

**SUPPLEMENT DATED JULY 23, 2008
TO OFFICIAL STATEMENT**

**Relating to
\$114,000,000
MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BONDS, SERIES 2008
(JACKSON PUBLIC SCHOOL DISTRICT
GENERAL OBLIGATION BOND PROJECT)**

This Supplement dated July 23, 2008 is supplemental to the Official Statement dated July 9, 2008 (the "Official Statement") relating to the above-captioned Bonds (the "Bonds").

The following new subsection is added on page 16 at the end of, and as a part of, the section of the Official Statement titled "BOND INSURANCE POLICY – The Bond Insurer":

Recent Developments

On July 21, 2008, Moody's placed the Bond Insurer's "Aaa" insurance financial strength rating on review for possible downgrade due to concerns regarding elevated risks with the financial guaranty insurance market and within the Bond Insurer's insured portfolio. Moody's noted in its press release that, while the outcome of the review was uncertain, a downgrade of the Bond Insurer's insurance financial strength rating below "Aa2" was currently seen as unlikely.

In response to Moody's ratings action, the Bond Insurer stated that it "take[s] note of the concerns Moody's has expressed, and ... will work closely with [Moody's] to reestablish [the Bond Insurer's] Aaa-stable claims paying ratings." The Bond Insurer cannot give any assurance as to the outcome of the review or the timing of when such review may be completed.

OFFICIAL STATEMENT

ONE NEW ISSUE/BOOK- ENTRY ONLY

RATINGS: Insured/Underlying
Moody's: "Aaa"/"A1"

In the opinion of Dorian E. Turner, PLLC, Jackson, Mississippi, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (as defined below) is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code (as defined herein). Such exclusion is conditioned on continuing compliance with certain tax covenants of the Bank (as defined below) and the District (as defined below). In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from income taxation in the State of Mississippi. See "TAX MATTERS" herein and APPENDIX D - FORM OF OPINION OF BOND COUNSEL attached hereto.

\$114,000,000

**MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BONDS, SERIES 2008
(JACKSON PUBLIC SCHOOL DISTRICT
GENERAL OBLIGATION BOND PROJECT)**

Dated: Date of Delivery

Due: April 1, as shown on inside cover

The \$114,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2008 (Jackson Public School District General Obligation Bond Project) (the "Bonds") will be dated the date of their delivery, and will bear interest from that date to maturity in the amounts and at the rates set forth on the inside cover of this Official Statement. The Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds will not receive physical delivery of certificates representing their interests in the Bonds. Interest on the Bonds is payable April 1 and October 1 of each year, commencing on April 1, 2009. So long as DTC or its nominee is the Registered Owner (as defined herein) of the Bonds, interest, together with the principal of and premium, if any, on the Bonds will be paid directly to DTC by Trustmark National Bank, Jackson, Mississippi, as Trustee under the Indenture (as defined herein). See "DESCRIPTION OF THE BONDS - Book-Entry-Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc.



The Bonds are issued by the Bank for the principal purpose of providing funds for the purchase of the District Bond (as defined herein) being issued by the Jackson Public School District, Jackson, Mississippi (the "District"), as more fully described in this Official Statement.

The Bonds are subject to optional redemption as more particularly described herein. See "DESCRIPTION OF THE BONDS - Redemption."

THE BONDS ARE LIMITED AND SPECIAL OBLIGATIONS OF THE BANK AND ARE PAYABLE SOLELY OUT OF THE TRUST ESTATE OF THE BANK PLEDGED THEREFOR UNDER THE INDENTURE, INCLUDING THE DISTRICT BOND AND PAYMENTS DERIVED THEREFROM, AS MORE FULLY DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR LOAN OF THE CREDIT OF THE BANK, THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF UNDER THE CONSTITUTION AND LAWS OF THE STATE OF MISSISSIPPI, OR A PLEDGE OF THE FAITH, CREDIT, TAXING POWER OR MORAL OBLIGATION OF THE BANK, THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF; PROVIDED, HOWEVER, THAT THE DISTRICT BOND IS SECURED BY THE FULL FAITH, CREDIT AND TAXING POWER OF THE DISTRICT. THE SOURCES OF PAYMENT OF, AND SECURITY FOR, THE BONDS ARE MORE FULLY DESCRIBED HEREIN. THE BANK HAS NO TAXING POWER.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. PROSPECTIVE INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds are offered subject to the final approval of the legality thereof by Dorian E. Turner, PLLC, Jackson, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Bank by Balch & Bingham, LLP, Jackson, Mississippi, for the Underwriters by Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi and The May Law Firm, PLLC, Jackson, Mississippi, Co-counsel to the Underwriters, and for the District by its counsel, Joanne Nelson Shepherd, Esq., Jackson, Mississippi. ComCap Advisors, a division of Community Capital, Memphis, Tennessee and Jones Financial Group, Jackson, Mississippi, serve as Financial Advisors to the District in connection with the sale and issuance of the Bonds and the District Bond. The Bonds are expected to be available in definitive form for delivery on or about July 23, 2008.

RICE FINANCIAL PRODUCTS COMPANY

KIPLING JONES & CO.

MORGAN KEEGAN & COMPANY, INC.

Dated: July 9, 2008

STERNE AGEE & LEACH, INC.

WACHOVIA BANK, NATIONAL ASSOCIATION

MATURITY SCHEDULE

Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP
2009	\$ 1,570,000	4.000%	1.880%	60534Q5D9
2011	2,055,000	5.000	3.080	60534Q5E7
2012	2,160,000	5.000	3.290	60534Q5F4
2013	4,515,000	5.250	3.440	60534Q5G2
2014	4,755,000	5.250	3.560	60534Q5H0
2015	5,005,000	5.250	3.680	60534Q5J6
2016	5,265,000	4.500	3.790	60534Q5K3
2017	5,505,000	5.250	3.900	60534Q5L1
2018	5,795,000	5.250	4.010	60534Q5M9
2019	6,095,000	4.125	4.220	60534Q5N7
2020	6,350,000	5.500	4.250	60534Q5P2
2021	6,700,000	5.500	4.330	60534Q5Q0
2022	7,065,000	5.500	4.370	60534Q5R8
2023	7,455,000	5.500	4.410	60534Q5S6
2024	7,865,000	5.375	4.470	60534Q5T4
2025	8,290,000	5.375	4.520	60534Q5U1
2026	8,735,000	5.375	4.570	60534Q5V9
2027	9,205,000	4.500	4.680	60534Q5W7
2028	9,615,000	5.375	4.670	60534Q5X5

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFERING OF ANY SECURITY OTHER THAN THE ORIGINAL OFFERING OF THE BONDS IDENTIFIED ON THE COVER HEREOF. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THAT CONTAINED IN THIS OFFICIAL STATEMENT; AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSION OF OPINIONS HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR THE SALE OF ANY OF THE BONDS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. ALL OPINIONS, ESTIMATES OR ASSUMPTIONS, WHETHER OR NOT EXPRESSLY IDENTIFIED, ARE INTENDED AS SUCH AND NOT AS REPRESENTATIONS OF FACT. THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THEIR RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. INFORMATION HEREIN HAS BEEN OBTAINED FROM THE BANK, THE DISTRICT, DTC, THE BOND INSURER AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION IS NOT GUARANTEED BY THE UNDERWRITERS.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED BY THE BANK UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY, OTHER THAN THE BANK (TO THE EXTENT DESCRIBED HEREIN), WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE BONDS FOR SALE.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE BANK AND THE PURCHASERS OR HOLDERS OF THE BONDS. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE REASONABLE, BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING FINANCIAL SECURITY ASSURANCE INC. (THE "BOND INSURER"), CONTAINED UNDER THE CAPTION "THE BOND INSURANCE POLICY" AND APPENDIX G – SPECIMEN BOND INSURANCE POLICY HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE BOND INSURER AND THE BOND INSURER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (A) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (B) THE VALIDITY OF THE BONDS; OR (C) THE TAX EXEMPT STATUS OF THE INTEREST ON THE BONDS.

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OFFICIAL STATEMENT

\$114,000,000

**MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BONDS, SERIES 2008
(JACKSON PUBLIC SCHOOL DISTRICT
GENERAL OBLIGATION BOND PROJECT)**

INTRODUCTION

The purpose of this Official Statement, including its Appendices, is to set forth certain information concerning the sale and issuance by the Mississippi Development Bank (the "Bank") of its Special Obligation Bonds, Series 2008 (Jackson Public School District General Obligation Bond Project) (the "Bonds"), issued in the aggregate principal amount of \$114,000,000.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in this entire Official Statement, including the cover page, inside cover page and all Appendices hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement and such documents.

The Bank

The Bank was established in 1986 as a separate body corporate and politic of the State of Mississippi (the "State") for the public purposes set forth under the provisions of Sections 31-25-1 *et seq.*, Mississippi Code of 1972, as amended (the "Bank Act"). The Bank is not an agency of the State, is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bank is governed by a Board of Directors composed of nine members.

Pursuant to the Bank Act, the purpose of the Bank is to assist "local governmental units," defined in the Bank Act to be (a) any county, municipality, utility district, regional solid waste authority, county cooperative service district or political subdivision of the State, (b) the State or any agency thereof, (c) the institutions of higher learning of the State, (d) any education building corporation established for institutions of higher learning, or (e) any other governmental unit created under State law, through programs of purchasing the bonds, notes or evidences of indebtedness of such local governmental units under agreements between such local governmental units and the Bank. The Jackson Public School District, Jackson, Mississippi (the "District"), as further described in APPENDIX A hereto, is such a local governmental unit.

Sources of Payment and Security for the Bonds

The Bonds will be issued by and under and secured by an Indenture of Trust, dated the date of delivery thereof (the "Indenture"), by and between the Bank and Trustmark National Bank, Jackson, Mississippi, as Trustee (the "Trustee"). The principal of, premium, if any, and interest on any and all of the Bonds, together with any refunding bonds (the "Refunding Bonds") that may be authorized and issued by the Bank under the Indenture on a parity with the Bonds, are payable from those Funds and Accounts (as defined herein) of the Bank which, together with the general obligation bond issued by the District and designated as the \$114,000,000 Jackson Public School District, Jackson, Mississippi General Obligation Bond, Series 2008 (Capital Improvements Project) (the "District Bond"), are pledged pursuant to the Indenture for the benefit of the owners of the Bonds equally and ratably without priority.

The Bonds are limited and special obligations of the Bank and are payable solely out of the Trust Estate (as defined herein) pledged therefor under the Indenture, including the District Bond and payments derived therefrom, as more fully described herein. The Bonds do not constitute a debt, liability or loan of the credit of the Bank, the State of Mississippi or any political subdivision thereof under the constitution and laws of the State of Mississippi, or a pledge of the faith, credit, taxing power or moral obligation of the Bank, the State of Mississippi or any political subdivision thereof.

The District Bond securing the Bonds is, however, a general obligation of the District, secured by the full faith, credit and taxing power of the District.

The Bonds are secured by the pledge of the trust estate established under the Indenture (the "Trust Estate"), defined to be (a) cash and securities in the funds and accounts established by the Indenture (except the Rebate Fund, as described herein) (the "Funds" and "Accounts") and the investment earnings thereon (other than the Rebate Fund) and all proceeds thereof (except to the extent in the Rebate Fund or any amounts which are transferred from such Funds and Accounts from time to time in accordance with the Indenture), (b) the District Bond, the payments thereunder, the earnings thereon and the proceeds thereof, and (c) all other funds and accounts and monies hereinafter pledged to the Trustee as security for the Bonds by the Bank. All Bonds will be secured equally and ratably by all of the foregoing. The sources of payment for the Bonds are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and APPENDIX C hereto.

The principal of and interest on the District Bond are payable out of District revenues as explained more fully below. The District Bond is being issued pursuant to Sections 37-59-1 *et seq.*, Mississippi Code of 1972, as amended (the "School Act" and together with the Bank Act, the "Act"). The District Bond is scheduled to be purchased by the Bank with the proceeds of the Bonds. The sources of payment for the District Bond are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and APPENDIX C hereto.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. (the "Bond Insurer") will issue its municipal bond insurance policy (the "Bond Insurance Policy") for the Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policy included as APPENDIX G to this Official Statement. See "THE BOND INSURANCE POLICY" herein and APPENDIX G hereto.

Purpose of the Bonds

The Bonds are being issued to provide funds to (a) purchase the District Bond to provide funds to the District to pay the costs of the District Projects (as described in APPENDIX C hereto), and (b) pay the Costs of Issuance of the Bonds and the District Bond, including the premium for the Bond Insurance Policy.

Authority for Issuance

The Bonds are issued pursuant to the provisions of the Bank Act, the Indenture and a resolution adopted by the Board of Directors of the Bank on June 11, 2008.

Description of the Bonds

Redemption. The Bonds (or any portion thereof in integral multiples of \$5,000 each) maturing on or after April 1, 2019, are subject to optional redemption, in whole or in part, on any date on or after April 1, 2018, at par, plus accrued interest to the date of redemption.

Denominations. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Registration, Transfers, and Exchanges. The Bonds will be issued only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Bonds will not receive physical delivery of certificates representing their respective interests in the Bonds.

Payments. Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2009, and, so long as DTC or its nominee is the Registered Owner (as defined herein) of the Bonds, such interest, together with the principal of and premium, if any, on the Bonds will be paid directly to DTC by the Trustee under the Indenture. The final disbursement of such payments to the Beneficial Owners (as defined herein) of the Bonds will be the responsibility of the DTC Participants (as defined herein) and the Indirect Participants (as defined

herein), all as more fully defined and described herein under the caption "DESCRIPTION OF THE BONDS - Book-Entry-Only System."

For a more complete description of the Bonds and the basic documentation pursuant to which the Bonds are being issued, see "DESCRIPTION OF THE BONDS," "FUNDS AND ACCOUNTS," and "OPERATION OF FUNDS AND ACCOUNTS" in this Official Statement.

Tax Matters

In the opinion of Dorian E. Turner, PLLC, Jackson, Mississippi ("Bond Counsel") under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes, with such exclusion conditioned upon continuing compliance with certain tax covenants of the Bank and the District, and under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from income taxation in the State of Mississippi. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and taxpayers other than corporations. However, such interest is taken into account in determining adjusted current earnings for purposes of computing alternative minimum tax imposed on certain corporations. For a more complete description of such opinion and certain other tax consequences incident to the ownership of the Bonds, see "TAX MATTERS" in this Official Statement. See also APPENDIX D for the proposed Form of Bond Counsel Opinion.

Professionals Involved in the Offering

Trustmark National Bank, Jackson, Mississippi, will act as Trustee under the Indenture for the Bonds. ComCap Advisors, a division of Community Capital, Memphis, Tennessee and Jones Financial Group, Jackson, Mississippi, will serve as financial advisors to the District in connection with the sale and issuance of the Bonds and the District Bond. Certain proceedings in connection with the issuance of the Bonds are subject to the approval of Bond Counsel. Certain legal matters will be passed upon for the Bank by Balch & Bingham, LLP, Jackson, Mississippi, for the Underwriters by Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi and The May Law Firm, PLLC, Jackson, Mississippi, and for the District by its counsel, Joanne Nelson Shepherd, Esq., Jackson, Mississippi. See "LEGAL MATTERS" and "FINANCIAL ADVISORS" in this Official Statement.

Offering and Delivery of the Bonds

Rice Financial Products Company, as representative of itself, Kipling Jones & Co., Morgan Keegan & Company, Inc., Sterne Agee & Leach, Inc. and Wachovia Bank, National Association (collectively, the "Underwriters"), has agreed to purchase all of the Bonds subject to certain conditions set forth in a Bond Purchase Agreement by and among the Underwriters, the Bank and the District (the "Bond Purchase Agreement"). The Bonds are expected to be available in definitive form for delivery in New York, New York on or about July 23, 2008.

Risks to the Owners of the Bonds

There are certain risks involved in the ownership of the Bonds which should be considered by prospective purchasers. The ability of the Bank to pay principal of, premium, if any, and interest on the Bonds depends primarily upon the receipt by the Bank of payments on the District Bond (the "District Bond Payments") from the District, which is obligated to make such payments to the Bank, together with investment earnings on certain amounts in the Funds and Accounts. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS" in this Official Statement. Failure of the Bank and/or the District to comply with certain tax covenants may also adversely affect the tax exempt status of the interest on the Bonds. See "RISKS TO THE OWNERS OF THE BONDS" in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and certain information contained herein is subject to change.

Copies of other documents and information are available, upon request, and upon payment to the Bank of a charge for copying, mailing, and handling, from William T. Barry, Executive Director, Mississippi Development Bank, 735 Riverside Drive, Suite 300, Jackson, Mississippi 39202, telephone (601) 355-6232.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE BANK, THE DISTRICT, DTC, THE BOND INSURER AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE BANK OR THE DISTRICT SINCE THE DATE HEREOF.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

Format of Official Statement

There follows in this Official Statement a description of the Bank, the security and sources of payment for the Bonds and summaries of certain provisions of the Bonds, the Indenture, the District Bond and certain provisions of the Act. All discussions of the Act and the Indenture are qualified in their entirety by reference to the Act and the Indenture, copies of which are available from the Bank, and all discussions of the Bonds are qualified in their entirety by reference to their definitive form and the information with respect to the Bonds contained in the Indenture.

Certain information relating to the District is set forth in APPENDIX A, certain financial information relating to the District is set forth in APPENDIX B, a description of the District Bond is set forth in APPENDIX C, the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in APPENDIX D, certain definitions of certain terms used in this Official Statement and summaries of certain provisions of the Indenture are set forth in APPENDIX E, the form of the continuing disclosure agreement of the Bank, the District and the Trustee is set forth in APPENDIX F and the form of the Bond Insurance Policy is set forth in APPENDIX G. Each of the Appendices to this Official Statement is an integral part of this Official Statement and should be read in its entirety by any and all owners or prospective owners of the Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable only out of the Trust Estate. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, premium, if any, and interest on all of the Bonds. The Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof under the constitution of the State or a pledge of the faith, credit and taxing power or moral obligation of the State or any political subdivision thereof; provided, however, that the District Bond is secured by the full faith, credit and taxing power of the District. The Bank has no taxing power. The sources of payment of, and security for, the Bonds are more fully described below.

Under the Indenture, the Bonds are secured by a pledge to the Trustee of the District Bond and all District Bond Payments, together with all earnings thereon and all proceeds thereof. In addition, the Indenture pledges to the payment of the Bonds all proceeds of the Trust Estate, including, without limitation, all cash and securities held in the Funds and Accounts, except for the Rebate Fund, together with investment earnings thereon (other than the

Rebate Fund) and proceeds thereof (except to the extent in the Rebate Fund or any amounts which are transferred from such Funds and Accounts under the Indenture), and all other funds, accounts and moneys pledged by the Bank to the Trustee as security under the Indenture, to the extent of any such pledge.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed by the Bond Insurance Policy to be issued by the Bond Insurer simultaneously with the delivery of the Bonds. See "THE BOND INSURANCE POLICY" herein.

The District and the District Bond

From the proceeds of the Bonds, the Bank intends to purchase and, upon purchase, will pledge to the Trustee the District Bond of the District, all as described in APPENDIX C.

Provisions for Payment of the District Bond

The District Bond will be a general obligation of the District. The District Bond Resolution (as defined herein) provides that the District is unconditionally obligated to make payments secured by the full faith and credit of the District in an aggregate amount sufficient, with any other funds available therefor, for the payment in full of the principal of, premium, if any, and interest on all Bonds issued and Outstanding (as defined herein) under the Indenture, to the date of payment thereof, and certain costs, expenses and charges of the Bank and the Trustee.

In the District Bond Resolution, the District covenants to levy a direct, continuing special tax upon all of the taxable property within the geographical limits of the District, adequate and sufficient, after allowance shall have been made for the expenses of collection and delinquencies in the payment of taxes, to produce sums required for the payment of the principal of, premium, if any, and the interest on the District Bond and any additional obligations of the District under the District Bond Resolution. Said tax shall be extended upon the tax rolls and collected in the same manner and at the same time as other taxes of the District are collected, and the rate of tax which shall be so extended shall be sufficient in each year fully to produce the sums required as aforesaid, without limitation as to time, rate or amount. The avails of said tax are irrevocably pledged in the District Bond Resolution for the payment of the principal of, premium, if any, and interest on the District Bond and any additional obligations of the District as the same shall respectively mature and accrue.

The District Bond will never, within the meaning of any constitutional or statutory limitation, be a debt, liability, or obligation of the State or any political subdivision of the State other than the District, and neither the full faith and credit nor taxing power or moral obligation of the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, and interest on the District Bond; provided, however, that the District Bond is secured by the full faith, credit and taxing power of the District. The District Bond initially issued under the District Bond Resolution shall be issued for the purposes of providing funds to finance the costs of the District Projects (as described in APPENDIX C).

See APPENDIX C - INFORMATION CONCERNING THE DISTRICT BOND for further description of the District Bond.

RISKS TO THE OWNERS OF THE BONDS

General

The Bonds will be payable solely from the payments to be made by the Bank under the Indenture. Pursuant to the Indenture, such payments are limited to District Bond Payments payable by the District on the District Bond pursuant to the District Bond Resolution. No reserve fund has been established for the payment of debt service on the Bonds or the District Bond. Purchasers of the Bonds are advised of certain risk factors with respect to the purchase and ownership of the District Bond.

In addition, purchasers of the Bonds are advised of certain additional information in connection with the District as set forth in APPENDIX A and APPENDIX B.

