(72)	18,179	65,707
Office furniture and fixtures	1,213	23	-	7,747	8,983
	687,526	10,272	(1,613)	88,039	784,224
Less accumulated depreciation for:					
Buildings	(210,655)	(7,029)	-	(23,786)	(241,470)
Improvements other than land/buildings	(94,280)	(5,877)	-	(3,320)	(103,477)
Maintenance equipment	(7,496)	(48)	-	(4,265)	(11,809)
Motor vehicle (nonfleet)	(13,794)	(207)	405	-	(13,596)
Motor vehicle (fleet)	(36,067)	(662)	1,136	(14)	(35,307)
Equipment under capital lease	(13,846)	(283)	-	(2,203)	(16,332)
Miscellaneous equipment	(37,967)	(2,759)	72	(27,424)	(68,078)
Office furniture and fixtures	(1,021)	(50)	-	(7,706)	(8,777)
	(415,126)	(16,915)	1,613	(68,718)	(499,146)
Total depreciable capital assets, net	272,400	(6,643)	-	19,321	285,078
Total capital assets, net	$ 307,980	$ (2,866)	$ -	$ 19,988	$ 325,102

NOTE E - CAPITAL ASSETS - Continued

	(In Thousands)				
Business-Type Activities	Balance at October 1, 2013	Additions	Disposals/ Impairment	Transfers/ Reclassifications	Balance at September 30, 2014
Nondepreciable capital assets:					
Land	$ 43,933	$ -	$ -	$ (1,092)	$ 42,841
Construction in progress	20,429	10,840	-	(11,483)	19,786
	64,362	10,840	-	(12,575)	62,627
Depreciable capital assets:					
Buildings	1,209,380	12	-	(53,918)	1,155,474
Improvements other than land/buildings	3,251,346	838	-	12,233	3,264,417
Maintenance equipment	6,456	25	-	(5,366)	1,115
Motor vehicle (nonfleet)	4,971	16	(88)	5	4,904
Motor vehicle (fleet)	16,645	119	(1,013)	(14)	15,737
Equipment under capital lease	2,478	-	-	(2,478)	-
Miscellaneous equipment	20,368	707	-	(18,179)	2,896
Office furniture and fixtures	7,912	3	-	(7,747)	168
	4,519,556	1,720	(1,101)	(75,464)	4,444,711
Less accumulated depreciation for:					
Buildings	(387,173)	(24,892)	-	23,786	(388,279)
Improvements other than land/buildings	(1,509,439)	(108,452)	-	3,320	(1,614,571)
Maintenance equipment	(5,445)	(21)	-	4,265	(1,201)
Motor vehicle (nonfleet)	(4,617)	(77)	88	-	(4,606)
Motor vehicle (fleet)	(13,328)	(1,248)	191	14	(14,371)
Equipment under capital lease	(2,469)	-	-	2,203	(266)
Miscellaneous equipment	(18,766)	(489)	-	27,424	8,169
Office furniture and fixtures	(7,872)	(2)	-	7,706	(168)
	(1,949,109)	(135,181)	279	68,718	(2,015,293)
Total depreciable capital assets, net	2,570,447	(133,461)	(822)	(6,746)	2,429,418
Total capital assets, net	$ 2,634,809	$ (122,621)	$ (822)	$ (19,321)	$ 2,492,045

During 2014, the capital assets and accumulated depreciation of the Cooper Green Hospital Fund (business-type activities) were transferred into the Indigent Care Fund (governmental activities). See Note B - Summary of Significant Accounting Policies.

The net book value of landfill operations capital assets leased to a third party at September 30, 2014, is $27,565,822. See Note H for discussion of the operating lease.

A valuation of certain capital assets donated to the Commission in prior years related to infrastructure of new subdivisions was not available as of the date of this report. These capital assets are not included in the accompanying financial statements.

NOTE E - CAPITAL ASSETS - Continued

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

		(In Thousands)
Governmental activities:		
General government	$	10,424
Public safety		341
Highways and roads		5,201
Indigent care		949
Total depreciation expense - governmental activities	$	16,915
Business-type activities:		
Landfill operations	$	1,797
Sanitary operations		133,092
Industrial Development Authority		292
Total depreciation expense - business-type activities	$	135,181

NOTE F - UNEARNED REVENUES / DEFERRED INFLOWS

Governmental funds and proprietary funds report unearned revenues and deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also defer revenue recognition in connection with resources that have been received but not yet earned. At September 30, 2014, the various components of unearned revenue and deferred inflows reported in the governmental funds and proprietary funds were as follows:

	(In Thousands)					
	Unavailable		Unearned		Total	
Ad valorem taxes - property	$	117,100	$	-	$	117,100
Ad valorem taxes - other		-		4,990		4,990
Grant-related reimbursements		4,592		-		4,592
Business privilege tax		2,280		-		2,280
Total unearned revenue	$	123,972	$	4,990	$	128,962

NOTE G - LEASE OBLIGATIONS

Operating Leases

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as part of the Commission's capital assets. During the fiscal year ended September 30, 2014, amounts paid by the Commission totaled approximately $1,130,000 for governmental activities and $38,000 for business-type activities.

Future minimum lease payments due under operating lease agreements at September 30, 2014, are as follows:

	(In Thousands)		
Year Ending September 30,	**Facilities**	**Equipment**	**Total**
2015	$ 72	$ 1,129	$ 1,201
2016	72	-	72
2017	72	-	72
2018	72	-	72
2019	3	-	3
2020-2022	5	-	5
	$ 296	$ 1,129	$ 1,425

Capital Lease Obligations

The Commission has entered into various lease agreements that qualify as capital leases for accounting purposes and have been recorded at the present value of the minimum lease payments as of the inception date of the lease. Under the terms of the leases, the Commission is required to make monthly payments of $23,000. Amortization of the capital leases is included in depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, are as follows:

	(In Thousands)
Year Ending September 30,	**Governmental Activities**
2015	$ 263
2016	162
Total minimum lease payments	425
Less amount representing interest	18
Present value of minimum lease payments	$ 407

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, 2014:

2015	$ 918,000
2016	918,000
2017	918,000
2018	918,000
2019	918,000
Thereafter	41,539,500
	$ 46,129,500

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 2014 of $1,170,000 is presented as other operating revenue in the 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' capacity used during the year.

The recorded liability for landfill closure and postclosure care costs is $11,611,000 as of September 30, 2014. This estimate was based on 100-percent usage (filled) of the Jefferson County Landfill Number 1, 14-percent usage (filled) of the Jefferson County Landfill Number 1 Sub Cell 2-1, 98-percent usage (filled) of the Jefferson County Landfill Number 2 and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills, which were both closed October 1997. The total estimated current costs of closure and postclosure care remaining to be recognized and the estimated remaining useful life of the landfill at September 30, 2014, are $1,637,000 and 3.7 years, respectively.

NOTE I - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Continued

Santek has agreed to fund $1.28 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 $247,000 as of September 30, 2014, 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, 2014, 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, 2014. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

NOTE J - WARRANTS PAYABLE (amounts in thousands)

Warrants payable include obligations for warrants issued in the name of the Jefferson County Commission for the primary purpose of sewer capital projects and related improvements (Business-Type Activities - Sewer Revenue Warrants), for the primary purpose of general capital projects and related improvements (Governmental Activities - General Obligation Warrants), for the primary purpose of school capital projects and related improvements (Governmental Activities - Limited Obligation School Warrants) and for the primary purpose of the Public Building Authority related capital projects and related improvements (Governmental Activities - Lease Revenue Warrants). Warrants payable also include related amounts of premiums and discounts on the warrants, which are deferred and amortized over the life of the warrants. Losses on advance refundings of warrants are generally deferred and amortized over the life of the new warrants and reported as deferred outflows.

BUSINESS-TYPE ACTIVITIES

Retired Sewer Warrants

Beginning prior to 1992, the Commission issued various warrants for sewer related capital projects and improvements. The Commission entered into a Trust Indenture (the Indenture) (as supplemented and amended) dated February 1, 1997, between Jefferson County, Alabama and AmSouth Bank of Alabama (AmSouth Bank), as Trustee, for the general purpose of refunding warrants outstanding or obtaining funds for capital sewer projects and improvements. The Indenture provided for the issuance of additional securities secured on a parity of lien with the original issues of warrants. The Bank of New York Mellon, as successor to AmSouth Bank, served as Trustee under the Indenture.

The warrants issued under the Indenture were not general obligations of the Commission, but represented limited obligations of the Commission, payable solely out of and secured by a pledge and assignment of the revenues (other than tax revenues) from the Commission's sanitary sewer system remaining after the payment of operating expenses.

NOTE J - WARRANTS PAYABLE – Continued

As of September 30, 2013, the following sewer-related warrants were outstanding under the Indenture: the Series 1997-A Warrants ($57,030), the Series 2001-A Warrants ($10,015), the Series 2002-A Warrants ($101,465), the Series 2002-C Warrants ($806,738), the Series 2003-A Warrants ($11,690), the Series 2003-B Warrants ($1,079,980) and the Series 2003-C Warrants ($1,040,600) (together, the Retired Sewer Warrants).

All of the Retired Sewer Warrants were part of the Bankruptcy Plan of Adjustment which had an effective date of December 3, 2013. As such, all Sewer Warrants issued in prior years were retired at the effective date of December 3, 2013. The related deferred loss on refundings, unamortized premiums, bond issuance costs and unpaid but accrued interest and other fees associated with warrants were all written off at the Effective Date of December 3, 2013. As a result, the Commission recorded a gain on the bankruptcy of approximately $1,406,000 in fiscal 2014. See Note A - Bankruptcy and Restructuring for further discussion of the Bankruptcy Plan of Adjustment.

New 2013 Sewer Warrants were issued for $1,785,486 on December 3, 2013 (the Effective Date of the Plan of Adjustment, as discussed below).

2013 Sewer Revenue Warrants

On December 1, 2013, the Commission entered into a Trust Indenture between the County and Wells Fargo Bank, National Association (Wells Fargo) as Trustee (the 2013 Sewer Trustee), as supplemented by the First Supplemental Indenture (hereinafter defined as the 2013 Sewer Indenture), whereby the Commission issued its Senior Lien and Subordinate Lien Sewer Revenue Warrants, Series 2013-A through Series 2013-F, in the aggregate principal amount of $1,785,486 (the 2013 Sewer Warrants or Secured Obligations). Pursuant to the Commission's Plan of Adjustment (see Note A - Bankruptcy and Restructuring for a discussion of the Plan of Adjustment), the net proceeds of the 2013 Sewer Warrants were used to (i) pay the Retired Sewer Warrants and pay certain claims under the Commission's 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.

NOTE J - WARRANTS PAYABLE - Continued

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 the 2013 Sewer Trustee. 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 a First Supplemental Indenture dated December 1, 2013 between the Commission and the 2013 Sewer Trustee (the First Supplemental Indenture), 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.

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 Subordinate Lien Sewer Warrants Series 2013-F are Convertible Capital Appreciation Warrants. 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) issued by JPMorgan Chase Bank was delivered to the 2013 Sewer Trustee. Upon the occurrence of certain events described in the 2013 Sewer Indenture, Wells Fargo, the 2013 Sewer Trustee, shall deliver to JPMorgan Chase Bank limited obligation warrants pursuant to the First Supplemental Indenture, 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 drawings honored on the Series 2013 Subordinate Lien Reserve Fund Letter of Credit.

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

GOVERNMENTAL ACTIVITIES

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

NOTE J - WARRANTS PAYABLE – 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) or National Public Finance Guarantee Corp. (National) (formerly known as MBIA Corporation, Inc. (MBIA)), excluding acceleration features for warrant payments due for certain issues that are subject to optional or mandatory redemption (other than by mandatory sinking fund redemption) features.

General Obligation Warrants, Series 2001-B
The General Obligation Warrants, Series 2001-B (GO Series 2001-B Warrants) were issued for the purpose of refunding the County's Series 1996 and Series 1999 General Obligation Warrants, and paying related issuance costs.

Standby Warrant Purchase Agreements with Morgan Guaranty Trust Company of New York (a wholly-owned subsidiary of JPMorgan Chase & Co.) and Bayerische Landesbank Girozentrale (GO Liquidity Providers), provided for the purchase of Series 2001-B Variable Rate Demand Warrants tendered for purchase in accordance with the terms of the agreement. Pursuant to the warrant holders' exercise of their rights under the Standby Warrant Purchase Agreements, the GO Liquidity Providers repurchased the GO Series 2001-B Warrants during March 2008.

The GO Series 2001-B Warrants had an outstanding balance of $105,000 at December 3, 2013 when they were retired and exchanged for newly issued 2013 General Obligation Warrants (as discussed further below) for the same amount as part of the Bankruptcy Plan of Adjustment (effective December 3, 2013). Also see Note A - Bankruptcy and Restructuring.

Limited Obligation School Warrants
Beginning in 2004, the Commission issued various warrants for school capital projects and improvements. The Commission entered into a Trust Indenture dated December 1, 2004, between Jefferson County, Alabama and SouthTrust Bank (on November 1, 2004, SouthTrust Corporation was acquired by Wachovia Corporation, and on December 31, 2008, Wachovia Corporation was acquired by Wells Fargo & Company), as Trustee, for the general purpose of obtaining funds for school capital projects and improvements. The Trust Indenture provides for the issuance of additional securities secured on a parity of lien with the original warrant issues. U.S. Bank National Association (U.S. Bank), as successor to SouthTrust Bank, currently serves as Trustee under the Trust Indenture.

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

Lease Revenue Warrants
In 2006, the Jefferson County Public Building Authority (Building Authority) issued warrants under the August 1, 2006 Trust Indenture for related capital projects and improvements. The warrants are special, limited obligations of the Building Authority, payable solely from and secured by a pledge of the revenues and receipts delivered by the Building Authority from the leasing to Jefferson County of the warrant-financed facilities.

NOTE J - WARRANTS PAYABLE - Continued

While the Commission is not the issuer of the Lease Revenue (LR) Series 2006 Warrants (LR Series 2006 Warrants), the Building Authority's payment obligations under the LR Series 2006 Warrants are secured by lease revenues generated by the Commission's lease of the above-referenced buildings from the Building Authority.

2013 Lease Agreement
On August 22, 2012, the Commission filed a motion with the Bankruptcy Court to reject the original lease agreement between the Commission and the Building Authority. The Commission entered into a new lease agreement effective January 1, 2013, for the Building Authority related to the LR Series 2006 Warrants. The new lease agreement implements that certain Stipulation and Agreement Regarding the Settlement and Resolution of Certain Disputes entered into by the Commission, the Building Authority, the LR Series 2006 Warrants Trustee and Ambac (the Bond insurer). Simultaneous with the Lease Agreement, the Building Authority and LR Series 2006 Warrants Trustee executed and delivered a First Supplemental Trust Indenture dated as of January 1, 2013 (as discussed further below).

2013 General Obligation Warrants
Pursuant to the Commission's Plan of Adjustment (see Note A - Bankruptcy and Restructuring for a discussion of the Plan of Adjustment), the Commission issued its General Obligation Warrants, Series 2013-A and Series 2013-B, in the aggregate principal amount of $52,875 on December 3, 2013 (the GO Warrants, Series 2013-A and B). The GO Warrants, Series 2013-A and B were issued pursuant to a Trust Indenture dated as of December 1, 2013 (the 2013-A and B GO Indenture) between the Commission and UMB Bank, n.a. as trustee (the 2013 GO Trustee).

The Commission also issued its General Obligation Warrants, Series 2013-C and Series 2013-D in the aggregate principal amount of $52,125 on December 3, 2013 (the GO Warrants, Series 2013-C and D, and together with the GO Warrants, Series 2013-A and B, the 2013 GO Warrants). The GO Warrants, Series 2013-C and D were issued pursuant to a Trust Indenture dated as of December 1, 2013 (the 2013-C and D GO Indenture) between the Commission and the 2013 GO Trustee.

Upon the issuance of the 2013 GO Warrants, the Commission exchanged such Warrants for the $105,000 aggregate principal amount of GO Series 2001-B Warrants then outstanding and held by the GO Series 2001-B Liquidity Providers. The 2013-A and B GO Warrants were exchanged for GO Series 2001-B Warrants held by Bayerische Landesbank, New York Branch. The 2013-C and D GO Warrants were exchanged for GO Series 2001-B Warrants held by JPMorgan Chase Bank. The GO Series 2001-B Warrants were retired by the Commission simultaneously with the 2013 GO Warrant exchange.

The Series 2013 GO Warrants are general obligations of the Commission and are payable out of the general fund by the Commission. Repayment of the outstanding Series 2013 GO Warrants is secured by the full faith and credit of Jefferson County.

The Series 2013-A and B and 2013-C and D GO Indentures include certain covenants and requires the Commission to comply with certain continuing disclosure requirements pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as discussed further below.

NOTE J - WARRANTS PAYABLE - Continued

Warrants payable consist of the following at September 30, 2014:

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 2044 to 2054	$ 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 2026 to 2037	57,906
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 semiannually with accreted value payments (principal and interest) due from 2038 to 2051	158,380
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 2016 to 2054	810,915
Subordinate Lien Sewer Revenue Capital Appreciation Warrants, Series 2013-E, with interest accreting and compounding semiannually at fixed rates of 6.50% to 6.90% to maturity, with accreted value (principal and interest) payments due from 2029 to 2037	53,569
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 2037 to 2051	345,435
	1,821,210
Governmental Activities:	
General Obligation Capital Improvement and Refunding Warrants, Series 2003-A, with interest paid semiannually at fixed rates ranging from 5.0% to 5.25% and annual principal payments through 2023	43,890
General Obligation Warrants, Series 2004-A, with interest paid semiannually at fixed rates ranging from 3.70% to 5.00% and annual principal payments through 2024	45,675
Limited Obligation School Warrants, Series 2004-A, with interest paid semiannually at fixed rates ranging from 4.75% to 5.50% and annual principal payments through 2025	449,820

NOTE J - WARRANTS PAYABLE - Continued

Limited Obligation School Warrants, Series 2005-A and 2005-B, with interest paid monthly at a variable rate on $141,145 (Series 2005-B) or auction rate on $105,500 (Series 2005-A) (average rate of 2.07% at September 30, 2014) and annual principal payments through 2027	216,290
Lease Revenue Warrants, Series 2006, with interest paid semiannually at fixed rates ranging from 5.00% to 5.125% and annual principal payments through 2026	69,425
General Obligation Warrants, Series 2013-A, with interest paid semiannually at a fixed rate of 4.90% and principal payments due annually from 2014 to 2021	42,250
Taxable General Obligation Warrants, Series 2013-B, with interest paid semiannually at a fixed rate of 4.90% and principal payments due annually from 2014 to 2017	4,225
General Obligation Warrants, Series 2013-C, with interest paid semiannually at a fixed rate of 4.90% and principal payments due annually from 2014 to 2021	41,650
Taxable General Obligation Warrants, Series 2013-D, with interest paid semiannually at a fixed rate of 4.90% and principal payments due annually from 2014 to 2017	4,165
	917,390
	2,738,600
Less unamortized net discount (net of premiums) (net of current portion net premium of $1,561)	12,321
Less principal amounts due within one year	68,180
Warrants payable - noncurrent, net	$ 2,658,099

Capital Appreciation Warrants, by definition, do not pay interest on a current basis to the holders of the Warrants, but 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 above.

The Capital Appreciation Warrants and Convertible Capital Appreciation Warrants also include compound interest calculated on periodic dates (April 1 and October 1 of each year) and based on the accreted value on such Warrants, until maturity.

NOTE J - WARRANTS PAYABLE - Continued

The following is a summary of the warrants that are authorized or outstanding for the Commission as of September 30, 2014.

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 in fiscal years 2044 through 2054. The Holders of the Warrants will not have the right or obligation to tender Warrants for purchase by the Commission.

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, 2014.

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 Holders of the Warrants will not have the right or obligation to tender Warrants for purchase by the Commission.

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 $57,906 at September 30, 2014.

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 - WARRANTS PAYABLE - Continued

The accreted interest will be added to the principal balance and the warrants totaling $286,080 convert to current interest obligations. Thereafter, interest on the principal and 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) from fiscal year 2038 to 2051. The Holders of the Warrants will not have the right or obligation to tender Warrants for purchase by the Commission.