District Bond

The ability of the Bank to pay principal of, premium, if any, and interest on the Bonds depends primarily upon the receipt by the Bank of District Bond Payments from the District which is obligated under the District Bond Resolution to make such payments to the Bank, together with earnings on the amounts in the Funds and Accounts (except for the Rebate Fund) sufficient to make such payments. There is no Fund or Account which is required to contain amounts to make up for any deficiencies in the event of one or more defaults by the District in making such District Bond Payments, and there is no source from which the General Account (as defined herein) will be replenished except from the District Bond Payments and investment income on moneys in the Funds and Accounts (except for the Rebate Fund), and further, no reserve fund is created in the Indenture or the District Bond Resolution to pay debt service on the Bonds or the District Bond. For a description of the District and the District Bond, see APPENDIX A, APPENDIX B and APPENDIX C. For a description of procedures for providing for the payment of the District Bond, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Provisions for Payment of the District Bond."

Tax Covenants

The Bank has covenanted under the Indenture that it will comply with certain requirements under the Code (as defined herein) to ensure continuing exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the Bank to comply with such covenants could cause the interest on the Bonds to be taxable retroactive to the date of issuance of the Bonds. Further, the District has covenanted in the District Bond Resolution that it will comply with certain requirements under the Code to ensure continuing exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such requirements could cause the interest on the Bonds to be taxable retroactive to the date of issuance of the Bonds. See "TAX MATTERS" herein.

Remedies; Litigation; Bankruptcy

The remedies available to the Trustee, to the Bank or to the owners of the Bonds upon an event of default (an "Event of Default") under the Indenture or under the terms of the District Bond purchased by the Bank are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically 11 U.S.C. Sections 101 *et seq.* (the "Bankruptcy Code"), the remedies provided in the Indenture and under the District Bond may not be readily available or may be limited.

The pledge of the full faith, credit and taxing power for payment of the District Bond granted by the District in the District Bond Resolution may be limited by a number of factors, including the ability to collect levied taxes. Under current law, such a pledge and assignment as attempted to be effected by the District Bond Resolution may be further limited by the following: (a) statutory liens; (b) rights arising in favor of the United States of America or any agency thereof; (c) prohibitions against assignments set forth in federal statutes; (d) constructive trusts, equitable liens or other rights which might be impressed or conferred by any state or federal court in the exercise of equitable jurisdiction; (e) the Bankruptcy Code, affecting taxes and other revenues of the District received within 90 days preceding and after any effectual institution of bankruptcy, liquidation or reorganization proceedings by or against the District; (f) rights of third parties in revenues converted to cash and not in the possession of the Trustee; and (g) sales, liens and/or pledges made by the District. If an Event of Default does occur, it is uncertain that the Trustee could successfully obtain an adequate remedy at law or in equity.

Furthermore, if a bankruptcy court concludes that the Trustee has "adequate protection," it may enter orders affecting the security of the Trustee, including orders providing for the substitution, subordination and sale of the security of the Trustee. In addition, a reorganization plan may be adopted even though it has not been accepted by the Trustee if the Trustee is provided with the benefit of its original lien or the "indubitable equivalent." Thus, in the event of the bankruptcy of the District, the amount realized by the Trustee may depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the District Bond Resolution and the District Bond or related documents that make bankruptcy and related proceedings by the District an event of default thereunder. All of these events would adversely affect the payment of debt service on the Bonds.

Failure to Compel the Levy of Taxes on the District Bond

The District Bond will be a general obligation of the District payable as to principal, premium, if any, and interest out of and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually, without limitation as to rate or amount, upon the taxable property within the geographical limits of the District. The District will levy annually a special tax upon all taxable property within the geographical limits of the District, adequate and sufficient to provide for the payment of the principal of, premium, if any, and the interest on the District Bond as the same falls due.

The qualified electors of the State of Mississippi voted in a general election held on November 7, 1995, to amend the Mississippi Constitution of 1890 to add the following new Section 172A (the "Amendment"):

SECTION 172A. Neither the Supreme Court nor any inferior court of this state shall have the power to instruct or order the state or any political subdivision thereof, or an official of the state or any political subdivision, to levy or increase taxes.

The Amendment does not affect the underlying obligation of the District to pay the principal of and interest on the District Bond as it matures and becomes due, nor does it affect the obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect remedies of a holder of the District Bond in the event of a payment default, it potentially prevents such holder from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the District Bond in a court of the State of Mississippi. It is not certain whether the Amendment would affect the right of a federal court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to the holder of the District Bond in the event of a payment default with respect to the District Bond. For example, such holder can seek a writ of mandamus to compel the District to use any legally available moneys to pay the debt service on the District Bond, and if such writ of mandamus is issued and public officials fail to comply with such writ, then such public officials may be held in contempt of court. In addition, pursuant to Mississippi Constitution Section 175, all public officials who are guilty of willful neglect of duty may be removed from office.

DESCRIPTION OF THE BONDS

General Description

The Bonds are issuable under the Indenture as fully registered bonds. When issued, the Bonds will be registered in the name of and held by Cede & Co., as nominee for DTC. Purchases of beneficial interests from DTC in the Bonds will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually beginning on April 1, 2009, and on each April 1 and October 1 thereafter (each, an "Interest Payment Date"). Interest will be calculated on the basis of a 360-day year consisting of twelve thirty-day months.

The Bonds will be dated the date of their delivery. If any Bond is authenticated on or prior to April 1, 2009, it will bear interest from the date of delivery thereof. Each Bond authenticated after April 1, 2009, will bear interest from the most recent date on which interest was payable and has been paid on or prior to the date of authentication of such Bond, unless such Bond is authenticated after the fifteenth day of the calendar month preceding an Interest Payment Date (the "Record Date") and on or prior to the next following Interest Payment Date, in which case such Bond will bear interest from such following Interest Payment Date.

So long as DTC or its nominee is the Registered Owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly by the Trustee by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC Participants will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants and the Indirect Participants.

If the Bonds are no longer in a book-entry-only system, the principal of the Bonds will be payable upon maturity or redemption at the principal corporate trust office of the Trustee in Jackson, Mississippi, and interest on

the Bonds will be paid by check of the Trustee dated the due date and mailed or delivered on or before the Business Day prior to each Interest Payment Date to the Registered Owners of record as of the close of business on the most recent Record Date or, by wire transfer to the Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds, at the written election of such Registered Owner delivered to the Trustee at least one Business Day prior to the Record Date for which such election will be effective, or by such other method as is acceptable to the Trustee.

Book-Entry Only System

The Bank determined that it will be beneficial to have the Bonds held by a central depository system and to have transfers of the Bonds affected by book-entry on the books of DTC as such central depository system. Accordingly, Beneficial Ownership interests in the Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of Beneficial Ownership interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their interests in the Bonds purchased.

The information provided under this caption has been provided by DTC. No representation is made by the Bank, the District, the Underwriters, the Bond Insurer or the Trustee as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be initially issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by the authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued for the Bonds in the aggregate principal amount of each maturity and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized

representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co., (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Trustee and/or the Bank as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bank or the Trustee, on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the District or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bank or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Bank may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates are required to be printed and delivered to DTC.

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

NEITHER THE BANK, THE DISTRICT, THE BOND INSURER, THE TRUSTEE NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (c) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS; (d) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered holder of the Bonds as nominee of DTC, references herein to the Holders or holders, or registered owners of the Bonds mean Cede & Co. and not the Beneficial Owners of the Bonds.

Redemption

Optional Redemption. The Bonds (or any portions thereof in integral multiples of \$5,000 each) maturing on or after April 1, 2019, are subject to optional redemption, in whole or in part, in principal amounts and maturities selected by the Bank, on any date on or after April 1, 2018, at par, plus accrued interest to the date of redemption. Under the Indenture, selection of Bonds to be redeemed within a maturity will be made by lot by the Trustee. In accordance with DTC's standard practices and its agreement with the Bank, DTC and the DTC Participants will make this selection so long as the Bonds are in book-entry form.

Notice of Redemption. Notice of the call for any redemption, identifying the Bonds to be redeemed (which may be a conditional notice of redemption), shall be given by the Trustee by mailing a copy of the redemption notice by registered or certified mail at least 30 days but not more than 45 days prior to the date fixed for redemption to the Underwriters and to the Registered Owner of each Bond to be redeemed at the address shown on the Bond Register (as defined herein). Failure to give such notice by mailing to any Bondholder or any defect in such notice shall not affect the validity of any proceeding for the redemption of any other Bonds. So long as DTC or its nominee is the Registered Owner of the Bonds, notice of the call for any redemption will be given to DTC, and not directly to Beneficial Owners. See the caption, "DESCRIPTION OF THE BONDS — Book-Entry-Only System."

Redemption Payments. The Trustee is authorized and directed under the Indenture to apply funds deposited with the Trustee by the Bank in an amount sufficient to pay the Redemption Price of the Bonds or portions thereof called, together with accrued interest thereon to the redemption date. After the redemption date, if proper notice of redemption by mailing has been given and sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Bonds that have been called for redemption.

APPLICATION OF THE PROCEEDS OF THE BONDS

The proceeds of the sale of the Bonds which is equal to \$121,250,788.80 will be applied as follows:

Sources of Funds

Par Amount of Bonds	\$ 114,000,000.00
Net Original Issue Premium	<u>7,250,788.80</u>
Total Sources of Funds	\$ <u>121,250,788.80</u>

Uses of Funds

Deposit to General Fund, Purchase Account for Purchase of the District Bond	\$ 119,291,129.20
For Payment of Costs of Issuance*	<u>1,959,659.60</u>
Total Uses of Funds	\$ <u>121,250,788.80</u>

* Includes payments for Costs of Issuance, which include but are not limited to, legal fees and expenses, financial advisory fees and expenses, the premium for the Bond Insurance Policy, rating agency fees and the underwriters' discount.

DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table sets forth the estimated principal and interest requirements on the Bonds:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service on the Bonds
2009	\$ 1,570,000.00	\$ 4,057,417.78	\$ 5,627,417.78
2010		5,827,000.00	5,827,000.00
2011	2,055,000.00	5,827,000.00	7,882,000.00
2012	2,160,000.00	5,724,250.00	7,884,250.00
2013	4,515,000.00	5,616,250.00	10,131,250.00
2014	4,755,000.00	5,379,212.50	10,134,212.50
2015	5,005,000.00	5,129,575.00	10,134,575.00
2016	5,265,000.00	4,866,812.50	10,131,812.50
2017	5,505,000.00	4,629,887.50	10,134,887.50
2018	5,795,000.00	4,340,875.00	10,135,875.00
2019	6,095,000.00	4,036,637.50	10,131,637.50
2020	6,350,000.00	3,785,218.76	10,135,218.76
2021	6,700,000.00	3,435,968.76	10,135,968.76
2022	7,065,000.00	3,067,468.76	10,132,468.76
2023	7,455,000.00	2,678,893.76	10,133,893.76
2024	7,865,000.00	2,268,868.76	10,133,868.76
2025	8,290,000.00	1,846,125.00	10,136,125.00
2026	8,735,000.00	1,400,537.50	10,135,537.50
2027	9,205,000.00	931,031.26	10,136,031.26
2028	<u>9,615,000.00</u>	<u>516,806.26</u>	<u>10,131,806.26</u>
Total	\$ <u>114,000,000.00</u>	\$ <u>75,365,836.60</u>	\$ <u>189,365,836.60</u>

THE MISSISSIPPI DEVELOPMENT BANK

General

The Bank was created in 1986 and is organized and existing under and by virtue of the Bank Act as a separate body corporate and politic for the public purposes set forth in the Bank Act. The Bank is not an agency of the State, is separate from the State in its corporate and sovereign capacity and has no taxing power.

The purpose of the Bank is to foster and promote, in accordance with the Bank Act, the provision of adequate markets and facilities for the borrowing of funds for public purposes and purposes of (a) any county, municipality, utility district, regional solid waste authority, county cooperative service district or political subdivision of the State, (b) the State, or any agency thereof, (c) the institutions of higher learning of the State, (d) any education building corporation established for institutions of higher learning, or (e) any other governmental unit created under State law, including the District.

THE FULL FAITH AND CREDIT AND TAXING POWER OF THE STATE ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON ANY OF THE BONDS, AND THE BONDS ARE NOT A DEBT, LIABILITY, LOAN OF THE CREDIT, MORAL OBLIGATION OR PLEDGE OF THE FULL FAITH AND CREDIT AND TAXING POWER OF THE STATE.

Under the Bank Act, the Bank is granted the power to borrow money and issue its bonds in such principal amounts as it shall deem necessary to provide funds to accomplish a public purpose or purposes of the State provided for under the Bank Act, including the purchasing of securities of local governmental units (as defined in the Bank Act) and the making of loans to such local governmental units (the "Program").

Organization and Membership of the Bank

The Bank is governed by a nine-member Board of Directors. The members of the Board of Directors are elected by the members of the Mississippi Business Finance Corporation (the "MBFC") at the time and place fixed by the MBFC's by-laws. Appointments are for terms of one year. The members of the Board of Directors are as follows:

Name	Occupation	Term*
Mack H. Brewer	Retired Jackson, Mississippi	7/01/07 – 6/30/08
Richard Devoe	CPA Devoe & Associates, Inc. Oxford, Mississippi	7/01/07 – 6/30/08
William L. Freeman, Jr.	Banker Newton, Mississippi	7/01/07 – 6/30/08
Shirley Hall	Business Owner Jackson, Mississippi	8/14/07 – 6/30/08
Gary Harkins	Real Estate Developer Brandon, Mississippi	7/01/07 – 6/30/08
Joanna P. Heidel	Consultant Jackson, Mississippi	7/01/07 – 6/30/08
Harold Lewis	Businessman Philadelphia, Mississippi	7/01/07 – 6/30/08
Dana M. Lott	Owner - Trimmings Madison, Mississippi	7/01/07 – 6/30/08
William D. Sones	President & CEO Bank of Brookhaven Brookhaven, Mississippi	7/01/07 – 6/30/08

* Members of the Board of Directors continue to serve until their successors are elected.

The operations of the Bank are administered by William T. Barry, Executive Director. He is a 1972 graduate of the University of Mississippi with a degree in Business.

Prior Bonds of Bank

The purpose of the Bank is to foster and promote, in accordance with the Bank Act, the borrowing of funds for public purposes by local governmental units. Under the Program, the Bank has previously issued bonds totaling in principal approximately \$4,131,693,000. Of such amount, approximately \$3,013,869,906.53 was outstanding as of June 1, 2008.

The full faith and credit and taxing power of the State and the Bank are not pledged to the payment of the principal of, premium, if any, and interest on any of the bonds issued or planned for issuance by the Bank; and none of such bonds are a debt, liability, loan of the credit or pledge of the full faith and credit and taxing power of the State or the Bank.

The Bank is presently considering the issuance under the Bank Act of additional special obligation bonds for other purposes authorized under the Bank Act.

PURCHASE OF THE DISTRICT BOND

The Bank has determined to purchase the District Bond of the District from the proceeds received upon the issuance of the Bonds. Upon the execution by the District of the District Bond Purchase Agreement (as defined herein) with the Bank prior to or as of the date of the approval of the sale of the Bonds to the Underwriters, the

District will be obligated to sell the District Bond to the Bank in accordance with the requirements of the Act and subject to the District Bond Purchase Agreement.

The Bank Act provides that the District Bond purchased by the Bank, upon delivery to the Bank, must be accompanied by all documentation required by the Board of Directors of the Bank, including an approving opinion of Bond Counsel. The Bank will be prepared to cause the purchase price of the District Bond to be paid to the District promptly after the receipt of the proceeds of the Bonds by the Bank. However, under the Indenture, any purchase of the District Bond is subject to the receipt by the Trustee of certain documents and opinions as described in the Indenture.

FUNDS AND ACCOUNTS

Creation of Funds and Accounts

The Indenture establishes the following special Funds and Accounts to be held by the Trustee:

- (a) General Fund - comprised of the following:
 - (i) General Account,
 - (ii) Purchase Account,
 - (iii) Redemption Account, and
 - (iv) Bond Issuance Expense Account.
- (b) Rebate Fund.

Deposit of Revenues and Other Receipts

The Trustee will deposit Revenues (as defined herein) and other receipts (except the proceeds of the Bonds, interest earnings on any amounts in the Rebate Fund and moneys received by the Bank from the sale or redemption prior to maturity of the District Bond) into the General Account based on the amount due under the District Bond Resolution for the District Bond and will deposit any moneys received from the sale or redemption prior to maturity of the District Bond into the Redemption Account of the General Fund.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

General Account. The Trustee will disburse the amounts held in the General Account for the following purposes, and, in the event of insufficient funds to make all of such required disbursements, in the following order of priority:

- (a) On or before five Business Days prior to any Interest Payment Date, to the Trustee, as paying agent for the Bonds, such amount as may be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date.
- (b) As necessary and in accordance with the Indenture, such amounts as may be necessary to pay any Program Expenses of the Bank for the Bonds.
- (c) On or before 30 days after each anniversary of the issuance of the Bonds, the amounts to be transferred to the Rebate Fund as provided in the Arbitrage Rebate Agreement.
- (d) After making all required payments under subparagraphs (a) through (c) above, the Trustee shall make a determination of the amounts reasonably expected to be received in the form of District Bond Payments in the succeeding 12 months and shall transfer all moneys in the General Account which, together with such expected receipts for the succeeding 12 months, are in excess of the amounts needed to pay principal and interest on the

Bonds within the immediately succeeding 12 month period, to the District at the request of the District with the prior written approval of the Bank and the Bond Insurer.

Bond Issuance Expense Account. Upon receipt of invoices or requisitions acceptable to the Trustee and written authorization of the Superintendent of Schools of the District and the Executive Director of the Bank, the Trustee will disburse the amounts held in the Bond Issuance Expense Account for the payment or reimbursement of the Costs of Issuance (as defined herein). On the date which is 60 days after the date of issuance of the Bonds, any amounts remaining in the Bond Issuance Expense Account will be transferred to the General Account. The premium for the Bond Insurance Policy will be paid directly by the Underwriters from the proceeds of the Bonds.

Purchase Account. Upon submission of duly authorized written requisitions of an Authorized Officer of the Bank stating that all requirements for purchases under the Act, the Indenture and the established policies of the Bank have been or will be met, the Trustee will disburse the amounts held in the Purchase Account for the purchase of the District Bond.

Redemption Account. The Trustee will deposit in the Redemption Account all moneys received upon the sale or redemption prior to maturity of the District Bond or otherwise received under the Indenture, and will disburse the funds in the Redemption Account to redeem Bonds of such maturity or maturities as directed by an Authorized Officer of the Bank if such Bonds are then subject to redemption.

Rebate Fund

Upon the direction of the Bank and in accordance with the Arbitrage Rebate Agreement, the Trustee will deposit amounts for the benefit of the Bank from the General Account into the Rebate Fund and will deposit into the Rebate Fund all income from investments in the Rebate Fund. In the event and to the extent that amounts in the Rebate Fund exceed the amounts required to be rebated to the United States of America, the Trustee will transfer such excess amounts to the General Account upon the direction of the Bank in accordance with the Indenture.

Not more than 60 days after July 23, 2013, and at intervals of every five years thereafter, upon the written direction of the Bank in accordance with the Arbitrage Rebate Agreement, the Trustee will pay to the United States of America 90% of the amount required to be paid to the United States of America as of such payment date. Not later than 60 days following the retirement of all of the Bonds, upon the written direction of the Bank, the Trustee will pay to the United States of America the amount to be paid to the United States of America in accordance with the Arbitrage Rebate Agreement. Each payment to the United States of America will be accompanied by a statement of the Bank summarizing the determination of the amount of such payment, together with copies of any reports originally filed with the Internal Revenue Service with respect to the Bonds and the District Bond.

With respect to the Rebate Fund, the Bank may direct the Trustee to proceed other than as set forth in the Indenture and described above by delivering to the Trustee a new Arbitrage Rebate Agreement accompanied by an Opinion of Bond Counsel to the effect that the provisions of such amended Arbitrage Rebate Agreement will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Amounts Remaining in Funds

Any amounts remaining in any Fund or Account after full payment of all of the Bonds under the Indenture, all required rebates to the United States of America, Program Expenses and the fees, charges and expenses of the Trustee will be distributed to the District, except for moneys owing to the Bank and the Bond Insurer, which moneys will be paid to such parties except as provided in the Indenture.

Investment of Funds

Any moneys held as part of any Fund or Account created under or pursuant to Article VI of the Indenture shall be invested or reinvested by the Trustee as continuously as reasonably possible in such Investment Securities as may be directed by the Bank (such direction to be confirmed in writing). All such investments shall at all times be a part of the Fund or Account in which the moneys used to acquire such investments had been deposited. The Trustee may make any and all such investments through its bond department or through the bond department of any financial institution which is an affiliate of the Trustee and may trade with itself or any of its affiliates in doing so.

Moneys in the Funds and Accounts for the Bonds may be commingled for the purpose of investment or deposit. Any investment losses shall be charged to the Fund or Account in which moneys used to purchase such investment had been deposited. For so long as the Trustee is in compliance with the provisions of Section 8.01 of the Indenture, the Trustee shall not be liable for any investment losses. Moneys in any Fund or Account shall be invested in Investment Securities with a maturity date, or a redemption date which shall coincide as nearly as practicable with the times at which moneys in such Funds or Accounts will be required for the purposes thereof. The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective Fund or Account whenever the cash balance therein is insufficient to pay the amounts contemplated to be paid therefrom at the time those amounts are to be paid. All investment income from the assets held in any Fund or Account, except for the Rebate Fund, will be deposited to the General Account.