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 $158,380 at September 30, 2014.

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, 2054.

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 from fiscal year 2016 to 2054. The Holders of the Warrants will not have the right or obligation to tender Warrants for purchase by the Commission. The Series 2013-D Warrants have an outstanding balance of $810,915 at September 30, 2014.

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) from fiscal year 2029 to 2037. The Holders of the Warrants will not have the right or obligation to tender Warrants for purchase by the Commission. The Series 2013-E Warrants have an outstanding balance of $53,569 at September 30, 2014.

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 - WARRANTS PAYABLE - Continued

The accreted interest will be added to the principal balance and the warrants totaling $686,355 convert to current interest obligations. Thereafter, interest on the principal and accrued 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 interest) from fiscal year 2037 to 2051. The Holders of the Warrants will not have the right or obligation to tender Warrants for purchase by the Commission. The Series 2013-F Warrants have an outstanding balance of $345,435 at September 30, 2014.

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. Under the First Supplement Indenture, 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, 2014.

NOTE J - WARRANTS PAYABLE - Continued

GOVERNMENTAL ACTIVITIES

General Obligation Warrants

General Obligation Capital Improvement and Refunding Warrants, Series 2003-A
On March 1, 2003, the Commission issued $94,000 of tax-exempt General Obligation Capital Improvement and Refunding Warrants, Series 2003-A (GO Series 2003-A Warrants). These warrants were issued for the purpose of refunding the Commission's outstanding General Obligation Warrants, Series 1993, for capital expenditures and payment of related issuance costs.

The GO Series 2003-A Warrants are insured by a bond insurance policy issued by National. The GO Series 2003-A Warrants have an outstanding balance of $43,890 at September 30, 2014.

There were payment defaults in the prior year for principal and interest payments due, whereby the bond insurer, National, made payments on behalf of the Commission. The Plan of Adjustment (described in Note A- Bankruptcy and Restructuring) included the terms of repayment to National. Principal payments due National of $1,135 were paid on April 1, 2014, with the remaining principal payment of $1,135 due on April 1, 2015. The interest terms included repayment of $4,274 over a three year period with a prepayment option using a 4.9% discount rate. The Commission opted to repay National $2,443 in fiscal 2014, which resulted in a $1,831 savings on the prepayment.

General Obligation Capital Improvement Warrants, Series 2004-A
On August 1, 2004, the Commission issued $51,020 of tax-exempt General Obligation Warrants, Series 2004-A (GO Series 2004-A Warrants). These warrants were issued for the purpose of various capital improvements for the Commission and payment of the related issuance costs. The GO Series 2004-A Warrants are insured by a bond insurance policy issued by National. The GO Series 2004-A Warrants have an outstanding balance of $45,675 at September 30, 2014.

There were payment defaults in the prior year for principal and interest payments due, whereby the bond insurer, National, made payments on behalf of the Commission. The Plan of Adjustment (described in Note A- Bankruptcy and Restructuring) included the terms of repayment to National. Principal payments due National of $1,745 were paid on April 1, 2014, with the remaining principal payment of $1,830 due on April 1, 2015. The interest terms included repayment of $4,289 over a three year period with a prepayment option using a 4.9% discount rate. The Commission opted to repay National $2,451 in fiscal 2014, which resulted in a $1,838 savings on the prepayment.

Limited Obligation School Warrants

Limited Obligation School Warrants, Series 2004-A
The Commission issued $650,000 of tax-exempt Limited Obligation School Warrants, Series 2004-A (LO Series 2004-A Warrants) under the Trust Indenture dated December 1, 2004 (Trust Indenture), between the Commission and U.S. Bank (as successor indenture trustee of SouthTrust Bank). These warrants were issued for the purpose of making grants to 11 local school boards operating in Jefferson County for capital improvement projects and for retirement of certain debt of the school boards.

NOTE J - WARRANTS PAYABLE - Continued

The repayment obligations related to the LO Series 2004-A Warrants are secured by the gross proceeds of a special education tax (Pledged Education Tax Proceeds). The LO Series 2004-A Warrants have an outstanding balance of $449,820 at September 30, 2014.

A Notice of Default was issued by U.S. Bank, as Trustee, in 2009 regarding a deficiency in the Reserve Fund Requirements. In addition, the Trustee notified warrant holders of continuing or additional Events of Default due to the Chapter 9 Bankruptcy filing of the Commission. Such defaults were cured or waived in fiscal 2014; see Second Supplemental Trust Indenture discussion below.

Limited Obligation School Warrants, Series 2005-A and 2005-B

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

The repayment obligations related to the LO Series 2005-A and 2005-B Warrants are secured by the gross proceeds of a special education tax (Pledged Education Tax Proceeds). The LO Series 2005-A and 2005-B Warrants are insured by a bond insurance policy issued by Ambac. The LO Series 2005-A and 2005-B Warrants have an outstanding balance of $216,290 at September 30, 2014.

A Standby Warrant Purchase Agreement dated January 1, 2005, with Depfa Bank PLC (LO Liquidity Provider), as discussed further below, provided for the purchase of LO Series 2005-B Warrants tendered for purchase in accordance with the terms of the agreement. Depfa Bank became a holder of approximately $179,750 of tendered warrants on February 14, 2008, pursuant to the Standby Warrant Purchase Agreement for the LO Series 2005-B Variable Rate Demand Warrants.

The Trust Indenture requires mandatory redemption on March 1 of each year to the extent of any excess monies accumulated in the Redemption Fund. Excess redemptions of $23,935 were made during fiscal 2014. The terms of the Supplemental Indenture permit the Commission to reduce the scheduled mandatory sinking fund payments, up to the amount of early redemptions of those same warrants, with proper notice to the Trustee. Effective with the fiscal 2011 mandatory sinking fund payments due, the Commission notified the Trustee and used excess redemptions previously paid to reduce payments totaling $23,425 for LO Series 2005-A Warrants, including $6,150 for fiscal 2014.

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

A Notice of Default was issued by U.S. Bank dated in December, 2009, related to the LO Series 2005-A and 2005-B Warrants primarily due to a failure to satisfy covenants set forth in the Indenture related to the Reserve Fund Requirements. The reserve was subsequently replenished in fiscal 2012; however, the Trustee determined that the Event of Default was not extinguished.

NOTE J - WARRANTS PAYABLE - Continued

In addition, the Trustee has notified warrant holders of continuing or additional Events of Default due to the Chapter 9 Bankruptcy filing of the Commission on November 9, 2011.

See resolution to the defaults discussed below in the Second Supplemental Trust Indenture and Note A - Bankruptcy and Restructuring.

Standby Warrant Purchase Agreement
Under the terms of the Trust Indenture, holders of LO Series 2005-B Variable Rate Demand Warrants had the right to tender such warrants for purchase in whole or in part on any business day at a purchase price equal to 100 percent of the principal amounts of such warrants. The Commission entered into a Standby Warrant Purchase Agreement with a bank (Liquidity Provider), which provided for the purchase of such Variable Rate Demand Warrants subject to purchase pursuant to the optional tender terms and conditions of the related Governmental Warrants Trust Indentures, but not remarketed. Under the terms of the Standby Warrant Purchase Agreement, substantially all of the warrants subject to such agreement were tendered during 2008 by the warrant holders for repurchase by the bank (Liquidity Provider) and are currently held by Depfa Bank PLC (Depfa)

The LO Liquidity Provider (Depfa) also notified the Commission of certain Events of Default related to the Series 2005-B Warrants under the Standby Warrant Purchase Agreement, including the failure to give priority to redemption of Bank Warrants held by Depfa for the excess pledged education tax revenues. The Commission entered into a Plan Support Agreement dated February 11, 2013, with Depfa, as further discussed in Note A – Bankruptcy and Restructuring.

Second Supplemental Trust Indenture
The LO Series 2004-A and Series 2005-A and B Warrants were issued pursuant to a Trust Indenture, dated December 1, 2004, between the Commission and U.S. Bank (as successor trustee), as supplemented by a First Supplemental Indenture. The Second Supplemental Trust Indenture dated as of December 3, 2013 (the Effective Date of the Amended Plan) provides a waiver of all past Events of Default, designates that excess tax proceeds will be applied first to the Series 2005-B Warrants, and states that no prior excess redemptions will apply to Series 2005-B Warrants mandatory redemptions, among other provisions. Also, see Note A - Bankruptcy and Restructuring.

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

While the Commission is not the issuer of the LR Series 2006 Warrants, the Building Authority's payment obligations under the LR Series 2006 Warrants are secured by lease revenues generated by the Commission's lease of the above-referenced buildings from the Building Authority. The LR Series 2006 Warrants are secured by a bond insurance policy issued by Ambac. The outstanding principal balance of the LR Series 2006 Warrants was $69,425 at September 30, 2014.

NOTE J - WARRANTS PAYABLE - Continued

2013 Lease Agreement
The Commission entered into a new lease agreement effective January 1, 2013, for the Building Authority related to the LR Series 2006 Warrants. Simultaneous with the Lease Agreement, the Building Authority and Trustee executed and delivered a First Supplemental Trust Indenture dated as of January 1, 2013. The lease is subject to renewal on an annual basis. Annual lease payments range from $3,200 to $5,200, including partial payments to be made by the bond insurer for years 2016 to 2026.

First Supplemental Trust Indenture
The LR Series 2006 Warrants were issued pursuant to a Trust Indenture, dated August 1, 2006, between the Building Authority and First Commercial Bank. The First Supplemental Trust Indenture dated as of January 1, 2013, was entered into by and between the Building Authority and First Commercial Bank. The new agreement modifies certain provisions of the original indenture and establishes a trustee expense reserve fund, among other modifications.

2013 GO Warrants

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 2013 Series-B GO Indenture on December 3, 2013. The GO Series 2013-A Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2021. The GO Series 2013-A Warrants have an outstanding balance of $42,250 at September 30, 2014.

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.

General Obligation Warrants, Series 2013-B (GO Series 2013-B Warrants)
The Commission issued $5,630 of taxable GO Series 2013-B Warrants under the Series 2013-A and 2013 Series-B GO Indenture on December 3, 2013. The GO Series 2013-B Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2017. The GO Series 2013-B Warrants have an outstanding balance of $4,225 at September 30, 2014.