The Bank (a) has certified in the Indenture to the owners of the Bonds from time to time Outstanding, that moneys on deposit in any Fund or Account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, are not intended to be used in a manner which will cause the interest on the Bonds to lose the exclusion from gross income for federal income tax purposes and (b) has covenanted in the Indenture with the owners of the Bonds Outstanding from time to time that, so long as any of the Bonds remain Outstanding, moneys on deposit in any Fund or Account established in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, will not be used in any manner which will cause the interest on the Bonds to become subject to federal income taxation.

For the purpose of determining the amount in any Fund or Account, all Investment Securities credited to such Fund or Account shall be valued at the lesser of (a) the average of the bid and asked prices most recently published prior to the date of determination for those Investment Securities, the bid and asked prices of which are published on a regular basis in *The Wall Street Journal*, or, if not there, in *The New York Times*; (b) the average bid price as of the date of determination by any two nationally recognized government securities dealers selected by the Trustee for those Investment Securities, the bid and asked prices of which are not published on a regular basis as set forth in Section 8.01(a) of the Indenture; or (c) par value (plus, prior to the first payment of interest following purchase, the amount of any accrued interest paid as part of the purchase price) for Investment Securities which are certificates of deposit and bankers acceptances; or (d) for all other Investment Securities, the lesser of cost or market value (exclusive of accrued interest paid as part of the purchase price after the first payment of interest following purchase); provided, however, that any repurchase agreements shall be valued at the unpaid repurchase price or principal balance, respectively, collectible pursuant thereto.

THE BOND INSURANCE POLICY

The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to APPENDIX G for a specimen of the Bond Insurance Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, the Bond Insurer will issue its Bond Insurance Policy for the Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policy included as APPENDIX G hereto.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Bond Insurer

The Bond Insurer is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or the Bond Insurer is liable for the obligations of the Bond Insurer.

At March 31, 2008, the Bond Insurer's consolidated policyholders' surplus and contingency reserves were approximately \$3,012,872,486 and its total net unearned premium reserve was approximately \$2,419,501,630 in accordance with statutory accounting principles. At March 31, 2008, the Bond Insurer's consolidated shareholder's equity was approximately \$3,053,752,711 and its total net unearned premium reserve was approximately \$1,882,057,335 in accordance with generally accepted accounting principles.

The consolidated financial statements of the Bond Insurer included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of the Bond Insurer included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Bond Insurance Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. The Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds. The Bond Insurer makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that the Bond Insurer has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

THE BONDS AS LEGAL INVESTMENTS

The Bonds are legal investments in which all public officers and public bodies of the State, its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations, trust companies, savings banks and savings associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons, may invest. The Bonds may properly and legally be deposited with and received by all public officers and bodies of the State or any agency or political subdivisions of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

LITIGATION

There is not now pending or, to the Bank's knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Bonds or prohibiting the Bank from purchasing the District Bond with the proceeds of the Bonds or in any way contesting or affecting the validity of Bonds, any proceedings of the Bank taken with respect to the sale or issuance thereof or the pledge or application of any moneys or security provided for the payment of the Bonds. Neither the creation, organization or existence of the Bank nor the title of any of the present Directors or other officers of the Bank to their respective offices is being contested.

There is not now pending or, to the knowledge of the District, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the District Bond or prohibiting the District from selling the District Bond to the Bank or in any way contesting or affecting the validity of the District Bond, any proceedings of the District taken with respect to the sale or issuance thereof or the pledge or application of any moneys or security provided for the payment of the District Bond. Neither the creation, organization or existence of the District nor the title of any of the present Trustees or other officers of the District to their respective offices is being contested.

TAX MATTERS

General

In the opinion of Dorian E. Turner, PLLC, Jackson, Mississippi ("Bond Counsel"), interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. The opinion of Bond Counsel is based on certain certifications, covenants and representations of the Bank and the District and is conditioned on continuing compliance therewith.

In the opinion of Bond Counsel, interest on the Bonds is exempt from all income taxation in the State of Mississippi under existing laws, regulations, rulings and judicial decisions.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal tax purposes. Non-compliance with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issue irrespective of the date on which such noncompliance occurs. Should the Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Bonds would be materially and adversely affected.

The Indenture and the District Bond Resolution include covenants that (a) the Bank and the District will not take or fail to take any action with respect to the Bonds if such action or omission would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds under Section 103 of the Code, and neither the Bank nor the District will act in any manner which would adversely affect such exclusion; (b) the Bank and the District will not make any investment or do any other act or thing during the period that the Bonds are Outstanding which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; and (c) if required by the Code, the Bank and the District will rebate any necessary amounts to the United States of America. It is not an event of default under the Indenture if interest on the Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code.

Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and taxpayers other than corporations. However, such interest is taken into account in determining adjusted current earnings for purposes of computing alternative minimum tax imposed on certain corporations.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income and that the Bonds are exempt from all State of Mississippi income tax, the accrual or receipt of interest on the Bonds may otherwise affect a bondholder's federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any other such federal or state tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Bonds.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or exempted from state income taxation, or otherwise prevent bondholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Premium Bonds

The excess, if any, of the tax basis of a Bond to a purchaser (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchases such Bond as part of the initial offering over the amount payable at maturity of such Bond is "Bond Premium." Bond Premium is amortized over the term of such Bond for federal income tax purposes (or, in the case of a Bond with Bond Premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). No deduction is allowed for such amortization of Bond Premium; however, the regulations promulgated under the Code provide that Bond Premium is treated as a reduction to the cost basis. Owners of such Bonds are required to decrease their adjusted basis in such Bonds by the amount of amortizable Bond Premium attributable to each taxable year such Bonds are held. Owners of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the

treatment of Bond Premium upon sale or other disposition of such Bonds. Owners of such Bonds should also consult their tax advisors with respect to state and local tax consequences of owning and disposing of such Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds by the Bank are subject to the approval of Bond Counsel, whose approving opinion will be delivered concurrently with the delivery of the Bonds. Certain legal matters will be passed upon for the Bank by Balch & Bingham, LLP, Jackson, Mississippi, counsel to the Bank, for the Underwriters by Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi and The May Law Firm, PLLC, Jackson, Mississippi, and for the District by its counsel, Joanne Nelson Shepherd, Esq., Jackson, Mississippi.

Bond Counsel is also serving as bond counsel for the District, in connection with the issuance and sale of the District Bond.

The remedies available to the Trustee, to the Bank or to the owners of the Bonds upon an event of default under the Indenture or under the terms of the District Bond purchased by the Bank are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the Bankruptcy Code, the remedies provided in the Indenture and under the District Bond may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the State and the United States of America.

CONTINUING DISCLOSURE

On November 10, 1994, the Securities and Exchange Commission (the "Commission") amended Rule 15c2-12 which was originally adopted by the Commission in 1989 under the Securities Exchange Act of 1934 and set forth certain disclosure requirements relating to a primary offering of municipal securities. The amendments to Rule 15c2-12, added to the existing disclosure obligations relating to municipal securities by requiring that, prior to purchasing or selling municipal securities, brokers, dealers and municipal securities dealers must reasonably determine that the issuer of such municipal securities, together with any other "obligated persons," within the meaning of Rule 15c2-12, have entered into an undertaking for the benefit of bondholders to make certain information available to bondholders on a continuing basis. The Bank and the District are "obligated persons" with respect to the Bonds within the meaning of Rule 15c2-12.

The District and the Bank will enter into a written undertaking with the Trustee for the benefit of Bondholders to deliver, or cause to be delivered, the information described herein to each "nationally recognized municipal securities information repository," within the meaning of Rule 15c2-12, and certain other entities described in Rule 15c2-12 (said repositories and other entities are collectively referred to as the "Repositories").

In the Bank's undertaking, the Bank has agreed to deliver to the Repositories notices of certain events relating to the Bonds and the Bank, if the Bank deems such events to be material. In the District's undertaking, the District has agreed to cause to be delivered to the Repositories (a) annual financial information relating to the District and (b) notices of certain events relating to the District's undertakings if the District deems such events to be material.

For a summary of the Bank's and the District's undertakings, see APPENDIX F.

The Bank and the District are in compliance with all prior undertakings, as applicable, for all municipal securities issued by the Bank and the District, respectively.

RATINGS

Moody's has assigned a rating of "Aaa" to the Bonds based on the issuance of the Bond Insurance Policy by the Bond Insurer. Such rating is conditioned upon the issuance of the Bond Insurance Policy and reflects only the view of such organization, and an explanation of the significance of the rating may be obtained only from said rating agency. Moody's has assigned an underlying rating of "A1" to the Bonds. There is no assurance that the ratings on the Bonds will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agency rating the Bonds.

UNDERWRITING

The Bonds are being purchased by the Underwriters and the Underwriters have agreed, subject to certain conditions, to purchase all of the Bonds from the Bank at a purchase price of \$120,508,592.55 which is equal to the principal amount thereof plus a net original issue premium of \$7,250,788.80 and less an underwriters' discount of \$742,196.25. The Underwriters are obligated to purchase all the Bonds, if any are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in the Bond Purchase Agreement with respect to the Bonds, the approval of certain legal matters by counsel and certain other conditions.

FINANCIAL ADVISORS

The District has retained ComCap Advisors, a division of Community Capital, Memphis, Tennessee, and Jones Financial Group, Jackson, Mississippi, as independent financial advisors to the District (the "District Financial Advisors") in connection with the sale and issuance of the Bonds and the District Bond. In such capacity the District Financial Advisors have provided recommendations and other financial guidance to the District with respect to the preparation of documents, the preparation for the sale of the Bonds and of the time of the sale, tax-exempt bond market conditions and other factors related to the sale of the Bonds and the District Bond. Although the District Financial Advisors performed an active role in the drafting of this Official Statement, they have not independently verified any of the information set forth herein.

VALIDATION

The Bonds and the District Bond will be validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided by Sections 31-13-1 *et seq.*, Mississippi Code of 1972, as amended.

MISCELLANEOUS

The Bank's offices are located at 735 Riverside Drive, Suite 300, Jackson, Mississippi 39202, telephone (601) 355-6232.

All quotations from, and summaries and explanations of, the Act, the Indenture and the District Bond contained in this Official Statement do not purport to be complete, and reference is made to each such document or instrument for full and complete statements of its provisions. The attached Appendices are an integral part of this Official Statement and must be read together with all of the foregoing statements. Copies, in reasonable quantity, of the Act, the Indenture and the District Bond and any supplemental materials furnished to the Bank by the District, may be obtained upon written request to the Bank.

Neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement has been duly approved, executed and delivered by the Bank, and has been duly approved by the District. The Bank will provide copies of this Official Statement to be distributed to the purchasers of the Bonds.

MISSISSIPPI DEVELOPMENT BANK

By: /s/ William T. Barry
Executive Director

APPROVED:

**JACKSON PUBLIC SCHOOL DISTRICT,
JACKSON, MISSISSIPPI**

By: /s/ Dr. Earl Watkins
Superintendent of Schools

APPENDIX A
INFORMATION CONCERNING THE DISTRICT

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INFORMATION CONCERNING THE DISTRICT

General Description of the District

The Jackson Public School District, Jackson, Mississippi (the "District") is a political subdivision of the State of Mississippi (the "State") constituted as a public school district, and is a "local governmental unit" under the Act.

The District is the largest school district in the State with 59 schools: 8 high schools, 10 middle schools, 38 elementary schools, and 3 special schools (Capital City Alternative School, Career Development Center and Morrison Academic Advancement Center). Students are enrolled in grades K-12 (with 18 elementary schools offering pre-K classes). The District offers special programs for its academically and artistically talented students at its Academic and Performing Arts Complex and for health-related professional programs at Bailey Magnet High School. Eighty-seven percent (87%) of the schools in the District are rated as successful, exemplary, or superior by the Mississippi Commission on School Accreditation, and every school in the District is accredited by the Southern Association of Colleges and Schools.

Governing Body of the District

The District is governed by an appointed Board of Trustees (the "Board") that consists of five members. The Board has responsibility for setting policies for operation of the District and has full control of the distribution, allotment and disbursement of all revenues provided for the District's support and operation. In addition, the Board is responsible for organizing the schools of the District; introducing special subjects for instruction; serving as custodian of school property; erecting, repairing and equipping school facilities and improvements; maintaining pupil discipline; carrying out public health programs such as vaccination requirements; regulating the use of the schools by the public; prescribing rules and regulations for its own government and the government of the schools; maintaining and operating the schools under Board control for the time required by law; enforcing in the schools the courses of study and the use of textbooks prescribed by law; making orders directed to the Superintendent of Schools of the District for the issuance of pay certificates for lawful purposes on any available funds of the District; selecting superintendents, principals and teachers in the manner provided by law; providing and regulating athletic programs and other school activities; and performing other duties prescribed by law. The current members of the Board are as follows:

Name	Term Began	Term Expires	Profession
H. Ann Jones	6/30/2003	3/01/2008*	Retired Businesswoman
Jonathan N. Larkin	2/17/2003	3/03/2006*	Sales and Marketing Director
Delmer Stamps	3/22/2004	3/01/2009	Natural Resources Conservationist
Sollie B. Norwood	9/18/2006	3/01/2010	Community Services Director
Dr. Ivory Phillips	7/31/2007	3/01/2012	Retired Businessman

* Under State law, members of the Board serve until a replacement is confirmed by the City Council of the City (as defined herein).

Administrative power is placed with the Superintendent of Schools. The current Superintendent, Dr. Earl Watkins, has served in this position since July 1, 2002. Dr. Watkins holds a Bachelor of Science degree from Mississippi Valley State University and a Masters of Science degree and a Doctorate of Philosophy degree from Jackson State University. He has served the District as a teacher, a math curriculum coordinator, an assistant principal, a middle school principal, a high school principal and as executive principal for the Jim Hill High School feeder program. He has also been an adjunct professor at Jackson State University in the Department of Educational Foundations and Leadership since August 2000.

The Deputy Superintendent of Schools is Dr. Bonita Coleman-Potter, who has held this position since 2005. She holds a Bachelors of Arts degree from Tougaloo College, a Masters of Arts degree from the University of Mississippi and a Doctorate of Philosophy degree from Jackson State University. Prior to joining the District, Dr. Potter served as the Associate State Superintendent, Office of Academic Education at the Mississippi Department of Education.

The Chief Financial Officer and Deputy Superintendent for Operations is Michael Thomas who has held this position since January 1998. Mr. Thomas served as the Budget Director for the District from February 1994 through June 1995 and as Budget Director/Internal Auditor from July 1995 through December 1997. He holds a Bachelor of Science in Accounting from Jackson State University.

District Employment

The District employs 4,921 individuals, including 2,357 licensed employees. The average teacher salary is \$45,590.

Enrollment of the District

Enrollment figures for the District for the 2007-2008 scholastic year and for the four preceding years are as follows:

Scholastic Year	Enrollment
2007-2008	31,191
2006-2007	31,936
2005-2006	32,400
2004-2005	31,608
2003-2004	31,636

SOURCE: Jackson Public School District, June 2008.

Revenues, Expenditures and Fund Balances of the District

Revenues, expenditures, and fund balances for the District's General Fund for each of the last six years and the current fiscal year (budgeted) are shown below:

District Fiscal Year Ends June 30 th	Audited					Unaudited	Budget
	2002	2003	2004	2005	2006 ⁽¹⁾	2007	2008
Revenues (\$000)							
Local	72,236	75,252	76,469	74,681	76,164	76,858	76,517
Intermediate sources	343	-	-	-	-	-	-
State	79,164	87,759	100,495	105,612	113,677	122,777	132,696
Federal	118	18	-	1,611	2,928	2,823	2,349
Sixteenth section	-	-	-	-	-	-	-
Total Revenues	151,861	163,029	176,964	181,904	192,769	202,458	211,562
Expenditures (\$000)							
Instruction	87,505	91,701	98,481	106,412	109,896	117,560	122,316
Support services	60,657	61,839	64,645	72,988	79,520	81,864	81,482
Noninstructional	59	72	63	77	119	62	160
Sixteenth section	-	-	-	-	-	-	-
Facilities acquisition and contribution	722	587	412	215	1,729	1,333	581
Debt Service							
Principal	1,227	21,324	21,060	21,342	21,531	21,948	31,594
Interest	177	251	712	650	853	740	496
Other	4	-	-	-	-	-	-
Total Expenditures	150,351	175,774	185,373	201,684	213,648	223,507	236,629
Total Other Financing Sources	(712)	17,490	13,149	22,358	19,633	16,262	25,186
Net Change in Fund Balance	798	4,745	4,740	2,578	(1,246)	(4,787)	119
Fund Balances (\$000)							
Beginning Balance	9,907	10,394	14,496	18,793	21,494	20,181	15,394
Increase in reserve for inventory	(311)	(56)	(446)	125	-	-	-
Ending Balance	10,394	15,084	18,790	21,494	20,248	15,394	15,513
Period Adjustments	-	(588)	3	-	(67)	-	(25)
Final Ending Balance	10,394	14,496	18,793	21,494	20,181	15,394	15,488
Fund Balance % Expenditures	6.9%	8.2%	10.1%	10.7%	9.4%	6.9%	6.5%

(1) Not yet approved by State Auditor for the State of Mississippi.

General Description of the Area

The City of Jackson, Mississippi (the "City"), the county seat of the First Judicial District of Hinds County, Mississippi (the "County"), is located in the northeastern section of the County and has a land area of approximately 110 square miles. The City was named for General Andrew Jackson. On November 28, 1821, when legislation was passed to locate a permanent seat of government in the State, the City became the capital city of the State.

Today, the City is the largest municipality in the State and is considered to be the governmental, trade, financial, medical, educational and cultural center of the State. It is also known as the "Distribution Center of the Deep South" because of its strategic location at the crossroads of Dallas/Houston, Atlanta, Memphis and New Orleans.

The City is proud of its famed southern hospitality and quality of life. Community support is strong for the Mississippi Symphony Orchestra, the Mississippi Opera, the Mississippi Museum of Art, the Mississippi Natural Science Museum, the Agriculture and Forestry Museum, the Smith-Robertson Museum and Cultural Center, the Old Capitol Museum, New Stage Theatre (the State's only professional theatre) and numerous theatrical and musical performances that occur each year throughout the City. Nearby Pearl, Mississippi, is the new home to the Mississippi Braves, an Atlanta Braves farm team, and a new Bass Pro Shop.

The City is the permanent site in the United States for the International Ballet Competition, sanctioned by UNESCO, which was hosted in the City in the summers of 1982, 1986, 1990, 1998, 2002 and 2006. The City shares this honor with Varna, Bulgaria; Moscow, Russia; Helsinki, Finland; and Paris, France.

The City was chosen as the only site in the United States to host the historic "Palaces of St. Petersburg, Russian Imperial Style Exhibition" in 1996. This exhibit, held at the Mississippi Arts Pavilion, attracted 553,894 visitors. During 1998, the City hosted an exclusive European exhibition called "Splendors of Versailles", which brought 271,500 visitors to the City. In more recent years, the City has hosted the "Majesty of Spain", which drew 318,416 visitors from across the country to view masterpieces from the collections of Spain's royal palaces and the Prado Museum, and "The Glory of Baroque Dresden" exhibition, which consisted of over 300 major art works from Germany.

Population of the City

The population of the City has been recorded as follows:

1990	2000	2006*
196,637	184,256	177,026

The population of the City's MSA in 2000 was 441,982.

* Estimated.

SOURCE: United States Bureau of the Census, 2000.

City Government

The City operates under the Mayor-Council form of government. The City Council (the "Council") is comprised of seven Council members who serve part-time and are elected for four-year terms from separate districts or wards. The Mayor, who serves full time and is elected at large for a four-year term, is the head of the executive branch of the City's government, with veto power over actions of the Council (subject to override). The current Mayor and members of the Council are:

Name	Occupation/Position	Held Since	Current Term Expires
Frank Melton	Mayor	2005	July 6, 2009
Dr. Leslie McLemore	University Professor	1999	July 6, 2009
Kenneth L. Stokes	Council Member	1989	July 6, 2009
Frank Bluntson	Council Member	2005	July 6, 2009
Margaret C. Barrett-Simon	Council Member	1985	July 6, 2009
Charles Tillman	Council Member	2005	July 6, 2009
Marshand K. Crisler	Law Enforcement	2001	July 6, 2009
Jeff Weill	Council Member	2007	July 6, 2009

Transportation

Two interstate highway systems intersect in the City. Interstate Highway 55 runs north and south and connects Memphis, Tennessee, to the north and to New Orleans, Louisiana, to the south. Interstate Highway 20 runs east and west and connects Birmingham, Alabama, and Atlanta, Georgia, to the east and Dallas, Texas, to the west. U.S. Highways 49, 51 and 80, State Highways 18, 25 and 468 and a number of county highways provide access to all areas of the County and State. U.S. Highway 49 connects the City to Hattiesburg, Mississippi, and the Mississippi Gulf Coast.

Rail transportation is provided by Canadian National/Illinois Central Railroad Company, which operates two north-south lines, and Kansas City Railway Company, which operates one east-west line. Amtrak runs daily passenger service between Chicago, Illinois, and New Orleans, Louisiana. Numerous motor freight carriers are authorized to serve the City and offer interstate and intrastate shipping services.

Commercial air service is available at the Jackson-Evers International Airport (the "Airport") located approximately 10 miles east of the City in Rankin County, Mississippi. The Airport has a modern terminal and two 8,500-foot runways, has been designated as a general-purpose foreign trade zone and is a U.S. Customs Port of Entry. Private and business aircraft operate from the field's complete, fixed-base facilities. American Eagle, Delta Airlines, Delta Connection, Delta Connection Comair, Continental Airlines, US Air, Northwest Airlines and Southwest Airlines offer non-stop flights to Atlanta, Baltimore, Charlotte, Chicago, Cincinnati, Dallas/Ft. Worth, Detroit, Houston, Memphis, Orlando and Washington, D.C., with connecting service available to almost every major city in the United States. Several commuter airlines also provide service from the Airport. Air cargo carriers include United Parcel Service and DHL. Trucking cargo is provided through BAX Global. The Airport has recently undergone a \$15 million air cargo expansion program, which offers 450,000 square feet of aircraft parking and 60,000 square feet of warehousing/distribution facilities. A smaller airport, Hawkins Field, is located near the City's downtown and provides fixed-base operations for private and corporate pilots.

The nearest port, the Port of Vicksburg (the "Port"), is located 44 miles west of the City on the Mississippi River in Warren County, Mississippi. The Port, which has a channel depth of 12 feet and a width of 300 feet, is a U.S. Customs Port of Entry and a designated general-purpose foreign trade zone. More than 3,000,000 tons of cargo pass through the Port each year.

Intercity bus service is provided by Greyhound, which provides more than 40 inbound and outbound buses daily. Citywide bus service, which includes 13 fixed routes and demand response handlift services, is provided by the City through its management company, JATRAN. Several vehicle for hire service providers are located in the metropolitan area, which supply the citizens with quality taxi, limousine and shuttle services. The City recently opened the newly renovated Union Station, which is a multi-modal transportation center for Amtrak, Greyhound and JATRAN.

Population of the County

The population of the County has been recorded as follows:

1990	2000	2006*
254,441	250,800	249,016

*Estimated.

SOURCE: United States Bureau of the Census (2000).

Per Capita Income of the County

Year	County	Mississippi	United States	County as % of U.S.
2006	\$ 31,392	\$ 27,028	\$ 36,714	86%
2005	29,680	25,051	34,471	86
2004	28,481	24,009	33,090	86
2003	27,582	23,069	31,466	88
2002	26,765	22,346	30,795	87

SOURCE: Bureau of Economic Analysis: State and Local Personal Income, Regional Data Chart, May 2008.

Retail Sales of the City

Year	Total Retail Sales	No. of Taxpayers	Total Gross Sales Tax
2007	\$ 3,120,969,096	5,030	\$ 200,960,289
2006	3,336,042,431	5,076	211,597,362
2005	3,136,361,694	4,990	201,505,109
2004	3,133,946,730	4,775	201,624,034
2003	3,068,456,437	4,749	196,738,261

SOURCE: Mississippi State Tax Commission, *Annual Report, Fiscal Years Ending June 30, 2007, 2006, 2005, 2004 and 2003, respectively.*

Unemployment Statistics of the County

	2004	2005	2006	2007	2008
January	5.3%	7.1%	6.4%	5.7%	5.6%
February	4.6	6.5	5.9	5.9	5.1
March	4.6	6.3	5.4	6.3	5.2
April	4.6	6.2	5.3	5.7	5.0
May	5.6	6.8	5.6	5.1	5.9
June	6.5	7.5	6.3	6.1	--
July	6.3	6.9	6.5	6.3	--
August	6.0	6.6	5.7	5.1	--
September	6.2	6.7	5.5	5.4	--
October	6.7	7.0	5.4	5.3	--
November	6.3	6.9	5.5	5.1	--
December	<u>6.1</u>	<u>6.1</u>	<u>5.4</u>	<u>5.5</u>	--
Annual Average	5.7	6.7	5.8	5.6	--

SOURCE: Mississippi Employment Security Commission, Labor Market Information, Unemployment Rates, 2003-2007, June 2008.

Banking Institutions in the City¹

Institution	2007 Total Assets
Wachovia Bank, National Association ²	\$ 665,817,000,000
Regions Bank ²	139,765,596,000
BancorpSouth Bank ³	13,151,538,000
Trustmark National Bank	8,950,552,000
BankPlus ³	2,987,587,000
Merchants and Farmers Bank ³	1,644,130,000
State Bank & Trust Company ³	961,867,000
Community Bank of Mississippi ³	682,979,000
Crescent Bank & Trust ²	559,526,000
Liberty Bank and Trust Company ²	377,924,000
First Commercial Bank	225,461,000
Great Southern National Bank ³	247,407,000
Merchants and Planters Bank ³	83,627,000
OmniBank ³	73,626,000

¹ As of March 31, 2008.

² Home based out of State.

³ Home based outside City limits.

SOURCE: FDIC, June 2008

Construction Permits of the City

Fiscal Year Ended 9/30	Commercial Construction Permits		Residential Construction Permits	
	Number	Commercial Value	Number	Residential Value
2007	24	\$ 94,626,677	268	\$ 33,309,878
2006	32	40,567,774	125	21,229,133
2005	22	14,019,188	94	18,423,517
2004	25	42,777,008	123	25,056,935
2003	17	12,225,224	123	24,947,137

SOURCE: Deputy Directory of Administration, City of Jackson, Mississippi, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2006, June 2008.

Employment Statistics of the County

	2003	2004	2005	2006	2007
RESIDENCE BASED EMPLOYMENT					
Civilian Labor Force	122,490	124,540	123,220	121,980	122,840
Unemployed	6,850	7,140	8,280	7,020	6,900
% of Civilian Labor Force	5.6	5.7	6.7	5.8	5.6
ESTABLISHMENT BASED EMPLOYMENT					
Manufacturing	7,600	6,740	6,050	5,960	5,950
Nonmanufacturing	136,930	134,820	132,890	135,320	137,950
Natural Resources & Mining	260	290	280	320	350
Construction	5,240	5,000	5,000	5,340	5,650
Trade, Transp & Utilities	25,180	24,450	23,870	24,160	24,300
Information	4,160	3,490	3,210	2,960	2,850
Financial Activities	8,790	8,420	8,450	8,570	8,670
Professional & Bus Serv	17,930	17,820	18,160	18,810	19,590
Education & Health Serv	20,080	19,930	20,150	20,540	20,690
Leisure and Hospitality	11,650	11,160	11,110	11,470	11,650
Other Services	6,670	6,550	6,580	6,830	6,750
Government	36,970	37,710	36,080	36,320	37,450
Public Education	12,570	12,860	12,890	12,990	13,210

SOURCE: Mississippi Employment Security Commission, Annual Averages: Mississippi by Counties, 2003-2007, June 2008.

Employment Statistics of the City

	2003	2004	2005	2006	2007
RESIDENCE BASED EMPLOYMENT					
Civilian Labor Force	87,910	89,400	86,610	83,860	84,560
Unemployed	5,660	5,900	6,520	5,000	5,030
Percent of Civilian Labor Force	6.4%	6.6%	7.5%	6.0%	5.9%

SOURCE: Mississippi Employment Security Commission, Annual Averages: Mississippi by Counties, 2003-2007, June 2008.

Major Area Employers

The following is a listing of the major employers in the City's MSA, their products or services and their approximate number of employees:

Employer	Product/Service	Employees
State of Mississippi	State Government	31,556
University of Mississippi	Medical Center Academic and Health Science Center	7,200
United States Government	Federal Government	5,500
Jackson Public School District	Public Education	4,443
Nissan North America Inc.	Manufacturing: Automobiles	4,000
Baptist Health Systems	Healthcare Services	2,700
St. Dominic Health Services	Healthcare Services	2,600
Mississippi State Hospital	Psychiatric, medical/surgical, chemical dependency and nursing home care	2,500
City of Jackson	City Government	2,200
Rankin County School District	Public Education	2,000
Trustmark National Bank	Financial Services	1,600
Belk's	Department Stores	1,440
SkyTel Communications, Inc.	Wireless Communications	1,400
Jackson State University	Higher Education	1,388
River Oaks Health Systems	Healthcare Services	1,236
AT&T	Local Exchange Service, Internet Access, Intrastate/Intralata Long Distance	1,200
Central Mississippi Medical Center	Healthcare Services	1,200
Kroger	Grocery Store	1,200
Delphi Automotive Systems	Manufacturing: automotive electrical systems and components	1,100
Blue Cross Blue Shield	Insurance	1,100
Jackson Partnership d.b.a.	Restaurants	1,000
McDonald's Corporation		
Madison County School District	Public Education	1,000

SOURCE: Metro Jackson Chamber of Commerce, June 2008.

TAX INFORMATION

Although the District is fiscally independent under State law, the law requires the City to annually levy taxes for the District's benefit according to the budget request of the Board. Within certain limits on annual increases in the District's budget, the City must levy a tax sufficient to provide the funds requested by the District. (See "OTHER FINANCIAL INFORMATION; BUDGET AND SOURCES OF FUNDING - School District Funding - Local Sources, District Maintenance Levy" herein.) The tax levied to pay debt service on the District Bond is a mandatory, special, unlimited tax. The Tax Collector of the County pays tax receipts to the Board as monies are received.

Assessed Valuation of Property in the District¹

Assessment Year	Real Property ²	Personal Property ³	Public Utilities Property	Total
2007-2008	\$ 658,218,184	\$ 339,466,465	\$ 136,987,148	\$ 1,134,671,797
2006-2007	652,988,127	339,454,320	133,014,332	1,125,456,779
2005-2006	649,299,545	358,774,379	140,579,190	1,148,653,114
2004-2005	650,185,532	357,521,295	138,023,932	1,145,730,759
2003-2004	652,011,794	361,983,914	138,023,932	1,152,019,640

¹ The total assessed valuation is approved in June preceding the fiscal year of the District and represents the value of real property, personal property and public utility property for the year indicated on which taxes are assessed for the following fiscal year's budget. The District includes real and personal property located outside of the boundaries of the City.

² Real Property values are net of homestead exemption and include Duke Energy property for assessment year 2004 and 2005, but exclude Duke Energy property for assessment years 2006 and after.

³ Personal property values include motor vehicles, mobile homes and Duke Energy property for assessment year 2004 and 2005, but exclude Duke Energy property for assessment years 2006 and after.

SOURCE: Office of the Hinds County Tax Assessor and Office of the City Administrator, June 2008.

Assessed Valuation of Property in the City¹

Fiscal Year Ending 9/30	Real Property ²	Personal Property ³	Public Utilities	Total
2008	\$ 658,357,211	\$ 314,653,853	\$ 145,341,826	\$ 1,118,352,890
2007	657,348,277	318,139,208	132,707,277	1,108,194,762
2006	645,445,127	316,358,101	132,361,023	1,094,164,251
2005	646,007,923	310,873,357	137,787,149	1,094,668,429
2004	645,581,551	319,704,157	146,180,240	1,111,445,948

SOURCE: Office of the Hinds County Tax Assessor and Office of the City Administrator, June 2008.

Assessed Valuation of Property in the County¹

Fiscal Year Ending 9/30	Real Property ²	Personal Property ³	Public Utilities	Total
2007	\$ 941,927,566	\$ 502,513,445	\$ 171,698,225	\$ 1,616,139,236
2006	923,846,180	492,701,833	175,895,152	1,592,443,165
2005	916,375,742	479,026,049	170,593,781	1,565,995,572
2004	900,237,654	466,866,713	172,167,910	1,539,272,277
2003	891,969,849	467,798,890	176,474,503	1,536,243,242

¹ The total assessed valuation is approved in September preceding the fiscal year of the City/County and represents the value of real property, personal property and public utility property for the year indicated on which taxes are assessed for the following fiscal year's budget. For example, the taxes for the assessed valuation figures for 2006 were collected starting in January 2007 for the 2006-2007 fiscal year budgets of the City/County.

² Real Property values are net of homestead exemption and include Duke Energy property for assessment year 2004 and 2005, but exclude Duke Energy property for assessment years 2006 and after.

³ Personal property values include motor vehicles, mobile homes and Duke Energy property for assessment year 2004 and 2005, but exclude Duke Energy property for assessment years 2006 and after.

SOURCE: Office of the Hinds County Tax Assessor, June 2008.

Pursuant to Section 27-35-4, Mississippi Code of 1972, assessed valuations of property are based upon the following assessment ratios:

1. Real and personal property (excluding single-family, owner-occupied residential real property and motor vehicles): 15% of true value;
2. Single-family, owner-occupied residential real property: 10% of true value;

3. Motor vehicles and public utility property: 30% of true value.

The 1986 Session of the Mississippi Legislature adopted House Concurrent Resolution No. 41, pursuant to which an amendment was proposed to the Mississippi Constitution of 1890 (the "Amendment"). The Amendment provided, *inter alia*, that the assessment ratio of any one class of property shall not be more than three times the assessment ratio of any other class of property.

The Amendment set forth five (5) classes of property and the assessment ratios, which would be applicable thereto upon adoption of the Amendment. The assessment ratios set forth in the Amendment are identical to those established by Section 27-35-4, Mississippi Code of 1972, as it existed prior to the Amendment, except that the assessment ratio for single-family, owner-occupied residential real property under the Amendment is set at 10% of true value as opposed to 15% of true value under existing law.

Procedure for Property Assessments

Real and personal property valuations for City and County property, other than motor vehicles and property owned by public utilities, are determined by the County Tax Assessor. All taxable real property situated in the County is assessed each year and taxes thereon paid for the ensuing year. Assessment rolls of such property subject to taxation are prepared by the County Tax Assessor and are delivered to the Board of Supervisors of the County on the first Monday in July. Thereafter, the assessments are equalized by the Board of Supervisors and notice is given to the taxpayers that the Board of Supervisors will meet to hear objections to the assessment. After objections are heard, the Board of Supervisors adjusts the rolls and submits them to the State Tax Commission, which examines the rolls on receipt. The State Tax Commission may then accept the rolls or, if it finds a roll incorrect in any particular, return the rolls to the Board of Supervisors to be corrected in accordance with the recommendations of the State Tax Commission. If the Board of Supervisors has any objections to the order of the State Tax Commission, it may arrange a hearing before the Commission. Otherwise, the assessment roll is finalized and submitted to the County Tax Collector for collection. The assessed value of motor vehicles is determined by an assessment schedule prepared each year by the State Tax Commission. With minor exceptions, the property of public utilities is assessed each year by the State Tax Commission.

Procedure for Tax Collections

The Board of Supervisors, acting for and on behalf of the District, is required by the provisions of the Act, the School Act, the District Bond and the District Bond Resolution to levy annually a special tax upon all taxable property within the District sufficient to provide for the District's school purposes and for the payment of the principal of, premium, if any, and the interest on the District Bond. If any taxpayer neglects or refuses to pay his taxes on the due date thereof, the unpaid taxes will bear interest at the rate of one percent per month or fractional part thereof from the delinquent date to the date of payment of such taxes. When enforcement officers take action to collect delinquent taxes, other fees, penalties and costs may accrue. Both real property and personal property are subject to being sold at public sale for nonpayment of taxes.

Ad valorem taxes on personal property are payable at the same time and in the same manner as on real property. Section 27-41-15, Mississippi Code of 1972, as amended, provides that upon failure of a taxpayer to make timely payment, the tax collector of each county is authorized to sell any personal property liable for unpaid taxes at the courthouse door of such county, unless the property is too cumbersome to be removed. Five days' notice of the sale in an advertisement posted in three public places in such county, one of which must be the courthouse of such county, is required. If the sale is for delinquent municipal taxes, the advertisements must follow any special ordinance adopted by the municipality regarding personal property sales. Interest, fees, costs and expenses of sale are recoverable in addition to the delinquent taxes. If sufficient personal property cannot be found, the tax collector may make a list of debts due such taxpayer from other persons and sell such debts. The tax collector is further directed to distrain and sell sufficient other properties of such taxpayer to pay the delinquent taxes. Debts sold may be redeemed within six months from the sale in the same manner as redemption of land from tax sales.

Section 27-41-55, Mississippi Code of 1972, as amended, provides that after the fifth day of August in each year, the tax collector for each county shall advertise and sell all land in such county on which all taxes due and in arrears have not been paid as well as all land liable for other matured taxes. The sale is held at the door of the courthouse of such county on the last Monday of August following said advertisement. The owner, or any person interested in the land sold for taxes, may redeem the land at any time within two years after the date of sale by

paying all taxes, costs, interest and damages due to the county's chancery clerk. A valid tax sale will mature two years after the date of sale unless the land is redeemed and title will vest in the purchaser on such date.

At the option of the tax collector, advertisement for the sale of such county lands may be made after the fifteenth day of February in each year with the sale of such lands to be held on the first Monday of April following said advertisement. All provisions which relate to the tax sale held in August of each year shall apply to the tax sale if held in April.

County and municipal taxes assessed upon lands or personal property are entitled to preference over all judgments, executions, encumbrances or liens, however created.

Tax Levy Per \$1,000 Valuation¹

City Purposes	For Fiscal Year				
	2004	2005	2006	2007	2008
General Fund	38.17	37.67	37.67	39.67	44.72
Parks & Recreation Fund	2.00	2.00	2.00	2.00	2.00
Debt Service Fund	9.52	9.52	9.52	9.52	4.47
Special Revenue Pension Fund	5.06	5.56	5.56	5.56	5.56
Jackson/Hinds Library System	<u>1.28</u>	<u>1.28</u>	<u>1.28</u>	<u>1.28</u>	<u>1.28</u>
Total City Purposes Levy	<u>56.03</u>	<u>56.03</u>	<u>56.03</u>	<u>58.03</u>	<u>58.03</u>

District Purposes	For Fiscal Year				
	2004	2005	2006	2007	2008
Minimum Program Fund	--	--	--	--	--
District Maintenance	68.91	68.91	68.91	68.91	68.91
2007 General Obligation Bond Series					3.00
Debt Service Retirement (3 Mill Levy)	.35	.35	.36	.36	.36
Series A					
Debt Service Retirement (3 Mill Levy)	1.76	1.76	1.76	1.25	1.30
Series B					
1998 Refunding Bonds	.67	2.68	2.28	1.48	--
Debt Service Retirement (1995					--
Refunding Bonds and					
\$18.8M Leasing Authority)	2.14	2.00	1.80	1.60	
Limited Obligation Notes Series					1.02
2003-A	--	--	.59	1.10	
Debt Svc Retirement (3 Mill Levy)					
Series 2003 B	<u>2.26</u>	<u>.25</u>	<u>.29</u>	<u>.29</u>	<u>.40</u>
Total District Purposes Levy	<u>76.09</u>	<u>75.95</u>	<u>75.99</u>	<u>74.99</u>	<u>74.99</u>
Total Levy	<u>132.12</u>	<u>131.98</u>	<u>132.02</u>	<u>133.02</u>	<u>133.02</u>

¹ Tax levy figures are given in mills.

SOURCE: Office of the Deputy Director of Administration of the City, March 2008, and Jackson Public School District, June 2008.

District Ad Valorem Tax Collections

Fiscal Year 6/30	Total Tax Levy	Amount Collected¹	Collections as Percent of Levy
2007-2008	\$ 78,360,510	\$ 74,008,400 ²	94.45%
2006-2007	79,339,702	78,682,274	99.17
2005-2006	79,845,130	78,892,096	98.81
2004-2005	81,085,033	78,120,660	96.34
2003-2004	79,299,405	80,061,718	100.01

¹ Includes delinquent tax collections.

² As of June 4, 2008.

SOURCE: Jackson Public School District, June 2008

City Ad Valorem Tax Collections¹

Fiscal Year 9/30	Total Tax Levy	Amount Collected ²	Collections as Percent of Levy
2007	\$ 52,796,131	\$ 53,029,192	100.44%
2006	50,561,562	49,108,650	97.13
2005	53,924,803	53,019,771	98.32
2004	51,710,092	50,907,168	98.45
2003	55,844,993	54,252,383	97.15

¹ Does not include school taxes and automobile taxes.

² Includes delinquent tax collections.

SOURCE: Office of the Deputy Director of Administration of the City, June 2008.

Reappraisal of Property and Limitation on Ad Valorem Levies

Senate Bill No. 2672, General Laws of Mississippi, Regular Session 1980, codified in part as Sections 27-35-49 and 27-35-50, Mississippi Code of 1972 (the "Reappraisal Act"), provides that all real and personal property in the State shall be appraised at true value and assessed in proportion to true value. To ensure that property taxes do not increase dramatically as the counties complete reappraisals, the Reappraisal Act provides for the limit on increase in tax revenues discussed below.

The statute limits ad valorem tax levies by a city subsequent to October 1, 1980, to a rate which will result in an increase in total receipts of not greater than 10% over the previous year's receipts, excluding revenue from ad valorem taxes on any newly constructed properties, any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year. This limitation does not apply to levies for the payment of the principal of and the interest on general obligation bonds issued by a city or to certain other specified levies. The limitation may be increased only if the proposed increase is approved by a majority of those voting in an election held on such question.

On August 20, 1980, the Mississippi Supreme Court rendered its decision in *State Tax Commission v. Fondren*, 387 So. 2d 712, affirming the decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi, wherein the State Tax Commission was enjoined from accepting and approving assessment rolls from any county in the State for the tax year 1983 unless the State Tax Commission equalized the assessment rolls of all of the counties. Due to the intervening passage of the Reappraisal Act, the Supreme Court reversed that part of the lower court's decree ordering the assessment of property at true value (although it must still be appraised at true value), holding instead that assessed value may be expressed as a percentage of true value. Pursuant to the Supreme Court modification of the Chancellor's decree, on November 15, 1980, the State Tax Commission filed a master plan to assist counties in determining true value. On February 7, 1983, the Chancery Court granted an extension until July 1, 1984, of its previous deadline past which the State Tax Commission could not accept and approve tax rolls from counties which had not yet reappraised. The County has completed a number of reappraisals since 1984 and is currently conducting a re-appraisal.

Homestead Exemption

The Mississippi Homestead Exemption Law of 1946 reduces the local tax burden on qualified homesteads and provides substitute revenues from other sources of taxation on the State level as a reimbursement to the local taxing units for such tax loss. Provisions of the homestead exemption law determine qualification, define ownership and limit the amount of property that may come within the exemption. The exemption is not applicable to taxes levied for the payment of the District Bond, except as hereinafter noted.