The GO Series 2013-B Warrants are subject to mandatory redemption annually from fiscal year 2014 to 2017.

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 Series 2013-D GO Indenture on December 3, 2013. The GO Series 2013-C Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2021. The GO Series 2013-C Warrants have an outstanding balance of $41,650 at September 30, 2014.

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.

NOTE J - WARRANTS PAYABLE - Continued

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

The Commission issued $5,550 of taxable GO Series 2013-D Warrants under the Series 2013-C and Series 2013-D GO Indenture on December 3, 2013. The GO Series 2013-D Warrants were issued in the form of current interest obligations with interest payable semiannually on April 1 and October 1 of each year at a fixed rate of 4.9% to maturity on April 1, 2017. The GO Series 2013-D Warrants have an outstanding balance of $4,165 at September 30, 2014. The GO Series 2013-D Warrants are subject to mandatory redemption annually from fiscal year 2014 to 2017.

The following is a summary of warrant transactions for the Commission for the year ended September 30, 2014. Activity related to the long-term debt is as follows:

Warrant Issue	Balance at September 30, 2013	Additions	Accretion	Payments / Retirements	Balance at September 30, 2014	Due Within One Year
Business-Type Activities:						
Series 1997-A	$ 57,030	$ -	$ -	$ 57,030	$ -	$ -
Series 2001-A	10,015	-	-	10,015	-	-
Series 2002-A	101,465	-	-	101,465	-	-
Series 2002-C	806,738	-	-	806,738	-	-
Series 2003-A	11,690	-	-	11,690	-	-
Series 2003-B	1,079,980	-	-	1,079,980	-	-
Series 2003-C	1,040,600	-	-	1,040,600	-	-
Series 2013-A	-	395,005	-	-	395,005	-
Series 2013-B	-	55,000	2,906	-	57,906	-
Series 2013-C	-	149,998	8,382	-	158,380	-
Series 2013-D	-	810,915	-	-	810,915	-
Series 2013-E	-	50,271	3,298	-	53,569	-
Series 2013-F	-	324,297	21,138	-	345,435	-
	3,107,518	1,785,486	35,724	3,107,518	1,821,210	-
Governmental Activities:						
Series 2001-B GO	105,000	-	-	105,000	-	-
Series 2003-A GO	46,185	-	-	2,295	43,890	2,320
Series 2004-A GO	49,335	-	-	3,660	45,675	3,830
Series 2004-A LO School	479,465	-	-	29,645	449,820	31,205
Series 2005-A&B LO School	246,645	-	-	30,355	216,290	12,700
Series 2006 Lease	74,015	-	-	4,590	69,425	4,840
Series 2013-A GO	-	47,245	-	4,995	42,250	5,280
Series 2013-B GO	-	5,630	-	1,405	4,225	1,410
Series 2013-C GO	-	46,575	-	4,925	41,650	5,205
Series 2013-D GO	-	5,550	-	1,385	4,165	1,390
	1,000,645	105,000	-	188,255	917,390	68,180
	$ 4,108,163	$1,890,486	$ 35,724	$3,295,773	$ 2,738,600	$ 68,180

NOTE J - WARRANTS PAYABLE - Continued

Maturity Schedules

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

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
2015	$ -	$ 72,209	$ 46,126	$ 68,180	$ 41,926
2016	2,285	72,151	49,605	68,080	38,858
2017	7,345	71,911	53,353	71,160	35,647
2018	12,995	71,402	57,383	71,540	32,262
2019	14,215	70,722	61,717	74,940	28,859
2020-2024	34,620	385,790	312,297	412,920	87,639
2025-2029	23,083	733,522	87,275	150,570	6,262
2030-2034	53,990	839,750	73,651	-	-
2035-2039	156,055	894,569	10,173	-	-
2040-2044	316,781	661,303	-	-	-
2045-2049	351,277	626,700	-	-	-
2050-2054	848,564	301,259	-	-	-
	$ 1,821,210	$ 4,801,288	$ 751,580	$ 917,390	$ 271,453

Fiscal Year Ending September 30,	Total Principal, Interest and Accretion Requirements to Maturity: Principal	Interest	Total Principal and Interest	Future Interest Accretion	Total Principal, Interest and Accretion
2015	$ 68,180	$ 114,135	$ 182,315	$ 46,126	$ 228,441
2016	70,365	111,009	181,374	49,605	230,979
2017	78,505	107,558	186,063	53,353	239,416
2018	84,535	103,664	188,199	57,383	245,582
2019	89,155	99,581	188,736	61,717	250,453
2020-2024	447,540	473,429	920,969	312,297	1,233,266
2025-2029	173,653	739,784	913,437	87,275	1,000,712
2030-2034	53,990	839,750	893,740	73,651	967,391
2035-2039	156,055	894,569	1,050,624	10,173	1,060,797
2040-2044	316,781	661,303	978,084	-	978,084
2045-2049	351,277	626,700	977,977	-	977,977
2050-2054	848,564	301,259	1,149,823	-	1,149,823
	$ 2,738,600	$ 5,072,741	$ 7,811,341	$ 751,580	$ 8,562,921

NOTE J - WARRANTS PAYABLE - Continued

Warrant Insurance Costs, Premiums and Discounts and Deferred Loss on Refundings

The Commission has warrant issuance costs, deferred loss on refundings of debt, as well as premiums and discounts, in connection with the issuance of its warrants. Under GASB 65, which resulted in a restatement of beginning balances for fiscal 2014, bond issuance costs except bond insurance premiums were written off to Net Position (see Note B). Bond insurance costs, deferred loss on refundings and premiums and discounts are being amortized using the straight-line method. The balances and activities for these accounts are as follows (in thousands):

	Issuance Costs	Premiums (Discounts) Net	Deferred Loss on Refundings
Business-Type Activities:			
Total net premiums (discounts), issuance costs, deferred loss on refunding	$ 72,853	$ 6,570	$ 360,618
Accreted (amortized), net in prior years	(30,690)	(668)	(112,900)
Restate beginning balances for GASB 65	(11,288)	-	(14,207)
	30,875	5,902	233,511
2014 insurance premium and discount	37,000	(36,543)	-
Current year (amortization) accretion, net	(915)	688	(2,303)
Written off for bankruptcy transaction	(30,693)	(5,867)	(231,208)
Net balance at September 30, 2014	$ 36,267	$ (35,820)	$ -
Governmental Activities:			
Total net premiums (discounts), issuance costs, deferred loss on refunding	$ 19,128	$ 51,347	$ 1,793
Accreted (amortized), net in prior years	(8,846)	(23,828)	(1,793)
Restate beginning balances for GASB 65	(6,704)	-	-
	3,578	27,519	-
Current year (amortization) accretion, net	(268)	(2,459)	-
Net balance at September 30, 2014	$ 3,310	$ 25,060	$ -
Commission Totals:			
Total net premiums (discounts), issuance costs, deferred loss on refunding	$ 91,981	$ 57,917	$ 362,411
Accreted (amortized), net in prior years	(39,536)	(24,496)	(114,693)
Restate beginning balances for GASB 65	(17,992)	-	(14,207)
	34,453	33,421	233,511
2014 insurance premiums and discount	37,000	(36,543)	-
Current year (amortization) accretion, net	(1,183)	(1,771)	(2,303)
Written off for bankruptcy transaction	(30,693)	(5,867)	(231,208)
Net balance at September 30, 2014	$ 39,577	$ (10,760)	$ -

NOTE J - WARRANTS PAYABLE - Continued

Restricted Debt Service Accounts

Business-Type Activities
In accordance with the prior Sewer Warrant Indenture, the Commission maintained debt service funds and other reserve funds restricted for debt service and other purposes; all of which were released and used to retire the existing sewer warrants under the Plan of Adjustment (discussed in Note A - Bankruptcy and Restructuring) on December 3, 2013.

As discussed above, the Commission issued new Series 2013 Sewer Warrants in fiscal 2014. In accordance with the 2013 Sewer Indenture, the Commission established the Costs of Issuance Fund, Revenue Fund, Series 2013 Senior Lien Debt Service Fund and Series 2013 Subordinate Lien Debt Service Fund (Series 2013 Debt Service Funds), Series 2013 Senior Lien Reserve Fund and Series 2013 Subordinate Lien Fund (Series 2013 Reserve Funds) and the Capital Improvement Fund. All such funds are part of the General Trust Estate and held and managed by the 2013 Sewer Trustee for the sole benefit of the holders of the Series 2013 Sewer Warrants.

The Costs of Issuance Fund was established with the issuance of the Series 2013 Sewer Warrants for the 2013 Sewer Trustee to manage the receipts and disbursements of the new 2013 sewer warrant issue. Once all disbursements are made, any remaining funds will be transferred by the 2013 Sewer Trustee to the Revenue Fund.

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

The Series 2013 Reserve Funds were established under the 2013 Sewer Indenture. Upon issuance of the Series 2013 Senior Lien Warrants and 2013 Subordinate Lien Warrants, irrevocable standby letters of credit were issued by JPMorgan Chase Bank for the Series 2013 Reserve Funds and delivered to Wells Fargo, the 2013 Sewer Trustee. The letters of credit provide a credit enhancement for the Series 2013 Sewer Warrants, as provided in the 2013 Sewer Indenture. The letters of credit can be drawn up to a maximum amount of $60,000 for the 2013 Senior Lien Warrants and $118,548 for the 2013 Subordinate Lien Warrants. Draws on these letters of credit can result in the issuance of Senior Lien and Subordinate Lien Reserve Fund Warrants, as described in the First Supplemental Indenture to the 2013 Sewer Indenture (as discussed further above in the 'Series 2013 Sewer Warrants - First Supplemental Indenture and Letter of Credit' section of Note J).

NOTE J - WARRANTS PAYABLE - Continued

The Commission also established a Capital Improvement Fund, for which funds held on deposit are restricted 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.

All debt and capital improvement funds are recorded as restricted cash or investments for the purposes set forth in the warrant documents. Restricted cash and investments related to the Sewer Warrants totaled $274,135 at September 30, 2014. See Note D for a summary of the restricted funds and related cash and investments held at year end.

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

The Commission established Special Funds under the terms of the 2013 GO Indenture including a Costs of Issuance Account and Debt Service Fund. UMB Bank, the 2013 GO Trustee, was designated as the depositor, custodian and disbursing agent for the Costs of Issuance Account and Debt Service Fund.