Those homeowners who qualify for the homestead exemption and who have reached the age of 65 years on or before January 1 of the year for which the exemption is claimed; service-connected, totally disabled American veterans who were honorably discharged from military service; and those qualified as disabled under the federal Social Security Act are exempt from any and all ad valorem taxes on qualified homesteads not in excess of \$7,500 of assessed value.

The tax loss resulting to local taxing units from qualified homestead exemptions is reimbursed by the State Tax Commission. Beginning with the 1984 supplemental ad valorem tax roll and for each roll thereafter, no taxing

unit shall be reimbursed an amount in excess of 106% of the total net reimbursement made to such taxing unit in the next preceding year.

Largest Taxpayers

The ten largest taxpayers in the City for assessment year 2007 are as follows:

Taxpayer	Assessed Valuation	Taxes Collected
BellSouth Telecommunications	\$ 75,529,759	\$ 4,382,991
Entergy	50,680,081	2,940,965
Atmos Energy	9,644,827	560,499
Parkway Properties	7,674,554	443,354
Jackson HMA	7,004,861	406,492
Trustmark National Bank	5,628,901	326,645
Wal-Mart/Sam's Wholesale Club	5,601,247	325,040
Jackson Medical Center	3,822,998	221,848
Central Mississippi Medical Center	4,751,072	275,704
AT&T	<u>4,238,025</u>	<u>251,155</u>
TOTAL	\$ <u>174,576,325</u>	\$ <u>10,134,693</u>

SOURCE: Office of the Deputy Director of Administration of the City, June 2008.

DEBT INFORMATION

Legal Debt Limit Statement (as of June 1, 2008)¹

	15% Limit	20% Limit
Authorized Debt Limit (Last Completed Assessment for Taxation - \$1,134,671,797)	\$ 170,200,770	\$ 226,934,359
Present Debt Subject to Debt Limits	<u>33,685,000</u>	<u>33,685,000</u>
Margin for Further Debt Under Debt Limits	\$ 136,515,770	\$ 193,249,359

¹ Does not include the Bonds or the District Bond.

SOURCE: Jackson Public School District, June 2008.

Statutory Debt Limits

School districts in the State are subject to a general statutory prohibition against issuing bonds in an amount which, when added to all of the then outstanding bonded indebtedness of such district, results in the imposition on any of the property in the district of more than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation.

Such general limitation of indebtedness may be exceeded by a school district in the following instances:

(a) If the total number of pupils enrolled at any one time during the school year shall have increased by at least 20% or an average of 350 or more annually within the preceding five years, such district may issue bonds in an amount which, when added to all of its then outstanding bonded indebtedness, results in the imposition on any of the property in such district of an indebtedness for school purposes of up to 25% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation.

(b) If the total number of pupils enrolled at any one time during the school year shall have increased by at least 10% within the preceding five years, such district may issue bonds in an amount which, when added to all of its then outstanding bonded indebtedness, results in the imposition on any of the property in such district of an indebtedness for school purposes of up to 20% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation.

(c) In the event or circumstances set forth below, a school district may issue bonds for the purpose of constructing, reconstructing, repairing, equipping, remodeling or enlarging school buildings and related facilities, in an amount which, when added to all of its then outstanding bonded indebtedness, results in the imposition on any of

the property in such district of an indebtedness for such school purposes of up to 20% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation:

(i) in the event of the damage to or destruction of any school building or school buildings, or related facilities of such district by fire, windstorm, flood or other providential and unforeseeable cause; or

(ii) in the event that such district has lost its accreditation and the constructing, reconstructing, repairing, equipping, remodeling or enlarging of such school buildings and related facilities is necessary for the restoration of such accreditation.

Outstanding Bonded Debt (as of May 1, 2008)¹

Issue	Original Principal Amount	Date of Issue	Outstanding Principal
General Obligation Bonded Debt			
General Obligation Bonds	\$ 36,000,000	10/02/2007	\$ <u>33,685,000</u>
TOTAL			\$ <u>33,685,000</u>

¹ Does not include the Bonds or the District Bond.

Issue ¹	Date of Issue	Original Principal	Maturity Date	Outstanding Principal
3 Mil Notes				
Limited Tax Notes, Series 2000-A	09/06/2000	\$ 3,000,000	10/1/2008	\$ 350,000
Limited Tax Notes, Series 2000-B	09/06/2000	32,205,000	10/1/2010	3,685,000
Limited Tax Notes Series 2003-A	10/14/2003	4,615,000	10/1/2008	705,000
Limited Tax Notes Series 2003-B	10/14/2003	16,381,688	10/1/2023	15,536,688
Limited Tax Refunding Notes, Series 2005	05/05/2005	25,250,000	10/1/2020	<u>24,840,000</u>
TOTAL				\$ <u>45,116,688</u>

Other Long Term Debt (as of May 1, 2008)

Issue ¹	Date of Issue	Original Principal	Maturity Date	Outstanding Principal
Other Long Term Debt				
QZAB Bonds	07/20/2000	\$2,500,000	07/01/2012	\$ 2,500,000
Energy Conservation Lease Purchase (Siemens)	06/17/2002	8,348,849	09/17/2008	6,721,367
Microcomputers, Radios, Video Server Equipment Lease Purchase	10/08/2004	2,143,993	10/08/2008	281,077
Digital Video Servers Capital Lease	10/20/2005	1,646,580	10/20/2009	731,408
Graphic Arts Equipment Lease Purchase	03/01/2007	435,000	03/01/2010	296,626
State Aid Capital Improvement Refunding Bonds, Series 2006	02/22/2006	26,520,000	02/01/2018	<u>23,545,000</u>
TOTAL				\$ <u>34,075,478</u>

¹ Is not included in statutory debt limits.

Annual Debt Service Requirements¹

Fiscal Year Ending 6/30	General Obligation Bonds Existing Debt		Estimated Total Debt Service
	Principal	Interest	
2009	\$ 1,165,000	\$ 1,467,512	\$ 2,632,513
2010	1,215,000	1,418,000	2,633,000
2011	1,265,000	1,366,362	2,631,363
2012	1,320,000	1,312,600	2,632,600
2013	1,440,000	1,256,500	2,696,500
2014	1,440,000	1,195,300	2,635,300
2015	1,500,000	1,134,100	2,634,100
2016	1,560,000	1,159,100	2,619,100
2017	1,630,000	981,100	2,611,100
2018	1,700,000	899,600	2,599,600
2019	1,770,000	818,850	2,588,850
2020	1,860,000	748,050	2,608,050
2021	1,950,000	673,650	2,623,650
2022	2,050,000	593,212	2,643,213
2023	2,150,000	508,650	2,658,650
2024	2,260,000	417,276	2,677,275
2025	2,370,000	321,226	2,691,225
2026	2,490,000	220,500	2,710,500
2027	<u>2,550,000</u>	<u>111,562</u>	<u>2,661,563</u>
TOTAL	\$ 33,685,000	\$ 16,603,150	\$ 50,188,152

¹ Does not include the Bonds or the District Bond.

SOURCE: Jackson Public School District, June 2008.

Direct and Overlapping Debt Ratios

Jurisdiction	2006-2007 Net Assessed Valuation	G.O. Bond Debt	Amount Applicable to District Taxpayers	% Applicable to District Taxpayers
District	\$ 1,134,671,797	\$ 33,685,000	\$ 33,685,000	100%
City of Jackson	1,118,352,890	55,770,000	55,770,000	100
Hinds County	1,616,139,236	57,735,000	39,952,068	69
Total Direct and Overlapping G.O. Debt			\$ 129,407,068.00 ¹	
Direct and Overlapping Debt Per Capita (177,026)			\$732.06	
Direct and Overlapping Debt to Assessed Valuation				11.39 %

¹ Includes only that portion of the general obligation debt for the District, the City and the County applicable to District taxpayers.

SOURCE: Jackson Public School District and Hinds County Tax Assessor, June 2008.

OTHER FINANCIAL INFORMATION; BUDGET AND SOURCES OF FUNDING

Budgetary Process

The District's budgetary process is prescribed by Sections 37-61-9 to 37-61-21, Mississippi Code of 1972, as amended. Submission of a budget on forms prescribed by the State Auditor is a prerequisite to the distribution of school funds. On or before August 15 of each year, the school board of each school district, with the assistance of the superintendent of schools, must prepare and file with the levying authority for the school district at least two copies of a budget of estimated expenditures for the support, maintenance and operation of the public schools of the school district for the coming fiscal year (commencing July 1). In addition, on or before August 15 of each year, each school board, with the assistance of the superintendent of schools of each district, shall prepare and file with

the State Department of Education such budgetary information as the trustees of the State Board of Education may require.

Prior to the adoption of a budget, the school board must hold at least one public hearing to provide the public with an opportunity to comment on the budget. The public hearing must be held at least one week prior to the adoption of the budget, with advance notice. After final adoption of the budget, the budget must be published in a newspaper having general circulation in the school district.

The expenditure of school funds is limited to the budgeted amount, unless revised in the statutorily-prescribed manner. When the need arises, budgets may be revised upon the approval by the district's board of trustees or education. The superintendent of each school district is to maintain a set of books subject to reasonable inspection by any citizen. These books will be arranged according to the same headings contained in the approved budget, and will reflect a running total of all liabilities incurred during the fiscal year under each budget item.

Statutory Provisions Concerning Audits for School Districts

The State Auditor is directed by statute to prescribe and formulate for use by all school districts of the State adequate accounting systems and other essential financial records that shall be uniform for all districts. It is mandatory that the boards of trustees/education of all school districts install, utilize and follow said uniform system of accounts in keeping the financial records of such school district.

School District Funding

There are three general categories of funding sources for public schools in Mississippi: state, local and federal.

State Funding

1. *Mississippi Accountability and Adequate Education Program*

Effective July 1, 2002, the Mississippi Accountability and Adequate Education Program Act of 1997 (MAEP) replaced the Minimum Education Program (MEP) as the primary method of State funding for public school districts. The MAEP provides a total overhaul of the funding formula for public education in Mississippi.

Under the MAEP, funds are distributed to each school district based upon a formula multiplying average daily attendance by the base student cost as established by the State Legislature. This yields the total base program cost for each school district. The base student dollar cost figure is established each year at current operation funding levels necessary for the programs of a school district to meet at least Level III of the accreditation system established by the trustees of the State Board of Education, regardless of the school district's geographic location.

Additional funding is provided to the total base program cost using factors applicable to the percentage of children "at-risk," supplemental grant funds based on average daily attendance and add-on program costs such as transportation costs, vocational or technical education, special education, gifted education, alternative school and extended school year programs.

Between October 1, 1997, and June 30, 1998, a school district could elect to pledge future funding under the program of up to \$160 per student to secure the issuance of State Aid Capital Improvement Bonds. (See "Debt Information" herein).

The MAEP is financed jointly by local school district contributions and by the State. The formula for determining the cost of the MAEP and the local contribution is set forth in the statutes authorizing the MAEP.

2. *State Public Schools Building Fund*

The State also provides limited funding assistance to school districts for capital construction projects. A grant program was established in 1953 that has provided substantial assistance to local school districts. The program, formerly administered by the Education Finance Commission, is presently administered by the trustees of the State Board of Education and is known as the State Public Schools Building Fund (the "Building Fund"). The Building Fund is funded primarily through a fixed amount of annual funding from sales tax revenues of the State.

The Building Fund is authorized to issue state bonds to produce funds that are redistributed to local districts based upon a formula allowing for credits for a certain dollar amount for each student for each year. A local district is allowed to borrow against those credits in order to provide funding assistance for the facilities needed. However, a school district is not obligated to repay any portion of its allocation or any portion of the underlying bonded indebtedness of the Building Fund.

3. *State Public Schools Sales Tax Diversion*

During the 1992 legislative session, the State enacted a law that, among other things, increased the sales tax in the state from six percent, to seven percent with the bulk of the increased sales tax revenues to be used for the benefit of the State's public schools. In particular, the sales tax law created the Education Enhancement Fund (EEF), through which approximately Sixteen Million Dollars (\$16,000,000) of sales tax revenues will be distributed to State school districts on an average daily attendance-based formula. These funds may be used to pay the costs of capital improvements or transportation equipment purchases or to pay debt service on debt issued to pay for these purposes. The sales tax law also establishes other funds to distribute additional monies to school districts for transportation, instructional supplies and ad valorem tax reduction.

Local Sources

The second source of funding of public schools in Mississippi is from local sources, primarily consisting of ad valorem tax revenues. The various types of local funding revenues may be categorized as follows:

1. *District Maintenance Levy*

All school districts in Mississippi are authorized to require the levy of an ad valorem tax to provide necessary local funding for operations. This is the primary source for a district's local sources revenues. Beginning with Fiscal Year 1998, the operational levy of all school districts, excluding any debt service or other special debt levies, is limited to 55 mills. Any school district that exceeded that levy as of July 1, 1997, however, was allowed an increase of up to three mills between July 1, 1997, and June 30, 2002. Such increases are subject to the normal increase limitations imposed on school districts of not more than four percent, in the discretion of the district's board of trustees or education, or seven percent, subject to a public referendum, if a proper petition is filed requesting such referendum.

On June 15, 1994, the case of *Reeves v. State of Mississippi, et al.*, was filed in Hinds County Chancery Court, Hinds County, Mississippi, whereby the plaintiff sought to enjoin the imposition of ad valorem taxes for general maintenance and support of school districts or, alternatively, to enjoin the imposition of the above-mentioned 4 percent mandatory increase, on federal and state constitutional grounds. On August 2, 1994, the chancery court denied the plaintiff's request for an injunction.

2. *Local Contribution to MAEP*

A portion of the State's MAEP is funded from local contributions from the local ad valorem tax levy. The calculation of the local contribution is set by the statute authorizing the MAEP.

Federal Sources

Federal funds have been granted to local school districts in Mississippi, primarily under entitlement programs designed to assist the economically disadvantaged and to assist in implementing desegregation programs as well as other special purpose programs. For the year ending June 30, 2007, federal sources provided \$47,940,847 to the District.

Financial Statements

The last year for which the District's audited financial statements are available is the year ended June 30, 2006. A copy of this financial statement is included in Appendix B to this Official Statement. In addition, Appendix B includes the District's unaudited financial statements for fiscal year ended June 30, 2007 and the District's fiscal year 2007-2008 budget.

Excerpts from the District's unaudited financial statements for the year ended June 30, 2007, are appended in the exhibits to the Official Statement, along with the 2007-2008 budget and a proposed 2008-2009 budget.

Financial records of Mississippi school districts are maintained on a modified accrual basis. The local education agency is also required to employ the double-entry system for recording and control of accounting transactions.

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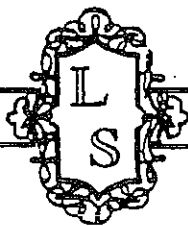
APPENDIX B

**AUDITED FINANCIAL STATEMENTS FOR THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2006, UNAUDITED
FINANCIAL STATEMENTS FOR THE DISTRICT FOR
FISCAL YEAR ENDED JUNE 30, 2007 AND THE DISTRICT'S
FISCAL YEAR 2007-2008 BUDGET**

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Jackson Public School District

**Audit Report
June 30, 2006**



LYLES AND SINCLAIR

CERTIFIED PUBLIC ACCOUNTANTS

Jackson Public School District

Audited Financial Statements
For the Year Ended June 30, 2006

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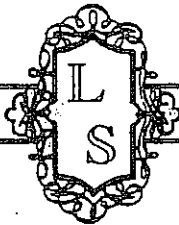
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JACKSON PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

(601) 981-5707



LYLES AND SINCLAIR

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 11625 • JACKSON, MISSISSIPPI 39283-1625

MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT
ON
THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Jackson Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2006, which collectively comprise the Jackson Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jackson Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

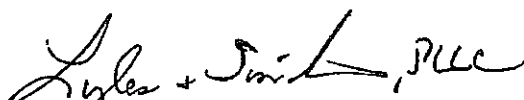
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson Public School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2008, on our consideration of the Jackson Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages four through twelve and the Budgetary Comparison Schedule and corresponding notes on pages 35 through 36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule

of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Lyles and Sinclair, PLLC

May 27, 2008

JACKSON PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of the Jackson Public School District's financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The Jackson Public School District has 59 schools - 8 high schools and a Career Development Center, 10 middle schools, 38 elementary schools, and 2 special schools. With approximately 31,500 students enrolled, the Jackson Public School District is the largest school district in Mississippi. More than 83% of Jackson's school-age children attend one of our 59 schools. These students represent almost 1/5 of Jackson's total population. Our student population is larger than the populations of all but 7 Mississippi cities, and larger than 54 Mississippi counties. The District has 4,824 full-time employees.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$643,753, which represents 1.7% decrease from fiscal year 2005. This decrease was caused by an increase in the instructional expenditures of the District.
- General revenues account for \$205,145,628 in revenue, or 77.4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$59,950,591 or 22.6% of total revenues.
- The District had \$265,648,653 in expenses; only \$59,950,591 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$205,145,628 were adequate to provide for these programs.
- Among major funds, the General Fund had \$193,162,356 in revenues and \$213,505,817 in expenditures. The General Fund's fund balance decreased \$2,444,890 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$318,722.
- Long-term debt decreased by \$7,818,072.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

The government-wide financial statements can be found on page 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures

cash and other assets that can be easily converted to cash. The governmental funds statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively, of this report.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 16 and 18 respectively.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 20.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 35 - 36 of this report.

A schedule of expenditures of federal awards is required by OMB Cir. A-133 and schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 38 and 40, respectively, of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$37,115,218 as of June 30, 2006.

By far the largest portion of the District's net assets (43.2%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets as of June 30, 2006 and 2005, respectively.

	Net Assets		Percentage
	June 30, 2006	June 30, 2005	Change
Current assets	\$ 47,005,795	\$ 57,312,590	(18.0%)
Capital assets, net	103,072,910	103,391,632	(0.3%)
Total assets	150,078,705	160,704,222	(6.6%)
Current liabilities	16,542,416	18,706,108	(11.6%)
Long-term debt outstanding	96,421,071	104,239,143	(7.5%)
Total liabilities	112,963,487	122,945,251	(8.1%)
Net assets:			
Invested in capital assets, net of related debt	16,047,133	11,419,266	40.5%
Restricted	12,806,639	17,111,991	(25.2%)
Unrestricted	8,261,446	9,227,714	(10.5%)
Total net assets	\$ 37,115,218	\$ 37,754,971	(1.7%)

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The use of current assets to pay for current liabilities has reduced both current assets and current liabilities for the year ending June 30, 2006

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2006 were \$265,096,219. The total cost of all programs and services was \$265,648,653. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2006 and 2005, respectively.

	<u>Change in Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,506,232	\$ 5,380,087	(34.8%)
Operating grants and contributions	56,444,359	44,531,580	26.8%
Capital grants and contributions	-	-	0.0%
General revenues:			
Property taxes	79,824,777	78,090,043	2.2%
Unrestricted investments earnings	922,703	1,044,014	(11.6%)
Grants and contributions not restricted	119,472,010	111,086,492	7.5%
Other	4,926,138	2,963,613	66.2%
Total revenues	<u>265,096,219</u>	<u>243,095,829</u>	9.1%
Expenses:			
Instruction	149,885,526	131,510,473	14.0%
Support services	93,540,845	94,563,175	(1.1%)
Non-instructional	17,443,013	15,383,542	13.4%
Sixteenth section	96,932	71,272	36.0%
Interest and other expense on long-term liabilities	4,682,337	5,290,374	(11.5%)
Total expenses	<u>265,648,653</u>	<u>246,818,836</u>	7.6%
Increase (Decrease) in net assets	<u>(552,434)</u>	<u>(3,723,007)</u>	(85.2%)
Net Assets, July 1	37,758,971	38,958,843	(3.1%)
Prior period adjustment	(91,319)	2,523,135	(96.4%)
Net Assets, as restated	<u>37,667,652</u>	<u>41,481,978</u>	(9.2%)
Net Assets, June 30	<u>\$37,115,218</u>	<u>\$ 37,758,971</u>	(1.7%)

The following are significant current year transactions that have had an impact on the Statement of Activities.

- Operating grants and contributions increased \$11,912,779 from the previous fiscal year.
- Unrestricted grants and contributions increased \$8,385,518 from the previous fiscal year.

- Instructional expenses increased \$18,375,053 from the previous fiscal year primarily as a result of an increase in teacher salaries and payroll fringe benefits.
- Support services expenses decreased \$1,022,330 from the previous fiscal year.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2006 and 2005, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2006		2005	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$149,885,526	\$(121,237,271)	\$131,510,473	\$(110,924,850)
Support services	93,540,845	(78,580,047)	94,563,175	(80,124,825)
Non-instructional	17,443,013	(1,101,475)	15,383,542	(495,848)
Sixteenth section	96,932	(96,932)	71,272	(71,272)
Interest and other expenses on long-term liabilities	4,682,337	(4,682,337)	5,290,374	(5,290,374)
Total expenses	<u>\$265,648,653</u>	<u>\$(205,698,062)</u>	<u>\$ 246,818,836</u>	<u>\$(196,907,169)</u>

- Net cost of governmental activities (\$205,698,062) was financed by general revenue, which is made up of primarily property taxes (\$79,824,777) and state revenue (\$116,691,017).
- Investment earnings accounted for \$922,703 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$31,369,798, a decrease of \$8,361,445 due primarily to a reduction in fund balance for capital projects. \$23,321,515 or 74.3% of the fund balance constitutes unreserved and undesignated

fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$8,048,283 or 25.7% is reserved or designated to indicate that it is not available for spending because it has already been committed primarily for capital projects.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,444,890 and was the result of the District's intentionally drawing down previous years' accumulated fund balance. The fund balance in the 2003-B Construction Fund decreased \$4,266,572 due primarily to construction projects drawing closer to completion. The fund balance of Other Governmental Funds decreased \$1,649,983 due primarily to other construction projects drawing closer to completion.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Budget amounts for revenue from state sources decreased. The original budgeted amounts overestimated budgeted amounts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Proceeds from the inception of capital leases totaling \$3,790,573 were not anticipated at the time the original budget was adopted.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$189,481,354, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$4,371,836 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$86,408,444 and total depreciation expense for the year was \$5,493,477, resulting in total net assets of \$103,072,910.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Land	\$ 2,937,842	\$ 2,937,842	0.0%
Buildings	79,496,594	81,120,690	(2.0%)
Improvements other than buildings	9,966,265	10,845,625	(8.1%)
Mobile equipment	4,285,654	5,035,207	(14.9%)
Furniture and equipment	925,183	1,358,983	(31.9%)
Leased property under capital leases	1,105,369	8,054	136.2%
Construction in progress	<u>4,356,003</u>	<u>2,085,231</u>	108.9%
Total	<u>\$103,072,910</u>	<u>\$103,391,632</u>	(0.3%)

Additional information of the District's capital assets can be found in Note 5 on page 27 of this report.

Debt Administration. At June 30, 2006, the District had \$96,421,071 in general obligation bonds and other long-term debt outstanding, of which \$9,953,392 is due within one year.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
General obligation bonds payable	\$ 4,625,000	\$ 9,170,000	(49.6%)
Limited obligation bonds payable	26,520,000	27,525,000	(3.7%)
Three mill notes payable	50,366,688	52,951,688	(4.9%)
Obligations under capital leases	3,014,089	2,325,678	29.6%
Obligations under energy efficiency leases	7,693,782	8,124,094	(5.3%)
Qualified zone academy bonds payable	2,500,000	2,500,000	0.0%
Compensated absences payable	<u>1,701,512</u>	<u>1,642,683</u>	(3.6%)
Total	\$ 96,421,071	\$104,239,143	(7.5%)

The District maintains an Aaa bond rating with Moody's Investor Services.

Additional information of the District's long-term debt can be found in Note 6 on page 28 of this report.

CURRENT ISSUES

The Jackson Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased 0.94% over five years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

District enrollment figures have remained at approximately 31,500 students since the 2000-2001 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Jackson Public School District, Post Office Box 2338, Jackson, Mississippi 39225-2338.

JACKSON PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

JACKSON PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 22,699,151
Cash with fiscal agents	4,166,993
Due from other governments	16,014,725
Other receivables, net	2,960,868
Inventories and prepaid items	900,929
Restricted assets	263,129
Capital assets, not being depreciated:	
Land	2,937,842
Construction in progress	4,356,003
Capital assets, net of accumulated depreciation:	
Buildings	79,496,594
Improvements other than buildings	9,966,265
Mobile equipment	4,285,654
Furniture and equipment	925,183
Leased property under capital leases	1,105,369
Total Assets	150,078,705
Liabilities	
Accounts payable and accrued liabilities	14,873,733
Unearned revenue	762,264
Interest payable on long-term liabilities	906,419
Long-term liabilities, due within one year	
Capital related liabilities	9,380,010
Non-capital related liabilities	573,382
Long-term liabilities, due beyond one year	
Capital related liabilities	77,645,767
Non-capital related liabilities	8,821,912
Total Liabilities	112,963,487
Net Assets	
Invested in capital assets, net of related debt	16,047,133
Restricted net assets:	
Expendable:	
School-based activities	5,659,285
Debt service	2,112,843
Capital improvements	4,068,829
Forestry improvements	25,775
Unemployment benefits	676,778
Non-expendable:	
Sixteenth section	263,129
Unrestricted	8,261,446
Total Net Assets	\$ 37,115,218

The notes to the financial statements are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in Net Assets
			Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
Instruction	\$ 149,885,526	1,362,000	27,286,255		(121,237,271)
Support services	93,540,845		14,960,798		(78,580,047)
Non-instructional	17,443,013	2,144,232	14,197,306		(1,101,475)
Sixteenth section	96,932				(96,932)
Interest on long-term liabilities	4,682,337				(4,682,337)
Total Governmental Activities	\$ 265,648,653	3,506,232	56,444,359	0	(205,698,062)
General Revenues:					
Taxes:					
General purpose levies					
					72,303,911
Debt purpose levies					
					7,520,866
Unrestricted grants and contributions:					
State					
					116,691,017
Federal					
					2,780,993
Unrestricted investment earnings					
					922,703
Sixteenth section sources					
					1,066,180
Other					
					3,859,958
Total General Revenues					205,145,628
Total General Revenues					205,145,628
Change in Net Assets					(552,434)
Net Assets - Beginning					37,758,971
Prior Period Adjustments					(91,319)
Net Assets - Beginning - Restated					37,667,652
Net Assets - Ending					\$ 37,115,218

The notes to the financial statements are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2006

Exhibit C

	Major Funds			
	General	2003-B Construction	Other Governmental	Total Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash and cash equivalents	\$ 6,691,820	4,304,972	11,965,488	22,962,280
Cash with fiscal agents	2,755,994		1,410,999	4,166,993
Due from other governments	6,205,135		9,809,590	16,014,725
Accrued interest receivable				
Other receivables, net	1,484,995		417,651	1,902,646
Due from other funds	14,309,192	50,130	3,422,793	17,782,115
Inventories and prepaid items	486,444		414,485	900,929
Total Assets	\$ 31,933,580	4,355,102	27,441,006	63,729,688
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 10,900,858	769,829	3,179,156	14,849,843
Due to other funds	2,116,285	32,843	14,574,765	16,723,893
Deferred revenue	8,834		753,430	762,264
Other payables			23,890	23,890
Total Liabilities	13,025,977	802,672	18,531,241	32,359,890
Fund Balances:				
Reserved for:				
Inventory	486,444		414,485	900,929
Capital projects		3,552,430	516,399	4,068,829
Debt service			2,112,843	2,112,843
Unemployment benefits			676,778	676,778
Forestry improvement purposes			25,775	25,775
Permanent fund purposes			263,129	263,129
Unreserved:				
Undesignated, reported in:				
General Fund	18,563,159			18,563,159
Special Revenue Funds			4,758,356	4,758,356
Total Fund Balances	19,049,603	3,552,430	8,767,765	31,369,798
Total Liabilities and Fund Balances	\$ 32,075,580	4,355,102	27,299,006	63,729,688

The notes to the financial statements are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 31,369,798
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$86,408,444.	103,072,910
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(96,421,071)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(906,419)
Total Net Assets - Governmental Activities	\$ <u>37,115,218</u>

The notes to the financial statements are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2006

	Major Funds		Other	Total
	General	2003-B	Governmental	Governmental
	Fund	Construction Fund	Funds	Funds
Revenues:				
Local sources	\$ 76,163,435	132,129	10,206,180	86,501,744
State sources	113,677,068		8,402,932	122,080,000
Federal sources	3,321,853		50,781,800	54,103,653
Sixteenth section sources			1,066,180	1,066,180
Total Revenues	193,162,356	132,129	70,457,092	263,751,577
Expenditures:				
Instruction	109,895,857		32,180,143	142,076,000
Support services	79,520,340		16,868,165	96,388,505
Noninstructional services	119,166		15,577,495	15,696,661
Sixteenth section			96,932	96,932
Facilities acquisition and construction	1,729,159	4,434,574	166,200	6,329,933
Debt service:				
Principal	21,388,481		34,650,000	56,038,481
Interest	852,814		3,685,807	4,538,621
Other			362,055	362,055
Total Expenditures	213,505,817	4,434,574	103,586,797	321,527,188
Excess (Deficiency) of Revenues over Expenditures	(20,343,461)	(4,302,445)	(33,129,705)	(57,775,611)
Other Financing Sources (Uses):				
Proceeds of refunding bonds			26,520,000	26,520,000
Proceeds of loans	20,000,000			20,000,000
Inception of capital leases	1,646,580			1,646,580
Insurance loss recoveries	1,289,899			1,289,899
Sale of transportation equipment	54,743			54,743
Payment held by escrow agent			142,000	142,000
Operating transfers in	3,889,994	5,705	8,921,263	12,816,962
Operating transfers out	(8,994,711)	(804)	(3,821,447)	(12,816,962)
Payment to Qualified Zone Academy debt escrow agent			(142,000)	(142,000)
Total Other Financing Sources (Uses)	17,886,505	4,901	31,619,816	49,511,222
Net Change in Fund Balances	(2,456,956)	(4,297,544)	(1,509,889)	(8,264,389)
Fund Balances:				
July 1, 2005	21,494,493	7,819,002	10,417,748	39,731,243
Prior period adjustments	(87,400)	30,972	(41,362)	(97,790)
July 1, 2005, as restated	21,407,093	7,849,974	10,376,386	39,633,453
Increase (Decrease) in reserve for inventory	(42,534)		43,268	734
June 30, 2006	\$ 18,907,603	3,552,430	8,909,765	31,369,798

The notes to the financial statements are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (8,264,389)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$5,210,444 and the depreciation expense amounted to \$5,493,477.	(283,033)
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities.	(48,166,580)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	56,038,481
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	218,339
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(35,689)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	(734)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(58,829)
Change in Net Assets of Governmental Activities	\$ <u><u>(552,434)</u></u>

The notes to the financial statements are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 4,356,762
Investments	
Other receivables	42,113
Due from other funds	
Due from other governments	
	<u> </u>
Total Assets	\$ <u>4,398,875</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 3,040,549
Due to other governments	
Due to other funds	1,058,222
Due to student clubs	<u>300,104</u>
	<u> </u>
Total Liabilities	\$ <u>4,398,875</u>

The notes to the financial statements are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Jackson since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

2003-B Construction Fund - This is the school district's fund used to account for the capital expenditures for building construction, renovations and classroom additions.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications recommended in the *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U. S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than three months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated using the straight line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. (See Note (5) for details).

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

other long-term obligations are reported as liabilities in the governmental activities column. (See Note (6) for details).

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets.
- 2.. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents a portion of the fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents a portion of the fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authorities of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example an employee retires.

(2) Changes in Accounting Standards.

As required, the School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents and Cash with Fiscal Agents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. 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 institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$22,962,280 and \$4,356,762, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

Equivalents - \$22,699,151 and Restricted Assets - \$263,129. The Restricted Assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$33,036,246.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$33,036,246 was exposed to custodial credit risk.

Cash With Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$4,166,993.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/to Other Funds:

	<u>Due From</u>	<u>Due To</u>
Major funds:		
General Fund	\$14,309,192	2,116,285
Other major funds		
2003B Construction Fund	50,130	32,843
Non-major Funds	3,422,793	14,574,765
Fiduciary Funds		<u>1,058,222</u>
Total funds	<u>\$17,782,115</u>	<u>17,782,115</u>

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Major funds:		
General Fund	\$ 3,889,994	8,994,711
Other major funds		
2003B Construction Fund	5,705	804
Non-major Funds	<u>8,921,263</u>	<u>3,821,447</u>
Total funds	<u>\$12,816,962</u>	<u>12,816,962</u>

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(5) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	Balance 7-1-05	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-06
<u>Non-depreciable capital</u>						
Land	\$ 2,937,842					2,937,842
Construction in progress	<u>2,085,231</u>	<u>2,270,772</u>				<u>4,356,003</u>
Total non-depreciable	5,023,073	2,270,772				7,293,845
<u>Depreciable capital assets:</u>						
Buildings	126,334,191	470,000	16,750			126,787,441
Improvements other than buildings	23,396,477	16,928	7,171			23,406,234
Mobile equipment	16,591,949	744,648	90,241			17,246,356
Furniture and equipment	13,547,726	61,516	724,446			12,884,796
Leased property under capital leases	<u>216,102</u>	<u>1,646,580</u>				<u>1,862,682</u>
Total depreciable capital	180,086,445	2,939,672	838,608			182,187,509
<u>Less accumulated</u>						
Buildings	45,213,501	2,089,071	11,725			47,290,847
Improvements other than buildings	12,550,852	893,133	4,016			13,439,969
Mobile equipment	11,556,742	1,485,177	81,217			12,960,702
Furniture and equipment	12,188,743	476,831	705,961			11,959,613
Leased property under capital leases	<u>208,048</u>	<u>549,265</u>				<u>757,313</u>
Total accumulated depreciation	<u>81,717,886</u>	<u>5,493,477</u>	<u>802,919</u>			<u>86,408,444</u>
Total depreciable capital assets, net	<u>98,368,559</u>	<u>(2,553,805)</u>	<u>35,689</u>			<u>95,779,065</u>
Governmental activities capital assets, net	<u>\$103,391,632</u>	<u>(283,033)</u>	<u>35,689</u>			<u>103,072,910</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$3,686,083
Support services	1,745,618
Non-instructional	<u>61,776</u>
Total depreciation expense	<u>\$5,493,477</u>

The capital assets above include significant amounts which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Commitments under construction contracts at June 30, 2006, are summarized as follows:

<u>Project name</u>	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Classroom additions Boyd	\$ 49,062	-
HVAC Morrison	<u>331,419</u>	<u>-</u>
Total	<u>\$ 380,481</u>	<u>-</u>

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

6) Long-term Liabilities.

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7-1-05	Additions	Reductions	Adjustments	Balance 6-30-06	Amounts due within one year
A. General obligation bonds payable	\$ 9,170,000	-	4,545,000	-	4,625,000	4,625,000
B. Limited obligation bonds payable	27,525,000	26,520,000	27,525,000	-	26,520,000	1,150,000
C. Three mill notes payable	52,951,688	-	2,580,000	(5,000)	50,366,688	2,620,000
D. Obligations under capital leases	2,325,678	1,646,580	958,169	-	3,014,089	985,010
E. Obligations under energy efficiency lease	8,124,094	-	430,312	-	7,693,782	466,845
F. Qualified zone academy bonds payable	2,500,000	-	-	-	2,500,000	-
G. Compensated absences payable	1,642,683	58,829	-	-	1,701,512	106,537
Total	<u>\$ 104,239,143</u>	<u>28,225,409</u>	<u>36,038,481</u>	<u>(5,000)</u>	<u>96,421,071</u>	<u>9,953,392</u>

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Leasing Authority - 3.75 mil Refunding	4.25 - 6.0	6/8/95	4/1/07	\$18,870,000	2,030,000
General Obligation Refunding Bond, Series 1998	Various	9/23/98	7/1/07	13,290,000	2,595,000
Total				<u>\$32,160,000</u>	<u>4,625,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2007	4,625,000	121,715	4,746,715
Total	<u>4,625,000</u>	<u>121,715</u>	<u>4,746,715</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2005. This debt will be retired from the Bond Retirement Funds.

B. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement Refunding bonds, Series 2006	4.25 - 6.0	2/22/06	2/1/18	\$26,520,000	26,520,000
Total				<u>\$26,265,000</u>	<u>26,520,000</u>

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	1,150,000	987,646	2,137,646
2008	1,825,000	990,752	2,815,752
2009	1,870,000	916,853	2,786,853
2010	1,940,000	847,927	2,787,927
2011	2,010,000	783,238	2,793,238
2012-2016	11,300,000	2,682,351	13,982,351
2017-2018	<u>6,425,000</u>	<u>361,775</u>	<u>6,786,775</u>
Total	<u>26,520,000</u>	<u>7,570,542</u>	<u>34,090,542</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund.

On February 22, 2006, Jackson Public School District issued \$26,520,000 in State Aid Capital Improvement Refunding Bonds with an average interest rate of 4.21 percent to advance refund \$26,035,000 of outstanding 2003 State Aid Capital Improvement Bonds with an average interest rate of 4.89 percent.

The district advance refunded the 2003 State Aid Capital Improvement Bonds to reduce its total debt service payments over the remaining 12 years of the debt by approximately \$630,771 and to obtain an economic gain of \$623,585.

C. Three mill notes payable.

The District issued limited tax notes to acquire, improve, renovate construct, repair, heat, cool, and equip school buildings and related facilities. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Notes Series 2000-A	4.35 - 4.8	9/1/00	10/1/10	\$ 3,000,000	980,000
Limited Tax Notes Series 2000-B	4.35 - 5.375	9/1/00	10/1/20	\$32,205,000	5,840,000
Limited Tax Notes Series 2003-B	4.35 - 5.375	10/1/03	10/1/08	\$ 4,615,000	2,675,000
Limited Tax Notes Series 2003-B	4.35 - 5.375	10/1/03	10/1/23	\$16,381,688	15,831,688
Limited Tax Notes Series 2005	2.45 - 5.0	5/2/05	10/2/20	<u>\$ 25,220,000</u>	<u>25,040,000</u>
Total				<u>\$81,421,688</u>	<u>50,366,688</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,620,000	3,139,011	5,759,011
2008	2,635,000	3,047,913	5,682,913
2009	2,715,000	2,950,785	5,665,785
2010	2,770,000	2,810,384	5,580,384
2011	2,865,000	2,705,357	5,570,357
2012-2016	15,748,351	5,589,509	21,337,860
2017-2021	10,958,145	4,914,301	15,872,446
2022-2025	<u>10,055,192</u>	<u>8,059,808</u>	<u>18,115,000</u>
Total	<u>\$ 50,366,688</u>	<u>33,217,068</u>	<u>83,583,756</u>

This debt will be retired from the Three Mill Notes Retirement Funds.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

D. Obligations under capital leases.

The school district has entered into four lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases is composed of:

1. Digital video servers
2. Computers, radios, and video servers

The various options available to the lessee for these leases are as follows:

1. The lessee may, at its option, pay to the lessor the purchase price set forth in the payment schedule in order to purchase the equipment.
2. Title to the equipment passes to the lessee at the end of the lease period after the lease obligation has been fulfilled.

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2007	985,010	90,541	1,075,551
2008	1,016,593	58,959	1,075,552
2009	764,236	26,343	790,579
2010	248,250	4,555	252,805
Total	<u>\$3,014,089</u>	<u>180,398</u>	<u>3,194,487</u>

This debt will be retired from the District Maintenance Fund

E. Obligations under energy efficiency lease.

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2007	466,845	405,364	872,209
2008	505,570	379,427	884,997
2009	546,612	351,357	897,969
2010	590,099	321,025	911,124
2011	636,170	288,298	924,468
2012 - 2016	3,972,942	856,325	4,829,267
2017	975,544	33,084	1,008,628
Total	<u>\$7,693,782</u>	<u>2,634,880</u>	<u>10,328,662</u>

An energy efficiency lease agreement dated July 2, 2002, was executed by and between the district, the lessee, and First Security Leasing, Inc., the lessor.

The agreement authorized the borrowing of \$8,348,849 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. The agreement repayment schedule included capitalized interest resulting in total repayments of \$8,737,450. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from District Maintenance Fund.

F. Qualified Zone Academy bonds payable.

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy Bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified Zone Academy bonds	0%	7/20/00	7/01/12	\$ <u>2,500,000</u>	<u>2,500,000</u>
Total				\$ <u>2,500,000</u>	<u>2,500,000</u>

This debt will be retired from the QZAB Debt Service Fund.

G. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2006 was 10.75% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$14,987,113, \$13,543,392 and \$12,608,099, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amount to \$2,994,224.

(9) Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 751,836
2008	716,586
2009	668,296
2010	644,976
2011	629,216
2012 - 2016	2,653,060
2017 - 2021	2,138,390
2022 - 2026	1,807,794
2027 - 2031	1,345,190
2032 - 2036	1,109,600
2037 - 2041	432,304
2042 - 2045	30,305
Total	<u>\$ 12,927,553</u>

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

<u>Exhibit B - Statement of Activities</u>	<u>Amount</u>
<u>Explanation</u>	
To correct a prior period error in recording an asset	\$ (91,319)
Total	<u>\$ (91,319)</u>

Exhibit D- Statement of Revenues, Expenditures and Changes in Fund Balances

	<u>Explanations</u>	<u>Amount</u>
General Fund	To correct a prior period error in recording an asset	\$ (87,400)
2003-B Cpnstruction Fund	To correct a prior period error in recording an asset	30,972
Other Governmental Funds	To correct a prior period error in recording an asset	(41,362)
Total		<u>\$ (97,790)</u>

(11) Short-term Financing.

During the fiscal year ended June 30, 2006, the school district participated in the following short-term financing:

Tax Anticipation Note

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2006 are as follows:

	<u>Balance 7-1-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 6-30-06</u>
\$	-	20,000,000	20,000,000	-	-
Total	<u>\$ -</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>-</u>	<u>-</u>

(12) Litigation

The Jackson Public School District is involved in various claims against the district, arising in the normal course of business. Management believes that their insurance coverage will be sufficient to pay any liabilities.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

(13) Risk Management.

The school district 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(14) Prior Year Defeasance of Debt.

In prior years, the Jackson Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2006, \$24,535,000 of bonds outstanding are defeased.