The Costs of Issuance account was established for the 2013 GO Trustee to manage the receipts and disbursements of the 2013 GO Warrants issue. Once all disbursements are made, any remaining funds will be returned to the Commission.

Restricted cash and investments for governmental activities totaled $151,668 at September 30, 2014. 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, set forth in the various Trust Indentures or Official Statements, the Commission has covenanted for the benefit of the beneficial holders of certain warrants under the various indentures to provide certain quarterly or annual financial information and operating data relating to the Commission and to provide notices of certain enumerated events.

NOTE J - WARRANTS PAYABLE - Continued

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

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

Voluntary event disclosures include notice to investors pursuant to bond documents, certain communications from the Internal Revenue Service, capital or other financing plans, litigation or enforcement actions, change in agents or other event-based disclosures. Voluntary financial disclosures include quarterly or monthly financial information, change in accounting standards, budgets, financial policies, information provided to rating agency or other third party, consultant reports and other financial or operating data.

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

Debt Covenants

Business-Type Activities

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

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

NOTE J - WARRANTS PAYABLE - Continued

Compliance with Rate Resolution

Maintenance of rates requires compliance with the Rate Resolution. The confirmed Plan of Adjustment included the Commission's obligation to comply 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 November 1, 2013 sewer user charge increases in accordance with the Rate Resolution. (See Note T - Subsequent Events).

Required Coverage Ratios

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

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

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

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

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

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

NOTE J - WARRANTS PAYABLE - Continued

If the Commission undertakes the remedial action required by Section 10.9(b) and (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, 2014.

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, 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. The newly issued tax exempt Sewer Warrants were not subject to arbitrage rebate calculations for fiscal 2014. The GO Series 2013 Warrants are not subject to arbitrage rebate calculations. There are no accrued arbitrage rebates for Governmental Activities or Business-Type Activities as of September 30, 2014.

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. In addition, certain exceptions may apply that may limit the rebate amount, and special rules exist relating to retired warrant issues.

Municipal Bond Insurance Policy

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

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

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

NOTE J - WARRANTS PAYABLE - Continued

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 T - Subsequent Events, including any additional Material Event Notices.

NOTE K - DERIVATIVES/INTEREST RATE SWAP AGREEMENTS (amounts in thousands)

In prior years, the Commission entered into various interest rate swap agreements related to the warrants outstanding for the GO Series 2001-B Warrants and the Retired Sewer Revenue Warrants (effective December 3, 2013), which were all terminated prior to September 30, 2009.

Termination Events

Certain events occurred during fiscal 2009 and 2008 in connection with the interest rate swap agreements that triggered additional termination events for the various interest rate swap agreements. The additional termination events gave the counterparty to each agreement the right for early termination of the interest rate swap agreements, and all interest rate swap agreements were terminated prior to September 30, 2009.

Since the interest rate swap agreements were all terminated, the fair value of the interest rate swap agreements was estimated using the Market Quotation Method (termination payment notice fee plus accrued interest).

Settlement of Interest Rate Swap Transactions

The estimated fair value of the terminated interest rate swap agreements including termination fees and accrued interest was approximately $90,000 for the Sewer Warrants and approximately $9,600 for the GO Warrants, as of the Effective Date of the Plan of Adjustment which was December 3, 2013, (see Note A - Bankruptcy and Restructuring).

The interest rate swap agreements termination fees and related accrued interest for the Sewer Warrants and GO Warrants were eliminated as part of the bankruptcy restructuring plan and written off in fiscal 2014, as of the Effective Date of the Bankruptcy Plan of Adjustment.

NOTE L - CONDUIT DEBT OBLIGATIONS (amounts in thousands)

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

The warrants do not constitute a debt or pledge of the faith and credit of the Jefferson County Commission and, accordingly, have not been reported in the accompanying financial statements. Upon repayment of the warrants, ownership of the leased property will return to the Board. As of September 30, 2014, the principal amount outstanding was $18,900.

NOTE M - DEFINED BENEFIT 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 Plan) covering substantially all employees of Jefferson County, Alabama. The Retirement System was established by Act Number 497, Acts of Alabama 1965, page 717, and provides guidelines for benefits to retired and disabled employees of the Commission.

The 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, 2014. The report may be reviewed at the Jefferson County Courthouse, Room 430, Birmingham, Alabama.

Funding Policy

Employees of the Commission are required by statute to contribute six percent of their gross salary to the Retirement System. 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.

Annual Pension Cost

For the year ended September 30, 2014, the Commission's annual pension contribution of $6,588,000 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of October 1, 2014, the latest actuarial valuation date, were: (a) 7.0-percent investment rate of return on present and future assets and (b) projected salary increases of 4.25 to 7.25 percent. Both (a) and (b) include an inflation component of 3.25 percent.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding excess is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2014, was 28 years.

NOTE M - DEFINED BENEFIT PENSION PLAN - Continued

The following is three-year trend information for the Commission:

Fiscal Year Ending	Annual Pension Cost (APC) (in Thousands)	Percentage of APC Contributed	Net Pension Obligation
09/30/2014	$ 6,588	100%	$ -
09/30/2013	6,893	100%	-
09/30/2012	7,744	100%	-

Funding Progress

For the year ended September 30, 2014, funding progress and related information for the Commission is as follows:

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a Percentage of Covered Payroll [(b-a)/c]
10/1/14	$ 1,005,020	$ 952,158	$ (52,862)	105.55%	$ 109,723	(48.2%)

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of pension assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (OPEBS)

In addition to the pension benefits described in Note M, the Commission sponsors a single-employer postretirement welfare benefit plan (OPEB Plan) in accordance with a resolution first approved by the Commission on September 25, 1990, and approved annually thereafter. The OPEB Plan provides for medical insurance coverage to eligible retirees and their dependents as indicated below:

Benefits are generally available at the earliest of the following:

1. Age 60 and completion of 10 years of paid membership service,
2. 30 years of paid membership service or
3. Age 55 with 30 years of service of which 20 must be paid membership service.

Eligibility: Subject to the operative terms and provisions of the OPEB Plan, an individual is eligible who: (a) has not reached age 65, (b) is vested and thus entitled to receive, either currently or in the future, a retirement benefit and (c) is covered by the Jefferson County active employee group health insurance plan for hospital, physician, major medical and prescription drug benefits immediately before the date the retirement benefit becomes payable or, for an employee who is involuntarily retired, is covered by the Jefferson County active employee group health insurance plan as of the employee’s date of separation from employment.

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (OPEBS) - Continued

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.

Benefit Types: Medical and prescription drug benefits are provided to all eligible retirees. Dependents of eligible retirees are granted the same benefits as the retiree. OPEB benefits include postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are not offered as part of a pension plan; and long-term disability insurance for employees. These benefits are typically financed on a pay-as-you-go basis. GAAP requires accrual-basis accounting, thereby recognizing the employer cost of postemployment benefits over an employee's career.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

As of September 30, 2014, the most recent actuarial valuation date, the OPEB had 522 retired participants. The OPEB Plan had a total of 2,112 and 35 active participants and vested terminated participants, respectively. The Commission subsidizes a portion of the retirees' health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from $383 to $1,026 per month, and total insurance premiums range from $510 to $1,367.

Once the UAAL is determined, the annual required contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made, and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the OPEB Plan.

The OPEB Plan does not issue a stand-alone financial report.

Funding Policy **-** The Commission has not set aside assets in a qualifying trust fund as of September 30, 2014, and is currently financing the OPEB Plan on a pay-as-you-go basis. Retirees and employees are not required to contribute to the OPEB Plan.

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (OPEBS) - Continued

The Commission's OPEB cost is calculated based on the ARC calculated using the projected unit credit method, an allowable cost method under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits (OPEB) other than Pensions* (Statement No. 45). The ARC is the basic annual expense recognized under Statement No. 45 that is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years, which is the amortization period used by the OPEB Plan.

The following table shows the components of the Commission's OPEB cost for the year, the amount contributed to the OPEB Plan and the changes in the Commission's net OPEB obligation:

(In Thousands)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	Adjustment to ARC (c)	Annual OPEB Cost (a+b+c = d)	Annual Contribution Amount (e)	Percentage of OPEB Cost Contributed (e/d)	Net Increase (Decrease) in NOO (d-e = f)	NOO at Beginning of Year (g)	NOO at End of Year (f+g)
09/30/14	09/30/14	$ 4,779	$ 448	$ (414)	$ 4,813	$ 4,220	87.7%	$ 593	$ 11,193	$ 11,786
09/30/11	09/30/13	6,418	333	(309)	6,442	3,612	56.1%	2,830	8,363	11,193
09/30/11	09/30/12	6,419	214	(198)	6,435	3,430	53.3%	3,005	5,358	8,363

Funding Status and Funding Progress

As of September 30, 2014, the most recent actuarial valuation date, the OPEB was zero percent funded. The actuarial accrued liability was $77,272,000, and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability of $77,272,000. Covered payroll was approximately $109,723,000, resulting in unfunded actuarial liability as a percentage of payroll of 70.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the OPEB and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of OPEB assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the OPEB by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Actuarial Methods and Assumptions

The information presented above was determined as part of the actuarial valuation at the date indicated. Projections of benefits for financial reporting purposes are based on the substantive plan (the OPEB as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (OPEBS) - Continued

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	September 30, 2014
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Mortality	RP-2000 Employee Mortality Table
Discount Rate	4%
Projected Payroll Increases	3.25%
Inflation Rate	3.25%
Health Care Costs Rates	Pre-Medicare Medical Trend 7.5% graded to 5% over 5 years

NOTE O - 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 $550,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.

- *Property Insurance* - Commercial insurance coverage purchased in the maximum amount of $1 billion per occurrence, except a separate annual aggregate of $50 million 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 million per occurrence as included in the $500 million loss limit subject to the policy terms and conditions; (c) $5 million with respect to extra expense and (d) $1 million 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 million per occurrence and $3 million aggregate.