(15) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an agreement dated July 20, 2000.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 142,000
2008	142,000
2009	142,000
2010	142,000
2011	142,000
2012 - 2013	<u>262,000</u>
Total	<u>\$ 972,000</u>

JACKSON PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 74,281,009	75,682,533	76,163,435	1,401,524	480,902
State sources	114,430,445	113,677,068	113,677,068	(753,377)	0
Federal sources	820,000	2,927,536	3,321,853	2,107,536	394,317
Total Revenues	<u>189,531,454</u>	<u>192,287,137</u>	<u>193,162,356</u>	<u>2,755,683</u>	<u>875,219</u>
Expenditures:					
Instruction	113,531,012	114,637,660	109,895,857	(1,106,648)	4,741,803
Support services	74,525,022	77,766,784	79,520,340	(3,241,762)	(1,753,556)
Noninstructional services	208,758	132,918	119,166	75,840	13,752
Facilities acquisition and construction	2,054,799	2,955,418	1,729,159	(900,619)	1,226,259
Debt service:					
Principal	22,026,537	21,997,959	21,388,481	28,578	609,478
Interest	128,714	127,905	852,814	809	(724,909)
Total Expenditures	<u>212,474,842</u>	<u>217,618,644</u>	<u>213,505,817</u>	<u>(5,143,802)</u>	<u>4,112,827</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(22,943,388)</u>	<u>(25,331,507)</u>	<u>(20,343,461)</u>	<u>(2,388,119)</u>	<u>4,988,046</u>
Other Financing Sources (Uses):					
Proceeds of loans	21,650,000	20,000,000	20,000,000	(1,650,000)	0
Inception of capital leases		3,790,573	1,646,580	3,790,573	(2,143,993)
Insurance loss recoveries			1,289,899	0	1,289,899
Sale of transportation equipment	30,000	54,742	54,743	24,742	1
Payment held by escrow agent			142,000	0	142,000
Operating transfers in	8,289,288	9,287,958	9,234,544	998,670	(53,414)
Operating transfers out	(10,246,037)	(12,259,357)	(14,197,261)	(2,013,320)	(1,937,904)
Payment to refunded bond escrow agent			(142,000)	0	(142,000)
Total Other Financing Sources (Uses)	<u>19,723,251</u>	<u>20,873,916</u>	<u>18,028,505</u>	<u>1,150,665</u>	<u>(2,845,411)</u>
Net Change in Fund Balances	<u>(3,220,137)</u>	<u>(4,457,591)</u>	<u>(2,314,956)</u>	<u>(1,237,454)</u>	<u>2,142,635</u>
Fund Balances:					
July 1, 2005	19,697,316	19,697,316	21,494,493	0	1,797,177
Prior period adjustments		5,570	(87,400)	5,570	(92,970)
July 1, 2005, as restated	<u>19,697,316</u>	<u>19,702,886</u>	<u>21,407,093</u>	<u>5,570</u>	<u>1,704,207</u>
Increase (Decrease) in reserve for inventory			(42,534)	0	(42,534)
June 30, 2006	<u>\$ 16,477,179</u>	<u>15,245,295</u>	<u>19,049,603</u>	<u>(1,231,884)</u>	<u>3,804,308</u>

The notes to the required supplementary information are an integral part of this statement.

JACKSON PUBLIC SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

(3) Individual Fund Disclosures.

Individual funds that were required to be budgeted but were not budgeted are as follows:

<u>Individual Fund</u>	<u>Amount</u>
2904 MS Language Arts Middle School Prog.	6,907
2909 Behavioral Modification	875
2931 Salvation Army 2003-04	4,649
2952 Teacher Induction Programs	5,000
2955 Title I Coop Fund 82	3,496
2977 Learn & Serve America Program	1,460
2984 Nuts and Bolts	607
2994 Middle School Drug (2830)	13,001
2996 Cornerstone Grant	11,212
3030 QZAB Construction	19,013
3903 Series 2003B Construction Fund	4,435,378
7332 Fashion Club	268
7335 Flag Girls	141
7384 Softball Girls	138
7385 Arts Council	13

The unbudgeted funds are in violation of state law. However, the school district has no liability associated with this violation.

JACKSON PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

SCHEDULE 2

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 852,575
Child Nutrition Cluster:		
School Breakfast Program	10.553	2,815,880
National School Lunch Program	10.555	9,092,709
Summer Food Service Program for Children	10.559	244,408
Total pass-through MD Department of Education		12,152,997
Summer Food Service Program for Children	10.559	190,727
Total Child Nutrition Cluster		12,343,724
Total U. S. Department of Agriculture		13,196,299
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	687,108
Total Other Federal Assistance		687,108
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	1,741,938
Total Federal Communications Commission		1,741,938
<u>National Aeronautics and Space Administration</u>		
Passed-through the Stennis Space Center		
Aerospace Education Services Program	43.001	15,000
Total National Aeronautics and Space Administration		15,000
<u>National Science Foundation</u>		
Direct Program:		
Education and Human Resources	47.076	625,683
Total National Science Foundation		625,683
<u>U. S. Department of Education</u>		
Direct program:		
Twenty-first Century Community Learning Centers	84.287	190,619
Fund for the Improvement of Education	84.215	233,317
Advanced Placement Program	84.330	236,809
Total Direct Programs		660,745
Passed-through State Junior College Board:		
Adult Education-State Grant Program	84.002	432,980
Total Pass-through State Junior College Board		432,980
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	18,938,172
Vocational Education – Basic Grants to States	84.048	452,122
Safe and drug free schools and communities national programs	84.184	21,029

Safe and Drug-Free Schools and Communities-State Grants	84.186	282,777
Education for Homeless Children and Youth	84.196	91,201
Education Technology Grant	84.318	237,720
Comprehensive School Reform Demonstration	84.332	121,502
Grants for state assessments and related activities	84.369	192,195
Hurricane Education Recovery Act Programs	84.938	4,845,255
Total		25,181,973
Special Education Cluster:		
Special Education – Grants to States	84.027	9,380,363
Special Education – Preschool Grants	84.173	89,896
Total Special Education Cluster		<u>9,470,259</u>
Total passed-through MDE		<u>34,652,232</u>
Total U. S. Department of Education		<u>35,745,957</u>
<u>Department of Health and Human Services</u>		
Direct Program:		
Health Resources & Services Grant	93.888	<u>459,089</u>
Total Department of Health & Human Services		<u>459,089</u>
<u>Corporation for National & Community Service</u>		
Direct Program:		
Learn and Serve America – School and Community Based Programs	94.004	<u>20,155</u>
Total Corporation for National & Community Service		<u>20,155</u>
<u>U. S. Department of Homeland Security</u>		
Passed-through MS Emergency Management Agency		
State Domestic Preparedness Equipment Support	97.004	<u>2,582</u>
Total U. S. Department of Homeland Security		<u>2,582</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$52,493,811</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Jackson Public School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 185,627,946	149,777,963	6,495,715	14,415,910	14,938,358
Other	135,899,242	19,329,227	2,754,492	246,530	113,568,993
Total	<u>\$ 321,527,188</u>	<u>169,107,190</u>	<u>9,250,207</u>	<u>14,662,440</u>	<u>128,507,351</u>
Total number of students *	30,656				
Cost per student \$	10,488	5,516	302	478	4,192

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

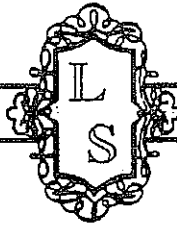
Other - includes all expenditure functions not included in Instruction or Administration Categories

*Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

Note: include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

JACKSON PUBLIC SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



LYLES AND SINCLAIR

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CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 11625 • JACKSON, MISSISSIPPI 39283-1625

MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Jackson Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2006, which collectively comprise the Jackson Public School District's basic financial statements and have issued our report thereon dated May 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Questioned Costs as Finding 06-1 through 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider Finding 06-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated May 27, 2008, which is included in this report.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Lyles and Sinclair, PLLC

May 27, 2008



LYLES AND SINCLAIR

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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Jackson Public School District

Compliance

We have audited the compliance of the Jackson Public School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

As described in Findings 06-3 through 06-5 in the Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding eligibility, period of availability, and reporting that are applicable to its Hurricane Education Recovery Act Programs - Emergency Impact Aid. Compliance with such requirements is necessary, in our opinion, for the school district to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Jackson Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

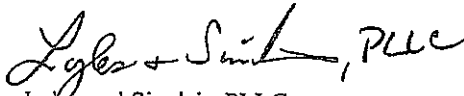
The management of the Jackson Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of

laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-3 through 06-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

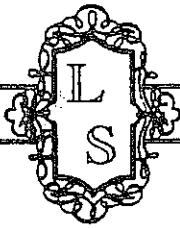
This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Lyles and Sinclair, PLLC

May 27, 2008

JACKSON PUBLIC SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



ARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONSSuperintendent and School Board
Jackson Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2006, which collectively comprise Jackson Public School District's basic financial statements and have issued our report thereon dated May 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$69,396 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

We noted funds with no budget amount that had expenditures for our audit period. Section 37-61-9, Miss. Code Ann. (1972) requires the local school board with the assistance of the superintendent to prepare budgets for each fund. The district's budget process is not in compliance with state law.

Recommendation

We recommend the district ascertain all funds are budgeted before any expenditures are made.

School District's Response

Activity funds are budgeted together under fund 1150-Activity Fund General which was approved by the Board. The other budgets are accounts with cash balances. No revenue was budgeted because the revenue had been received in the prior year and no more was expected. In order to expend the cash and close some accounts, expenditure budgets were established. Funds 3030, 3903 both had interest income posted through journal entries due to prior period adjustments. Fund 2996 was submitted to the board on July 17, 2006 and fund 3903 was approved by the board on September 18, 2006.

2. Finding

We noted the following on sixteenth section rentals:

- A. Companies where rental income was not received.
- B. Receipts were not deposited timely.

Mississippi Code Section 29-3-57 requires that lease payments in default in excess of sixty days be terminated or that the board of education has found extenuating circumstances for not terminating. An effective internal control system dictates that deposits be made at least weekly. The consultant sends out 30 day and 60 day notices when payment has not been received; however, some companies do not respond. Also, the consultant responsible for making the deposits for the district failed to make them timely. The district may be in violation of the state statute and the untimely deposits may cause income to be misstated.

Recommendation

We recommend the district ascertain that lease payments that are in default in excess of sixty days are terminated or indicate that the board of education found extenuating circumstances present and are trying to resolve them. We also, recommend that the district emphasize the importance of timely deposits to the consultant.

School District's Response

The District will comply with this recommendation. We have already had conversations with our consultant regarding timely monitoring of delinquent leases.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Lyles and Sinclair, PLLC

May 27, 2008

JACKSON PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|--------------------|
| 1. | Type of auditor's report issued on the financial statements: | <u>Unqualified</u> |
| 2. | Material noncompliance relating to the financial statements? | <u>No</u> |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | <u>Yes</u> |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | <u>Yes</u> |

Federal Awards:

- | | | |
|-----|---|--------------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | |
| | Hurricane Education Recovery Act Programs | <u>Qualified</u> |
| | All Others | <u>Unqualified</u> |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | <u>No</u> |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | <u>Yes</u> |
| 6. | Any audit finding(s) reported as required by section ____ .510(a) of OMB Circular A-133? | <u>Yes</u> |
| 7. | Federal programs identified as major programs: | |
| a. | Title I Grants to Local Educational Agencies, CFDA # 84.010 | |
| b. | Cluster: Special Education Cluster | |
| | CFDA #: 84.027 | |
| | CFDA #: 84.173 | |
| c. | Hurricane Education Recovery Act Programs, CFDA # 84.938 | |
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | <u>\$1,574,814</u> |
| 9. | Auditee qualified as a low-risk auditee? | <u>No</u> |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | <u>Yes</u> |

Section 2: Financial Statements Findings

Material Weaknesses

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2006

06-1. Finding

During our audit of the Jackson Public School District, we noted that some of the district's supporting schedules did not agree with the financial statement balances. An effective internal control system requires proper documentation of all financial transactions to provide an adequate audit trail. It appears that human error in not verifying agreement with the financial statements caused these differences. The supporting schedules are not in agreement with the financial statement balances.

Recommendation

We recommend the district ascertain in preparation of their schedules that they are in agreement with the financial statements.

Views of responsible officials and planned corrective action

The schedules in question were manual schedules requested by the auditors. The differences were the result of the staff not understanding what the auditors were trying to achieve. Since the requests were not part of our normal work routine, incomplete information was mistakenly provided to the auditors. Care will be taken in the future to gain a better understanding of what information the auditors are expecting.

06-2. Finding

We noted the district was unable to locate signed authorization for withholdings for several employees. An effective internal control system requires proper authorization of all payroll withholdings. Withholding amounts may be unauthorized and requested to be repaid by the employee.

Recommendation

We recommend the district maintain support for all withholdings from the employees payroll.

Views of responsible officials and planned corrective action

Deduction authorization forms are filed three different ways: by social security number, by name, or by work location - based on the most convenient way to retrieve the information. As employees have name changes or location reassignments, the deduction authorization forms are not updated. Management is evaluating various options as to how to uniformly file all deduction authorization forms for the most cost effective and productive method for filing and retrieval of all authorization forms.

Section 3: Federal Awards Findings and Questioned Costs

06-3. Finding

Program: Hurricane Education Recovery Act Programs - Emergency Impact Aid; CFDA #84.938; U. S. Department of Education; passed-through the Mississippi Department of Education

Compliance requirement: Eligibility

During our audit of the Jackson Public School District, we noted that as the result of an OIG audit, the district has been instructed to repay \$173,120.00 for students that did not meet the Department of Education's definition of displaced. The Compliance Supplement outlines the program guidelines and requirements. Errors were made in reporting data related to the program. The district now has questioned costs due to noncompliance with program requirements.

Recommendation

We recommend the district establish procedures to ensure compliance with federal program requirements.

Views of responsible officials and planned corrective action

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2006

The District will ensure that personnel responsible for these activities will cross check information to ensure compliance with grant guidelines.

06-4. Finding

Program: Hurricane Education Recovery Act Programs - Emergency Impact Aid; CFDA #84.938; U. S. Department of Education; passed-through the Mississippi Department of Education

Compliance Requirement: Period of Availability

During our audit of the Jackson Public School District, we noted that there was a cash balance at June 30, 2007 of nearly \$16,000.00 on the books. The grant called for all obligations to have been liquidated by October 29, 2006. A-133 Compliance Supplement outlines the period of availability for program funds. The district stated they had teachers hired under Hurricane Katrina that were being paid from this fund and had been moved but they hadn't moved the money from the books yet. It gives the appearance that district paid expenditures from this fund past the period of availability.

Recommendation

We recommend the district establish procedures to ensure compliance with federal program requirements.

Views of responsible officials and planned corrective action

The teachers that were initially hired under the grant were board approved to be paid from District Maintenance effective July 1, 2007. Due to the processing time of paperwork that was needed to transfer the salary and fringe benefits expense at the end of the fiscal year from grant to the District Maintenance fund, it gave the appearance that funds were being spend after the grant end date. These expenditures were moved by journal entry to District Maintenance. No funds were expended after the grant end date.

06-5. Finding

Program: Hurricane Education Recovery Act Programs - Emergency Impact Aid; CFDA #84.938; U. S. Department of Education; passed-through the Mississippi Department of Education

Compliance Requirement: Reporting

During our audit of the Jackson Public School District, we noted that as the result of an OIG audit, the district has been instructed to repay \$72,000.00 for students that were counted twice in the same quarter and for unsupportable final displaced student counts for all four quarters. The Compliance Supplement outlines the program guidelines and requirements. Errors were made in reporting data related to the program. The district now has questioned costs due to noncompliance with program requirements.

Recommendation

We recommend the district establish procedures to ensure compliance with federal program requirements.

Views of responsible officials and planned corrective action

The District will ensure that personnel responsible for these activities will cross check information to ensure compliance with grant guidelines.

JACKSON PUBLIC SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Findings no. 05-01 and 05-02:

There were two findings reported for recording investment and banking transactions.

Response:

These were also findings in the June 30, 2004 audit. As the result of the lack of adequate management supervision, the recording and reconciling of investment and bank reconciliations fell unacceptably behind. In March 2004, we made a personnel change hiring a new Accounting supervisor. Her first assignment was to get all reconciliations up to date. As she began this process, she found that investment records for a capital project account were incomplete. After she was able to recreate all the investment records, she began the process of ensuring that all transactions were properly recorded. These investments were in three different accounts and were being managed by a financial advisor. The financial advisor moved funds within the three accounts to maximize return to the District while maintaining an acceptable level of liquidity. Because we were not receiving all of the statements for all three accounts, some of the transactions were not being posted to our books.

Also compounding this problem was that annual audit reports were not being issued in a timely manner. The June 2003 audit contract was not awarded until June 21, 2004. The final report was not issued until June 13, 2005. In June 2004, a new set of auditors was awarded the annual audit for 2004 and 2005, however they were not able to start their audit until the 2003 was substantially complete. The 2004 audit was issued September 30, 2005. By that time, the June 30, 2005 books were already closed. Therefore, proposed audit adjustments could only be made as prior period adjustments, which is what we did.

By the time all necessary entries were determined, some entries had to be recorded as prior year transactions. Although the bank reconciliations were being reconciled, reconciling items were not being posted on a timely basis. As a result of these findings, a procedure was put in place where all the bank statements and investment accounts for a given month are to be reconciled and all reconciling items are to be recorded within forty-five days of the statement date. Beginning in August 2004, bank and investment account reconciliation statuses are reported to the Deputy Superintendent on a monthly basis. While the finding was factual for the early part of the 2004-05 fiscal, by November 2004, the account department began to achieve their goal of having all bank accounts reconciled and reconciling items posted within forty-five days. At June 30, 2005, all transactions were being properly and timely recorded.

Finding no. 05-03:

Qualified Zone Academy Bonds (QZAB) transactions are not being recorded in accordance with the Financial Accounting Manual for Mississippi Public School Districts.

Response:

This was also a finding in the 2004 audit. In July 2000, the District borrowed \$2,500,000 under the QZAB program. The District recorded a liability for this loan, as we do for all debt. When annual payments to retire this debt were made, we reduced our debt liability, as we do for other loans. The 2004 auditors decided that it was a reportable finding but did not report the finding to our staff until after the 2005 books had been closed thus creating the repeated finding. We have

corrected this finding by establishing a sinking fund for the purpose of the debt retirement. A sinking fund is an asset maintained by an outside fiscal agent. It is an asset on the balance sheet that will be used to retire the debt at its final maturity in July 2112.

Finding no. 05-04:

Schools activity fund receipts were not deposited in a timely manner.

Response:

The auditors reviewed the length of time between the times the office manager receipted the teacher until it was deposited in the bank. Of the five schools tested, three were found to be violating Board Policy, which requires deposits to be made the same day they are received. In light of this finding, the accounting department will start testing for compliance with Board policy. When exceptions are noted, we will notify appropriate school officials. In addition, we will continue to stress the same day deposit requirement during every training session with principals and office managers.