NOTE O - 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 $250,000 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, 2014, changes in the claims liabilities for the general, auto and workers' compensation self-insured activities for the Commission are as follows:

	(In Thousands)			
	General Liability	Auto Liability	Workers' Compensation	Totals
Unpaid claims and claim adjustment expenses:				
Accrual at beginning of fiscal year	$ 1,553	$ 489	$ 3,438	$ 5,480
Incurred claims and claim adjustment expenses:				
Provision for insured events of current fiscal year	(379)	12	1,210	843
Increases/decreases in provision for insured events of prior fiscal years	(107)	(429)	(204)	(740)
Total incurred claims and claim adjustment expenses	(486)	(417)	1,006	103
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(191)	(13)	(1,358)	(1,562)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	-	-	-	-
Total payments	(191)	(13)	(1,358)	(1,562)
Accrual at end of fiscal year	$ 876	$ 59	$ 3,086	$ 4,021

NOTE O - RISK MANAGEMENT - Continued

For the year ended September 30, 2014, changes in the claims liabilities for the health self-insured activities for the Commission are as follows:

Balance October 1, 2013	Claims Incurred	Claims Paid	Increase/ Decrease in Liability	Balance September 30, 2014
$ 1,073,000	$ 17,823,000	$ (17,400,000)	$ 423,000	$ 1,496,000

NOTE P - JEFFERSON COUNTY ECONOMIC AND INDUSTRIAL DEVELOPMENT AUTHORITY (amounts in thousands)

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, 2014, the Development Authority was indebted to the Commission in the amount of approximately $15,553, 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 Q - TRANSACTIONS WITH OTHER FUNDS (amounts in thousands)

Advances to/from Other Funds

The amounts of advances to/from other funds at September 30, 2014, were as follows:

	Advances from Other Funds (in Thousands)				
	Limited Obligation School Fund	Indigent Care Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Totals
Advances to other funds:					
General Fund	$ 50	$ 7,466	$ 1,077	$ 15,553	$ 24,146
Nonmajor Governmental Funds	-	-	-	11,654	11,654
	$ 50	$ 7,466	$ 1,077	$ 27,207	$ 35,800

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 and 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 and are not expected to be repaid within one year or (c) amounts payable from one fund to another for indirect cost allocations and are expected to be received within one year.

NOTE Q - TRANSACTIONS WITH OTHER FUNDS - Continued

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2014, were as follows:

	Transfers in (in Thousands)				
	General Fund	Indigent Care Fund	Nonmajor Govern-mental Funds	Nonmajor Enterprise Funds	Totals
Transfers out:					
General Fund	$ -	$ -	$ 1,279	$ -	$ 1,279
Nonmajor Governmental Funds	481	-	-	-	481
Cooper Green Hospital Fund	-	18,802	-	-	18,802
Bridge and Public Building Fund	-	-	35,206	3,467	38,673
	$ 481	$ 18,802	$ 36,485	$ 3,467	$ 59,235

The Commission typically uses transfers to fund ongoing operating subsidies and to service a portion of current-year debt requirements.

NOTE R - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At September 30, 2014, the Commission has commitments of the following:

Name of Commitment	(in Thousands) Amount
Sewer repairs and maintenance	$ 2,841
Tornado-related emergency assistance	6,762
Cahaba River Trussville PHI	3,507
Village Creek wastewater treatment plant	689
Healthcare services	1,251
Widening of Grants Mill Road	1,000
	$ 16,050

NOTE S - 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, 2014.

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 Jefferson County 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 Jefferson County failed to comply with consent decree requirements regarding hiring specific compliance officers and recordkeeping. The plaintiffs sought to hold Jefferson County 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 did not stay the portions of this lawsuit that concern Jefferson County.

The United States District Court, on August 20, 2013, entered its decision and order finding Jefferson County 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. The Employment Discrimination Receiver's authority is to exercise full control over nearly all employment decisions of Jefferson County, subject to a court-approved budget, until full and sustainable compliance with the employment discrimination consent decree has been achieved. The District Court's order contemplates the Employment Discrimination Receiver's duties and obligations be substantially completed in three years or less. Pursuant to the Employment Discrimination Order, the County may challenge any actions proposed or taken by the Employment Discrimination Receiver if the County in good faith believes such actions materially interfere with the functions of the County.

Under the Employment Discrimination Receiver, the Commission will be required to undertake certain (currently unknown) actions with regard to its hiring and promotion processes. Such changes are expected to be financially burdensome. Currently, the Commission has unanswered questions about individual damages claims, and it is impossible to predict the likely outcome of this issue at this time.

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, 2014, the Commission has accrued an estimated loss related to these fees and costs.

NOTE S - CONTINGENT LIABILITIES AND LITIGATION - Continued

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 $750,000 in fees and costs as a sanction and the Commission is objecting to this amount. Again, although the Commission is prepared to defend itself against this sanctions issue, the Commission reasonably should expect that some sanction amount less than $750,000 will be entered against the Commission. The Commission has accrued an estimated loss related to these sanctions as of September 30, 2014.

Claims for Tax Remittances Made by Certain Municipalities. In the Bankruptcy Case, certain municipalities located within Jefferson County have filed proofs of claim, asserting claims against the Commission for the remittance of certain tax collections. During the course of the Bankruptcy Case, the Commission has remitted to municipalities certain tax collections made by the Commission on the municipalities’ behalf. Under the confirmed Plan of Adjustment, the claims of municipalities for the remittance of certain tax collections are unimpaired, meaning that the rights of the municipalities with respect to such claims are unaltered by confirmation of the Plan of Adjustment. The Commission reserved all of its rights, claims, counterclaims and defenses with respect to any and all claims asserted by municipalities for the remittance of tax collections. The Commission continues to work with all municipalities in the ordinary course to reconcile their claims for tax collection remittances.

To the extent, however, that municipalities have asserted claims against the Commission for claims other than the remittance of tax collections, the Plan of Adjustment confirmed in Jefferson County’s bankruptcy case generally treats those claims as impaired General Unsecured Claims which, if allowed, are entitled only to receive appropriate pro rata distributions from the $5,000,000 General Unsecured Claims Pool funded by the Commission on the Effective Date pursuant to the Plan of Adjustment. The Commission filed objections to the various municipalities’ proofs of claim on June 2, 2014.

Powell Builders, Inc. v. Jefferson County, et al. Circuit Court of Jefferson County, Alabama, Birmingham Division, Case Number CV-2014-902792. On July 2, 2014, Powell Builders, Inc. filed a complaint against the Commission alleging breach of contract and demanding judgment against the Commission for at least $100,000. The Commission notified counsel for Powell Builders that the claims asserted in its complaint were discharged pursuant to the Plan of Adjustment confirmed in Jefferson County’s bankruptcy case. Powell Builders voluntarily dismissed its complaint against the Commission on July 31, 2014. However, counsel for Powell Builders notified the Commission that Powell Builders intends to file a complaint against the Commission under an alternative theory of recovery. This matter is not yet concluded, and the likely conclusion is uncertain.

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

NOTE S - CONTINGENT LIABILITIES AND LITIGATION - Continued

The lawsuits were stayed by the trial court pending the outcome of a similar case filed by taxpayers against the State of Alabama. In the State of Alabama's case, the Eleventh Circuit Court of Appeals ruled against the State. The State filed a petition for writ of certiorari with the U.S. Supreme Court asking it to review the matter. The Supreme Court granted the State's petition for writ of certiorari on July 1, 2014. There is, thus, a potential for an adverse outcome to the Commission with respect to CSX's and BNSF's claims.

Pursuant to court orders entered in the lawsuits prior to the commencement of the Bankruptcy Case, CSX and BNSF had been paying their respective disputed tax obligations into escrow for a period of time. If CSX and BNSF prevail with their respective claims, the escrowed funds would be released back to them, but they would still have claims against the Commission for the refund of the amount of their disputed taxes paid prior to the establishment of the escrow. Any claims that CSX and BNSF might have that are not covered by the escrowed funds would be treated as General Unsecured Claims under the Commission's confirmed Plan of Adjustment. Under the Plan of Adjustment, creditors holding Allowed General Unsecured Claims shall receive only their pro rata share of a $5,000,000 General Unsecured Claims Pool that the Commission funded in full on the December 3, 2013 Effective Date. The conclusion of this matter is uncertain. The Commission has accrued an estimated loss related to these cases as of September 30, 2014.

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 $1,630,000. Norfolk Southern's motion seeks a refund of sales taxes paid on the retail sale of diesel fuel to the Commission between the commencement of the Bankruptcy Case and September 30, 2013. The basis of Norfolk Southern's administrative claim request is similar to the basis underlying the proofs of claims filed by CSX and BNSF described above. The Commission has objected to Norfolk Southern's administrative claim request on several grounds, including that Norfolk Southern is not entitled to any administrative expense claim against the Commission under applicable law. The Commission further noted that the State filed a petition for writ of certiorari with the U.S. Supreme Court asking it to review certain matters that may resolve Norfolk Southern's claim. The Supreme Court granted the State's petition for writ of certiorari on July 1, 2014. The Bankruptcy Court heard oral arguments on this matter on October 22, 2014, including the Commission's argument that Norfolk Southern is not entitled to a claim as a matter of law regardless of the outcome of the CSX appeal. The Bankruptcy Court has the matter under submission. 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 S - CONTINGENT LIABILITIES AND LITIGATION - Continued

Plaintiffs filed their Second Amended Complaint for a Declaratory Judgment and Injunctive Relief (the Second Amended Complaint) on the Bankruptcy Court's deadline. This complaint named as defendants only the Commission and the indenture trustee for the sewer warrants. This complaint sought the entry of a declaratory judgment that certain series of the Commission's sewer warrants were invalid because they allegedly violated the pre-issuance requirements of the sewer warrant indenture and contravened the Alabama and United States Constitutions. Both the Commission and the indenture trustee responded to the Second Amended Complaint with motions to dismiss.

In its reply to the plaintiffs' brief, the Commission requested that the Bankruptcy Court stay the adversary proceeding pending confirmation of the Commission's Plan of Adjustment, on the grounds that confirmation likely will resolve or moot the adversary proceeding. Pursuant to the Plan of Adjustment, the Commission proposes to settle and compromise the claims and causes of action asserted in the adversary proceeding against the indenture trustee, which claims and causes of action the Commission believes belong to the Commission and not to the sewer ratepayers or may be otherwise resolved by the Commission notwithstanding the objection of plaintiffs in the adversary proceeding. The Bankruptcy Court granted the Commission's request to stay the action. The plaintiffs filed a motion for reconsideration of the Bankruptcy Court's order staying the adversary proceeding, which the Bankruptcy Court denied.

During the Bankruptcy Case, Roderick Royal, one of the plaintiffs in the adversary proceeding, filed two proofs of claim on behalf of the putative class of sewer ratepayers. The two proofs of claim, which were duplicates, each assert claims against the Commission in the amount of $1,630,000,000 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 Royals' proofs of claim in their entirety. Royal and his fellow claimants moved for reconsideration of the Bankruptcy Court's order disallowing their claims, but those motions were denied.

Royal and his fellow claimants have appealed the Bankruptcy Court's order to the U.S. District Court for the Northern District of Alabama. The District Court has not yet ruled on the Bankruptcy Court's order disallowing Royal's two proofs of claim. The Commission continues to dispute that Royal or any of his fellow claimants are entitled to have their claims allowed in any amount. If and to the extent that Royal was successful on appeal and his claims 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 $5,000,000 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 S - CONTINGENT LIABILITIES AND LITIGATION - Continued

Request for Administrative Claim filed by Bennett Plaintiffs. On December 6, 2013, the *Bennett* plaintiffs filed with the Bankruptcy Court their request for the allowance of an administrative claim against the Commission in the amount of $311,300. The *Bennett* plaintiffs filed their request pursuant to Bankruptcy Code section 503(b)(3)(D), which provides that creditors who make a "substantial contribution" in a Chapter 9 bankruptcy case may be allowed as an administrative expense the actual and necessary expenses they incurred. The amount of the *Bennett* plaintiffs' request was the amount they claimed to have incurred in legal fees and expenses in connection with the Bankruptcy Case. The Commission objected to the *Bennett* plaintiffs' request, contending, among other things, that the *Bennett* plaintiffs had not provided any contribution whatsoever in the Bankruptcy Case and that they were not eligible to assert such a claim as they were not "creditors" in the case. The Bankruptcy Court held an evidentiary hearing on the administrative claim request on March 20, 2014, at the conclusion of which the Bankruptcy Court asked the *Bennett* plaintiffs to furnish additional information to the Bankruptcy Court with respect to their request. The Bankruptcy Court has not yet ruled on the *Bennett* plaintiffs' administrative claim request. The conclusion of this matter is uncertain. The Commission cannot estimate a loss, if any, with respect to this matter as of September 30, 2014.

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, 2014, 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 T - SUBSEQUENT EVENTS (amounts in thousands)

The following are the subsequent events for the Commission related to the warrants outstanding.

Governmental Activities

Limited Obligation School Warrants

Subsequent to the fiscal year ended September 30, 2014, the Commission requested U.S. Bank, the Trustee for the LO Series 2004-A Warrants, to transfer excess funds included in the LO Series 2004 Reserve Fund of $3,878 to the Debt Service Reserve Fund for the LO Series 2004-A Warrants, pursuant to Section 14.3 of the LO Series 2004-A Trust Indenture.

NOTE T - SUBSEQUENT EVENTS - Continued

On October 31, 2014, the Commission provided U.S. Bank, as Trustee for the LO Series 2005-A Warrants, an official directive to credit the principal amount scheduled for redemption on January 1, 2015 in the amount of $6,350,000, in accordance with Section 2.1(f) of the First Supplemental Indenture of the LO School Warrants Trust Indenture.

The debt covenants for the 2013 Sewer Warrants required maintenance of rates, including compliance with the Rate Resolution, included as part of the Plan of Adjustment (Note A – Bankruptcy and Restructuring) and the 2013 Sewer Indenture (Note J – Warrants Payable). The Commission implemented sewer user charge increases effective November 1, 2014, in compliance with the Rate Resolution, discussed further in Note J - Warrants Payable.

NOTE U - SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* (GASB 68) in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement and Statement No 67, *Financial Reporting for Pension Plans*, establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The provisions of this statement are effective for fiscal years beginning after June 15, 2014. The Commission is currently evaluating the impact that this statement will have on its financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is effective for the Commission beginning with the fiscal year ending September 30, 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* includes a variety of transactions referred to as mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. This statement provides guidance for disposals of government operations that have been transferred or sold. This statement also requires additional disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The effect of the implementation of this statement on the Commission's financial statements has not been determined.

NOTE U - SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS - Continued

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date*, which is an amendment of GASB 68 and is effective simultaneously with the provisions of GASB 68. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in GASB 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that statement by employers and nonemployer contributing entities. This statement amends paragraph 137 of GASB 68. At the beginning of the period in which the provisions of GASB 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for the deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. The Commission is currently evaluating the impact that this statement will have on its financial statements.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to improve accounting and financial reporting by addressing issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015. As such, the Commission has not implemented the provisions in the 2014 financial statements and is currently assessing the impact of the guidance on its financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 88,943	$ 89,958	$ 91,327	$ 91,327
Licenses and permits	9,444	10,234	10,213	10,213
Intergovernmental	21,387	17,964	17,582	17,582
Charges for services, net	42,917	35,282	29,254	29,254
Miscellaneous	584	913	6,462	6,462
Interest and investment income	725	756	156	156
	164,000	155,107	154,994	154,994
Expenditures				
Current:				
General government	105,461	104,008	87,018	87,018
Public safety	56,947	56,162	65,239	65,239
Highway and roads	3,295	3,250	-	-
Education - other	-	-	-	-
Capital outlay	-	-	40	40
Indirect expenses	-	-	(6,696)	(6,696)
Debt service:				
Principal retirement	-	-	228	228
Interest and fiscal charges	-	-	27	27
	165,703	163,420	145,856	145,856
Excess (Deficiency) of Revenues over Expenditures	(1,703)	(8,313)	9,138	9,138
Other Financing Sources (Uses)				
Sale of capital assets, net	-	-	120	120
Transfers in	-	-	481	481
Transfers out	-	-	(1,279)	(1,279)
	-	-	(678)	(678)
Net Changes in Fund Balances	(1,703)	(8,313)	8,460	8,460
Fund Balances - beginning of year	119,535	119,535	119,535	119,535
Fund Balances - end of year	$ 117,832	$ 111,222	$ 127,995	$ 127,995

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - LIMITED OBLIGATION SCHOOL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ -	$ -	$ 97,242	$ 97,242
Interest and investment income	94,000	94,000	80	80
	94,000	94,000	97,322	97,322
Expenditures				
General government	100	100	178	178
Education - other	-	-	21,312	21,312
Debt service:				
Principal retirement	48,799	60,415	60,000	60,000
Interest and fiscal charges	44,973	33,283	31,759	31,759
	93,872	93,798	113,249	113,249
Excess (Deficiency) of Revenues Over Expenditures and Net Changes in Fund Balances	128	202	(15,927)	(15,927)
Fund Balances - beginning of year	172,552	172,552	172,552	172,552
Fund Balances - end of year	$ 172,680	$ 172,754	$ 156,625	$ 156,625

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - INDIGENT CARE FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 46,877	$ 46,877	$ 47,812	$ 47,812
Charges for services, net	-	-	179	179
Miscellaneous	-	-	1,339	1,339
Interest and investment income	-	-	8	8
	46,877	46,877	49,338	49,338
Expenditures				
Health and welfare	47,243	40,692	43,300	43,300
Indirect expenses	-	-	2,425	2,425
Principal retirement	-	-	25	25
Excess of Revenues over Expenditures	(366)	6,185	3,588	3,588
Other Financing Sources (Uses)				
Transfers in	-	-	1,080	1,080
Net Changes in Fund Balances	(366)	6,185	4,668	4,668
Fund Balances - beginning of year	8,997	8,997	8,997	8,997
Fund Balances - end of year	$ 8,631	$ 15,182	$ 13,665	$ 13,665

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - BRIDGE AND PUBLIC BUILDING FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	(In Thousands)			
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final	Budgetary Basis	GAAP Basis
Revenues				
Taxes	$ 42,000	$ 42,000	$ 41,830	$ 41,830
Intergovernmental	-	-	768	768
Interest and investment income	-	-	75	75
	42,000	42,000	42,673	42,673
Expenditures				
Highway and roads	-	-	4,000	4,000
	-	-	4,000	4,000
Excess of Revenues over Expenditures	42,000	42,000	38,673	38,673
Other Financing Sources (Uses)				
Transfers out	-	-	(38,673)	(38,673)
	-	-	(38,673)	(38,673)
Net Changes in Fund Balances	42,000	42,000	-	-
Fund Balances - beginning of year	-	-	-	-
Fund Balances - end of year	$ 42,000	$ 42,000	$ -	$ -

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
SCHEDULE OF FUNDING PROGRESS - DEFINED BENEFIT PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS PLAN
(UNAUDITED)
SEPTEMBER 30, 2014

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The actuarial information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

Schedule of Funding Progress for Defined Benefit Pension Plan

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a Percentage of Covered Payroll [(b-a)/c]
10/01/14	$ 1,005,020	$ 952,158	$ (52,862)	105.55%	$ 109,723	(48.2%)
10/01/13	955,105	929,234	(25,871)	102.78%	107,002	(24.2%)
10/01/12	931,093	913,822	(17,271)	101.89%	118,896	(14.5%)

Schedule of Funding Progress for Other Postemployment Benefits Plan

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a Percentage of Covered Payroll [(b-a)/c]
09/30/14	$ -	$ 77,272	$ 77,272	0%	$ 109,723	70.4%
09/30/13	-	64,638	64,638	0%	107,002	60.4%
09/30/11	-	80,163	80,163	0%	138,971	57.7%

See independent auditors' report.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY COMMISSION
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
(IN THOUSANDS)

ASSETS	Community Development Fund	Debt Service Fund	Capital Improvements Fund	Public Building Authority	Road Construction Fund	Home Grant Fund	Road Fund	Senior Citizens Services	Total Nonmajor Governmental Funds
Cash and investments	$ -	$ 8,105	$ 48,603	$ -	$ 2,582	$ (35)	$ 14,931	$ 341	$ 74,527
Accounts receivable, net	-	-	4	-	-	-	54	-	58
Tax receivable, net, highway and roads	-	-	-	-	-	-	16,943	-	16,943
Due from (to) other governments	-	-	-	-	-	267	(7,067)	-	(6,800)
Loans receivable, net	1,305	-	-	-	-	65	-	-	1,370
Restricted assets	-	4,400	-	8,751	-	-	1,936	-	15,087
Advances due from (to) other funds	(238)	11,654	-	-	(823)	(16)	-	-	10,577
	$ 1,067	$ 24,159	$ 48,607	$ 8,751	$ 1,759	$ 281	$ 26,797	$ 341	$ 111,762
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	$ 835	$ -	$ 1,198	$ 21	$ 246	$ 219	$ 706	$ 313	$ 3,538
Deposits payable	-	-	-	-	-	-	1,609	-	1,609
Unearned revenue	871	-	-	-	-	149	623	-	1,643
Accrued wages and benefits	28	-	-	-	-	2	199	28	257
Accrued interest	-	4,353	-	1,754	-	-	-	-	6,107
Retainage payable	-	-	161	-	-	-	225	-	386
Estimated liability for compensated absences	-	-	-	-	-	-	51	-	51
Estimated claims liability	-	-	-	-	-	-	113	-	113
Total Liabilities	1,734	4,353	1,359	1,775	246	370	3,526	341	13,704
Deferred Inflows of Resources									
Property taxes	-	-	-	-	-	-	16,175	-	16,175
Fund Balances									
Nonspendable	-	11,654	-	-	-	-	-	-	11,654
Restricted	-	-	-	8,751	1,513	(89)	7,096	-	17,271
Committed	-	-	-	-	-	-	-	-	-
Assigned	1,279	8,152	47,248	-	1,389	364	634	417	59,483
Unassigned	(1,946)	-	-	(1,775)	(1,389)	(364)	(634)	(417)	(6,525)
	(667)	19,806	47,248	6,976	1,513	(89)	7,096	-	81,883
	$ 1,067	$ 24,159	$ 48,607	$ 8,751	$ 1,759	$ 281	$ 26,797	$ 341	$ 111,762

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, 2014
(IN THOUSANDS)

	Community Development Fund	Debt Service Fund	Capital Improvements Fund	Public Building Authority	Road Construction Fund	Home Grant Fund	Road Fund	Senior Citizens Services	Total Nonmajor Governmental Funds
Revenues									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,174	$ -	$ 16,174
License and permits	-	-	-	-	-	-	1,994	-	1,994
Intergovernmental	2,373	-	-	-	-	869	473	3,591	7,306
Charges for services, net	-	-	-	-	2,359	-	-	-	2,359
Miscellaneous	11	-	-		(11)	-	107	201	308
Interest and investment income	-	3	46	16	2	(13)	29	-	83
	2,384	3	46	16	2,350	856	18,777	3,792	28,224
Expenditures									
Current:									
General government	3,037	-	1,926	4	-	1,048	3	-	6,018
Highway and roads	-	-	-	(4,000)	-	-	14,869	-	10,869
Health and welfare	14	-	-	-	-	-	-	5,071	5,085
Capital outlay	-	-	12,346	-	837	-	606	-	13,789
Debt service:									
Principal retirement	-	18,665	-	4,590	-	-	-	-	23,255
Interest and fiscal charges	-	9,174	-	3,634	-	-	-	-	12,808
	3,051	27,839	14,272	4,228	837	1,048	15,478	5,071	71,824
Excess (Deficiency) of Revenues over Expenditures	(667)	(27,836)	(14,226)	(4,212)	1,513	(192)	3,299	(1,279)	(43,600)
Other Financing Sources									
Transfers in (out)	-	25,454	9,752	(481)	-	0	-	1,279	36,004
	-	25,454	9,752	(481)	-	-	-	1,279	36,004
Extraordinary item									
Gain on bankruptcy	-	22,188	-	-	-	-	-	-	22,188
Net Changes in Fund Balances	(667)	19,806	(4,474)	(4,693)	1,513	(192)	3,299	-	14,592
Fund Balances - beginning of year	-	-	51,722	11,669	-	103	3,797	-	67,291
Fund Balances - end of year	$ (667)	$ 19,806	$ 47,248	$ 6,976	$ 1,513	$ (89)	$ 7,096	$ -	$ 81,883

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF NET POSITION -
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2014
(IN THOUSANDS)

ASSETS	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Current Assets			
Cash and investments	$ 146	$ 2,167	$ 2,313
Accounts receivable, net	309	70	379
Due to other governments	-	(1,300)	(1,300)
Total Current Assets	455	937	1,392
Noncurrent Assets			
Restricted assets	247	-	247
Advances due to other funds	(11,654)	(15,553)	(27,207)
Capital assets:			
Depreciable assets, net	19,658	3,410	23,068
Nondepreciable assets	7,907	12,557	20,464
	16,158	414	16,572
	$ 16,613	$ 1,351	$ 17,964

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LIABILITIES AND NET POSITION	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Current Liabilities			
Accounts payable	$ -	$ 8	$ 8
Accrued wages and benefits	131	-	131
Total Current Liabilities	131	8	139
Noncurrent Liabilities			
Estimated liability for landfill closure and postclosure care costs	11,611	-	11,611
Total Liabilities	11,742	8	11,750
Net Position			
Net investment in capital assets	27,565	15,967	43,532
Restricted for:			
Closure and postclosure care	247	-	247
Unrestricted	(22,941)	(14,624)	(37,565)
	$ 4,871	$ 1,343	$ 6,214

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JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)

	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Operating Revenues			
Other operating revenue	$ 1,170	$ 67	$ 1,237
	1,170	67	1,237
Operating Expenses			
Salaries	-	241	241
Employee benefits and payroll taxes	20	18	38
Utilities	21	24	45
Outside services	17	97	114
Office expenses	-	113	113
Depreciation	1,797	292	2,089
Closure and postclosure care	662	-	662
Indirect expenses	20	-	20
Miscellaneous	4	5	9
	2,541	790	3,331
Operating Loss	(1,371)	(723)	(2,094)
Nonoperating Revenues (Expenses)			
Interest expense, net	(522)	(82)	(604)
Interest revenue	-	4	4
	(522)	(78)	(600)
Operating Transfers			
Transfers in	3,467	-	3,467
Change in Net Position	1,574	(801)	773
Net Position - beginning of year	3,297	2,144	5,441
Net Position - end of year	$ 4,871	$ 1,343	$ 6,214

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(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	$ -	$ 59	$ 59
Cash payments to employees	111	(259)	(148)
Cash payments for goods and services	(41)	(237)	(278)
Other receipts and payments, net	(4,863)	76	(4,787)
Net Cash Used in Operating Activities	(4,793)	(361)	(5,154)
Cash Flows from Noncapital Financing Activities			
Operating transfers in	3,467	-	3,467
Net Cash Provided by Noncapital Financing Activities	3,467	-	3,467
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(13)	(13)
Interest paid	(522)	(80)	(602)
Net Cash Used in Capital and Related Financing Activities	(522)	(93)	(615)
Cash Flows from Investing Activities			
Interest received	-	4	4
Net Cash Provided by Investing Activities	-	4	4
Change in Cash and Investments	(1,848)	(450)	(2,298)
Cash and Investments - beginning of year	2,241	2,617	4,858
Cash and Investments - end of year	$ 393	$ 2,167	$ 2,560
Displayed As			
Cash and investments	$ 146	$ 2,167	$ 2,313
Restricted assets - noncurrent cash and investments	247	-	247
	$ 393	$ 2,167	$ 2,560

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)
(Continued)

	Landfill Operations Fund	Jefferson County Economic and Industrial Development Authority	Total Nonmajor Enterprise Funds
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	$ (1,371)	$ (723)	$ (2,094)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	1,797	292	2,089
Change in accounts receivable	(25)	(8)	(33)
Change in inventories	21	-	21
Change in advances due to other funds	(5,972)	81	(5,891)
Change in accounts payable	-	(3)	(3)
Change in accrued wages and benefits	131	-	131
Change in estimated liability for landfill closure and postclosure care costs	626	-	626
	(3,422)	362	(3,060)
Net Cash Used in Operating Activities	$ (4,793)	$ (361)	$ (5,154)

See independent auditors' report.

JEFFERSON COUNTY COMMISSION
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
SEPTEMBER 30, 2014
(IN THOUSANDS)

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014
City of Birmingham Revolving Loan Fund				
Assets				
Cash and investments	$ 934	$ 48	$ -	$ 982
Loans receivable, net	119	-	(46)	73
	$ 1,053	$ 48	$ (46)	$ 1,055
Liabilities				
Due to other governments	$ 1,053	$ 2	$ -	$ 1,055
Personnel Board Fund				
Assets				
Accounts receivables, net	$ 4,205	$ -	$ (4,079)	$ 126
Property and equipment, net	176	-	(10)	166
	$ 4,381	$ -	$ (4,089)	$ 292
Liabilities				
Accounts payable	$ 196	$ 143	$ -	$ 339
Accrued employee expenses	590	473	-	1,063
	$ 786	$ 616	$ -	$ 1,402
Emergency Management Agency Fund				
Assets				
Cash and investments	$ 185	$ 82	$ -	$ 267
Accounts receivables, net	3,185	-	(3,185)	-
Other receivables	86	-	(66)	20
Due from other governments	125	61	-	186
	$ 3,581	$ 143	$ (3,251)	$ 473
Liabilities				
Accounts payable	$ 30	$ 67	$ -	$ 97
Accrued employee expenses	3,290	-	(3,134)	156
	$ 3,320	$ 67	$ (3,134)	$ 253

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ADDITIONAL INFORMATION

JEFFERSON COUNTY COMMISSION
COMMISSION MEMBERS AND ADMINISTRATIVE PERSONNEL
(UNAUDITED)
SEPTEMBER 30, 2014

Commission Members As of March 24, 2015			**Term Expires**
Hon. James A. Stephens	President	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. George T. Bowman	Member	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. Sandra Little Brown	Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. David Carrington	Member	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2018
Hon. T. Joe Knight	Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2018

Administrative Personnel As of March 24, 2015		
George J. Tablack	Chief Financial Officer	Suite 810 Jefferson County Courthouse Birmingham, AL 35263
Carol Sue Nelson	County Attorney	Suite 280 Jefferson County Courthouse Birmingham, AL 35263