JACKSON PUBLIC SCHOOLS

Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2007

Financial Statement A
Page 1 of 3

UNAUDITED

		Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
		General	Special Revenue	Capital Projects	Debt Services	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long Term Debt	Total
ASSETS											
101	Cash and Other Deposits	4314125.91	4958529.47	2529056.36	4542433.20			6335235.69			22679380.63
105	Cash With Fiscal Agent	2869780.23			1144493.31						4014273.54
111	Investments							269761.01			269761.01
121	Due From Local Sources	1768433.64		5262967.89	316717.04						7348118.57
122	Due From State Sources	2070477.62	2066876.49		1430270.00						5567624.11
123	Due From Federal Sources	1508339.76	678852.33								2187192.09
124	Accrued Interest Receivable										
125	Other Receivables	1538136.68	4768.82	14451.70				45761.70			1603118.90
126	Bond Proceeds Receivable										
127	16th Section Loans Receivable										
128	16th Section Lease Receivable										
130	Allowance Doubtful Accts										
131	Due From Other Funds	5530059.08	796082.61		1004407.50						7330549.19
132	Advances To Other Funds	18301000.00						2968988.99			21269988.99
134	MSBA Cash Flow Mngmt										
141	Inventory of Supplies	904361.10	80713.52								985074.62
142	Inv of Stores For Resale										
143	Inventory of Food		311218.97								311218.97
144	Inv of Donated Commodities										
151	Prepaid Items										
152	Amount Provided for Retirement of General Long-term Debt				21096492.80					90673273.08	111769765.88
154	Amt Available in Debt Serv Fd									5705949.00	5705949.00
201	Land								3525617.99		3525617.99
211	Buildings								84122269.00		84122269.00
212	Building Improvements										
221	Improvements Other Than Bldgs								28724930.75		28724930.75
231	Mobile Equipment								9689011.59		9689011.59
241	Furniture and Equipment								39158094.47		39158094.47
251	Leased Prop Under Cap Leases								4495364.00		4495364.00
261	Construction in Progress								16409532.00		16409532.00
290	Accumulated Depreciation								43240980.01-		43240980.01-
Total Assets		38804714.02	8897042.20	7806475.95	29534813.85			9619747.39	142883859.79	96379222.08	333925875.28

JACKSON PUBLIC SCHOOLS

Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2007

Financial Statement A
Page 2 of 3

UNAUDITED

		Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups			
		General	Special Revenue	Capital Projects	Debt Services	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long Term Debt	Total
LIAB. & FUND EQUITY											
Liabilities:											
401	Claims Payable	655475.54	670774.37	402347.40				249915.99			1978513.30
402	Judgements Payable										
411	Constr Contracts Payable	26211.70		2717965.60							3744177.30
412	Retained Percentage Payable	2876.30		332172.96							335049.26
421	Performance Bonds Payable	13857.22									13857.22
431	Accrued Payroll	9995397.67	1824581.08								11819978.95
432	Salary Benefits Payable										
433	Salary Withholdings Payable							1998210.45			1998210.45
436	Due To Student Clubs										
441	Due To Other Funds	2105398.11	2273947.25	390720.02	2537691.14			22792.67			7330549.19
442	Advances From Other Funds	10611000.00	2257000.00	2319000.00	1554000.00			4528988.99			21269968.99
451	Deferred Revenue		237473.30								237473.30
461	Other Payables			23890.32				2091918.87			2115809.19
480	Rev Anticipation Note Payable										
501	Gen Obligation Bonds Payable									17765000.00	17765000.00
502	Cert Participation Payable										
503	Three Mill Notes Payable				21096492.80					34440000.00	55536492.80
504	Transportation Notes Payable										
505	16th Sect Prin Loans Payable										
506	Shortfall Notes Payable										
507	Obligations Capital Leases									1684471.71	1684471.71
508	Install Purch Loans Payable										
509	Other Loans Payable									30270000.00	30270000.00
510	Lmtd Obligations Bonds Payabl										
512	Oblig Energy Efficient Leases									8348849.37	8348849.37
513	Qual Zone Academy Bnds/Loans									2200000.00	2200000.00
514	Judgements Payable										
531	Compensated Absences Payable									1670901.00	1670901.00
Total Liabilities		23410216.74	7263776.00	6186096.30	25188183.94			8891826.97		96379222.08	167319322.03

Combined Balance Sheet - All Fund Types and Account Groups
JACKSON PUBLIC SCHOOLS

Financial Statement A
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UNAUDITED

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Capital Projects	Debt Services	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long Term Debt	
Fund Equity:										
701 Investment in Capital Assets								181002306.83		181002306.83
711 Retained Earnings/Unreserved										
721 Reserved for Investments							13599.22			13599.22
722 Rsvd Unemployment Benefits		699137.55								699137.55
723 Rsvd Forestry Improvements										
724 Reserved for Advances										
725 Rsvd Capital Improvements			1620379.65							1620379.65
726 Reserved for Endowments										
727 Reserved for Debt Service				1457254.56						1457254.56
728 Reserved for Encumbrances										
729 Reserved for Inventory	904361.10	247558.38								1151919.48
730 Reserved for Prepaid Items										
731 Reserved for Ad Valorem										
732 Rsvd for Other Commitments										
733 Rsvd Arbitrage Commitments										
741 Unreserved/Designated										
751 Unreserved/Undesignated	14490136.16	686570.28		2889375.35			714321.20			18780403.01
799 Accum Depreciation Offset								38118447.04-		38118447.04-
Total Fund Equity	15394497.28	1633266.21	1620379.65	4346629.91			727920.42	142883659.79		166606553.26
Total Liabilities and Fund Equity	38804714.02	8897042.21	7806475.95	29534813.85			9619747.39	142883659.79	96379222.08	333925875.29
Out of Balance		0.00								0.00

JACKSON PUBLIC SCHOOLS

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 2007
 Financial Statement B

UNAUDITED

UNAUDITED

		Governmental Fund Types				Fiduciary Fund Type	
		General	Special Revenue	Capital Projects	Debt Services	Expendable Trust	Total
Revenues							
1000	Local Sources	76858245.07	2368214.62	8380.53	6869412.07	13599.22	86117851.51
2000	Intermediate Sources						
3000	State Sources	122775935.33	5270481.68		2860540.00		130906957.01
4000	Federal Sources	2823448.95	45117397.94				47940846.89
5000	Sixteenth Section Sources		1461459.41				1461459.41
Total Revenue		202457629.35	54217553.65	8380.53	9729952.07	13599.22	266427114.82
Expenditures							
1000	Instruction	117560316.45	25476267.45				143036583.90
	Support Services:						
2100	Students	7787044.31	2837199.22				10624243.53
2200	Instructional Staff	7262884.02	8170152.92			55649.50	15488686.44
2300	General Administration	3651773.76	3021008.55				6672782.31
2400	School Administration	15121673.83	328165.31				15449839.14
2500	Business	3801065.69	427900.84				4228966.53
2600	Operation and Maint. of Plant	27366672.85	74843.62				27441516.47
2700	Transportation	11753257.98	973516.56				12726774.54
2800	Central	5118965.55	448718.66				5567684.21
3000	Non-instructional services	62315.77	16999696.49				17062012.26
4000	Sixteenth Section		121901.68				121901.68
5000	Facilities Acquisition & Construction Services	1332777.35		7267980.92	4435.81		8605194.08
	Debt Services:						
6100	Principal	22688023.59	1615941.89		10330947.14		34634912.62
6100	Interest						
6300	Advance Refunding Escrow						
6400	Pyts for Arbitrage Commitments						
6500	Debit Issuance Cost						
6600	Discount Amortization Cost						
6900	Other						
Total Expenditures		223506771.15	60495313.19	7267980.92	10335382.95	55649.50	301661097.71
Excess of Revenues Over (Under) Expenditures		21049141.80-	6277759.54-	7259600.39-	605430.88-	42050.28-	35233982.89-

JACKSON PUBLIC SCHOOLS

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 2007
 Financial Statement B

UNAUDITED

		Governmental Fund Types				Fiduciary Fund Type	Total
		General	Special Revenue	Capital Projects	Debt Services	Expendable Trust	
Other Financing Sources (Uses)							
6100	Proceeds of Bonds Gen Oblig						
6150	Proceeds of Refunding bonds	521026.10		4917562.89			5438588.99
6200	Proceeds of Loans	20000000.00					20000000.00
6300	Inception of Capital Leases	435000.00					435000.00
6350	Premium on Debt Issuance						
6400	Insurance Loss Recoveries	94074.53					94074.53
6500	Sale of Transportation Equipment						
6550	Sale of Land						
6600	Sale of Other Property		255.30				255.30
6710	Operating Transfers In	6028664.40	7288039.87		1004407.50		14321111.77
6800	Payments Held by Escrow Agents						
6900	Other Sources			345405.00			345405.00
7110	Operating Transfers Out	10914850.51	2569303.09	390720.02	446238.14		14321111.76
7500	Payment to Refunded Bond Escrow Agt						
7600	Pyt Qual Zone Academy Debt Escrow						
7900	Other uses		35034.59				35034.59
Total Other Financing Sources (Uses)		16163914.52	4683957.49	4872247.87	558169.36		26278289.24
Excess of Revenues and Other Sources Over (Under) Expenditures & Other Uses		4885227.28-	1593802.05-	2387352.52-	47261.52-	42050.28-	8955693.65-
FUND BALANCES							
July 1, 2006		20279724.56	3223863.28	4007732.17	4393891.43	337876.27	32243087.71
Rev Prior Period Adjustments			3204.98				3204.98
Exp Prior Period Adjustments							
July 1, 2006, as restated		20279724.56	3227068.26	4007732.17	4393891.43	337876.27	32246292.69
Rev +(-) in reserve for inventory							
Exp +(-) in reserve for inventory							
Residual equity transfers in							
Residual equity transfers out							
June 30, 2007		15394497.28	1633266.21	1620379.65	4346629.91	295825.99	23290599.04

JACKSON PUBLIC SCHOOLS

Combined Budget
For the year ending June 30, 2008

Original _____ Date Approved: _____
Amended X Date Approved: / /

	Governmental Fund Types					Proprietary Fund Types		Total
	General	Special Revenue	Capital Projects	Debt Service	Permanent Trust	Enterprise	Internal Service	
Revenues								
Local Sources	\$76,474,313.95	\$2,268,826.21	\$0.00	\$6,360,510.39	\$7,000.00	\$0.00	\$0.00	\$85,110,650.55
Intermediate Sources	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
State Sources	\$132,696,676.07	\$9,704,425.43	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$142,401,101.50
Federal Sources	\$2,348,793.37	\$56,781,941.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$59,130,734.75
Sixteenth Section Sources	\$0.00	\$1,346,100.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,346,100.00
Total Revenues	\$211,519,783.39	\$70,101,293.02	\$0.00	\$6,360,510.39	\$7,000.00	\$0.00	\$0.00	\$287,988,586.80
Expenditures								
Instruction	\$122,190,380.96	\$28,894,139.57	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$151,084,520.53
Support Services	\$81,284,129.72	\$24,184,650.99	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$105,468,780.71
Noninstructional Services	\$109,854.04	\$18,343,317.47	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18,453,171.51
Sixteenth Section	\$0.00	\$152,742.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$152,742.90
Facilities Acquisition and Construction	\$565,700.35	\$495,000.00	\$146,645,053.21	\$169,155.85	\$0.00	\$0.00	\$0.00	\$147,874,909.41
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Principal	\$31,593,855.21	\$1,890,000.00	\$0.00	\$4,925,858.15	\$0.00	\$0.00	\$0.00	\$38,409,713.36
Interest	\$495,904.49	\$1,703,953.13	\$0.00	\$1,253,136.54	\$0.00	\$0.00	\$0.00	\$3,452,994.16
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenditures	\$236,239,824.77	\$75,663,804.06	\$146,645,053.21	\$6,348,150.54	\$0.00	\$0.00	\$0.00	\$464,896,832.58
Excess(Deficiency) of Revenues Over Expenditures	\$(24,720,041.38)	\$(5,562,511.04)	\$(146,645,053.21)	\$12,359.85	\$7,000.00	\$0.00	\$0.00	\$(176,908,245.78)

JACKSON PUBLIC SCHOOLS

Combined Budget
For the year ending June 30, 2008

Original _____ Date Approved: _____
Amended X Date Approved: / /

	Governmental Fund Types					Proprietary Fund Types		Total
	General	Special Revenue	Capital Projects	Debt Service	Permanent Trust	Enterprise	Internal Service	
Other Financing Sources (Uses)								
Proceeds of General Obligation Bonds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Proceeds of Refunding Bonds	\$0.00	\$0.00	\$146,786,283.00	\$0.00	\$0.00	\$0.00	\$0.00	\$146,786,283.00
Proceeds of Loan(s)	\$30,000,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,000,000.00
Inception of Capital Lease(s)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance Loss Recoveries	\$140,463.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$140,463.30
Sale of Transportation Equipment	\$1,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,500.00
Sale of Other Property	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Indirect Costs	\$1,498,202.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,498,202.00
Other Transfers In	\$4,124,668.37	\$7,222,394.68	\$3,213,717.00	\$0.00	\$0.00	\$0.00	\$0.00	\$14,560,780.05
Payments to Escrow Agent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Miscellaneous Other Financing Sources	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Indirect Costs Transfers Out	\$0.00	\$1,521,089.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,521,089.13
Other Transfers Out	\$11,129,342.02	\$1,594,685.96	\$390,720.12	\$446,238.14	\$7,000.00	\$0.00	\$0.00	\$13,567,986.24
Payment to Refunded Bond Escrow Agent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Payment to Qualified Zone Academy Debt Escrow Agent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Miscellaneous Other Financing Uses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Other Financing Sources (Uses)	\$24,635,491.65	\$4,106,619.59	\$149,609,279.88	\$(446,238.14)	\$(7,000.00)	\$0.00	\$0.00	\$177,898,152.98
Net Change in Fund Balances	\$(84,549.73)	\$(1,455,891.45)	\$2,964,226.67	\$(433,878.29)	\$0.00	\$0.00	\$0.00	\$989,907.20

JACKSON PUBLIC SCHOOLS

Combined Budget
For the year ending June 30, 2008

Original _____ Date Approved: _____
Amended X Date Approved: / /

	Governmental Fund Types					Proprietary Fund Types		Total
	General	Special Revenue	Capital Projects	Debt Service	Permanent Trust	Enterprise	Internal Service	
Fund Balances / Retained Earnings								
July 1, 2007	\$15,394,497.28	\$4,522,641.56	\$1,620,379.65	\$1,457,254.56	\$276,727.94	\$0.00	\$0.00	\$23,271,500.99
Prior Period Adjustments	\$(21,525.78)	\$126,392.06	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$104,866.28
July 1, 2007 as restated	\$15,372,971.50	\$4,649,033.62	\$1,620,379.65	\$1,457,254.56	\$276,727.94	\$0.00	\$0.00	\$23,376,367.27
Increase(Decrease) in Reserve for Inventory	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Residual equity transfer In(Out)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
June 30, 2008	\$15,288,421.77	\$3,193,142.17	\$4,584,606.32	\$1,023,376.27	\$276,727.94	\$0.00	\$0.00	\$24,366,274.47

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APPENDIX C
INFORMATION CONCERNING THE DISTRICT BOND

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THE DISTRICT BOND

General; Authorization and Purposes for Issuance

In order to provide moneys for the District under Sections 37-59-1 *et seq.*, Mississippi Code of 1972, as amended (the "School Act"), for the purpose of paying the costs of the projects in the District described below (the "District Projects"), there has been authorized in accordance with the School Act, a bond of the District to be known and designated as Jackson Public School District, Jackson, Mississippi General Obligation Bond, Series 2008 (Capital Improvements Project), in the aggregate principal amount of \$114,000,000 (the "District Bond"), pursuant to a resolution of the Board of Trustees of the District adopted on June 16, 2008 (the "District Bond Resolution"). The proceeds of the District Bond will be used to finance the costs of the District Projects, including the costs of the sale and issuance of the District Bond and the Bonds, as follows:

Extending the useful life of many District-owned facilities, which have an average life of over 50 years, by making necessary repairs, replacements and improvements including, but not limited to, the following deteriorated areas:

- Roofs and flooring,
- Foundation and structural systems,
- Heating ventilation and cooling systems (HVAC),
- Plumbing and electrical systems, and
- Replacing and/or rebuilding school buildings that have deteriorated by age beyond repair;

Eliminating overcrowded and potentially dangerous conditions in school buildings, including, but not limited to:

- Providing space for new classrooms and other school programs,
- Building new school facilities, repairing and upgrading existing classrooms and student support areas,
- Improving technological readiness of facilities throughout the school system, and
- Eliminating and/or reducing reliance on portable classrooms;

Improving, repairing and upgrading school safety by:

- Eliminating potentially unsafe and dangerous environmental hazards throughout the District,
- Upgrading school security systems,
- Improving parking lots, vehicle and bus access,
- Making required improvements to comply with national and state building regulations, and
- Making other necessary safety improvements;

And, in general, to purchase, erect, repair, equip, remodel and enlarge school buildings and related facilities, purchase land and establish and equip school athletic fields and necessary facilities connected therewith, and provide necessary water, light, heating, air conditioning and sewerage facilities for such buildings and related facilities.

Security

The District Bond shall be a general obligation of the District payable as to principal, premium, if any, and interest out of and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually by the City of Jackson, Mississippi (the "City"), without limitation as to rate or amount, upon all taxable property within the geographical limits of the District which tax will be adequate and sufficient to provide for the payment of the principal of, premium, if any, and the interest on the District Bond as the same falls due. The District Bond will never constitute an obligation of the State, the City or any political subdivision of the State other than the District, and neither the full faith and credit nor taxing power of the State, the City or any political subdivision thereof, other than the District, is pledged to the payment of such principal of, premium, if any, and interest on the District Bond.

The District Bond pledged under the Indenture and the District Bond Resolution and all of the rights, interests, powers, privileges and benefits accruing to or vested in the Bank under the District Bond pledged under the Indenture and the District Bond Resolution shall be protected and enforced in conformity with the Indenture and shall be thereby assigned by the Bank to the Trustee as security for the Bonds and may be exercised, protected and enforced for or on behalf of the Bondholders in conformity with the provisions of the District Bond Resolution and the Indenture.

Procedure

Concurrently with the issuance of the District Bond, the Bank will issue the Bonds, and the proceeds of the Bonds will be used to purchase, in accordance with the Act, the District Bond, in accordance with the terms and conditions of the Indenture and the District Bond Purchase Agreement, with the proceeds thereof to be applied in accordance with Section 2.02 of the Indenture by the Trustee, including payment of a portion of the proceeds of the Bonds to the District to finance the costs of the District Projects.

Payment of Principal, Premium, if any, and Interest

The District will duly and punctually pay the principal of, premium, if any, and interest on the District Bond pledged under the Indenture at the dates and the places and in the manner mentioned in the District Bond Resolution. Notwithstanding any schedule of payments upon the District Bond pledged under the Indenture, the District agrees to make payments upon such obligations and be liable therefor at such times and in such amounts (including principal, premium, if any, and interest) so as to provide for payment of the principal of, premium, if any, and interest on the Bonds Outstanding under the Indenture at least five Business Days prior to when such amounts are due, whether upon a scheduled Interest Payment Date for the Bonds, at maturity or by redemption or acceleration of the Bonds.

Redemption of District Bond

The District shall only be permitted to redeem the District Bond pursuant to the District Bond Resolution to the extent and in the manner required to redeem the Bonds pursuant to the provisions of the Indenture.

Flow of Funds

Bond Fund. The District shall maintain with a qualified depository thereof the 2008 Bond Fund (the "Bond Fund") in its name for the payment of the principal of, premium, if any, and interest on the District Bond and the payment of the Agent's (as defined herein) fees in connection therewith. There shall be deposited into the Bond Fund as and when received:

- (a) the avails of any of the ad valorem taxes levied and collected pursuant to Section 5 of the District Bond Resolution;
- (b) any income received from the investment of moneys in the Bond Fund; and
- (c) any other funds available to the District which may be lawfully used for payment of the principal of, premium, if any, and interest on the District Bond, and which the Governing Body, in its discretion, may direct to be deposited into the Bond Fund.

As long as any principal of, premium, if any, and interest on the District Bond or the Bonds remains outstanding and/or any other obligations of the District remain outstanding under the District Bond Resolution and the Indenture, the District shall withdraw from the Bond Fund sufficient moneys to make the payments (the "Payments") necessary to pay (i) the principal of, premium, if any, and interest coming due on the Bonds, and (ii) any additional Payments necessary and required as obligations of the District under the Indenture, and to transfer same to the account of the paying agent for the District Bond (the "Paying Agent") in time to reach said Paying Agent at least five days prior to the date on which said interest or principal and interest or premium, if any, on the Bonds shall become due. The Paying Agent shall transfer such Payments to the Trustee who shall deposit such Payments as directed under the Indenture.

Construction Fund. The principal proceeds received by the District upon the sale of the District Bond shall be deposited with a qualified depository of the District in a special fund, created under the District Bond Resolution, in the name of the District designated the "2008 Capital Improvements Construction Fund" (the "Construction Fund"). Such proceeds shall be used, to the extent permitted by law, (i) for the District Projects; (ii) to pay architectural, engineering, fiscal, paying agent, printing, accounting, construction manager, feasibility consultant, legal expenses and development expenses incurred in connection with the District Projects, the District Bond and the Bonds; and (iii) to pay costs related to any suits and proceedings in connection with the District Projects, including any costs of settlement thereof. Any income received from investment of moneys in the Construction Fund shall be deposited in the Construction Fund and shall be used for the cost of the District Projects. Any amounts which remain in the Construction Fund after the completion of the District Projects shall be transferred to the Bond Fund and used as permitted under State law and the Code.

Tax Covenants of the District

The District covenants in the District Bond Resolution that it will not make any use of the proceeds of the Bonds or do or suffer any other action that would cause: (a) the Bonds to be "arbitrage bonds" as such term is defined in Section 148(a) of the Code and the regulations promulgated thereunder; or (b) the interest on the Bonds to be included in the gross income of the Registered Owners thereof for federal income taxation purposes.

Investment of Money

All money held by the District or the Paying Agent in any fund or account created pursuant to the District Bond Resolution shall be invested and reinvested by the District or the Paying Agent, at the written direction of the District, in Investment Securities to the extent they are authorized by the Act and applicable provisions of State law, which Investment Securities shall mature not later than the respective dates when the money held for the credit of such fund or account will be required for the purposes intended.

Performance of Covenants of the District

The District covenants in the District Bond Resolution that it will faithfully perform at all times any and all covenants, undertakings and agreements on its part to be observed or performed as contained in the District Bond Resolution, or in the District Bond outstanding thereunder or in any proceedings pertaining thereto. The District represents and covenants that it is duly authorized under the Constitution and laws of the State, including the School Act, to issue the District Bond authorized thereby and to adopt the District Bond Resolution; that all action on its part for the issuance of the District Bond and the adoption of the District Bond Resolution has been duly and effectively taken; and that such District Bond in the hands of the Bank is and will be a valid general obligation of the District, enforceable according to its terms.

Damage, Destruction and Condemnation

If the District Projects shall be damaged or destroyed (in whole or in part) at any time while any portion of the District Bond remains outstanding, there shall be no abatement or reduction in the amount payable by the District under the District Bond Resolution and the District Bond. Also, if at any time while any Bonds remain Outstanding, and the whole or any part of title to, or the use of, the District Projects shall be taken by condemnation, there shall be no abatement or reduction in the amount payable by the District under the District Bond Resolution.

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APPENDIX D
FORM OF BOND COUNSEL OPINION

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FORM OF BOND COUNSEL OPINION

Mississippi Development Bank
Jackson, Mississippi

Re: \$114,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2008 (Jackson Public School District General Obligation Bond Project) (the "Bonds")

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Mississippi Development Bank (the "Bank") of the above described Bonds, pursuant to an Indenture of Trust ("Indenture"), dated July 23, 2008, between the Bank and Trustmark National Bank, Jackson, Mississippi, as Trustee (the "Trustee"). We have examined the law and a certified transcript of proceedings of the Bank relative to the authorization, issuance and sale of the Bonds and such other documents as we deem necessary to render this opinion, including the Bank's tax covenants and representations made in the Indenture and in its tax certificates and the Jackson Public School District's (the "District") tax covenants and representations made in a resolution (the "District Resolution") adopted by the Board of Trustees of the District on June 16, 2008 and in its tax certificates (collectively, the "Tax Representations and Covenants").

We have relied upon the certified transcript of proceedings and other certificates of public officials, including the Tax Representations and Covenants, and have not undertaken to verify any facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, as follows:

(a) The Bonds are legal, valid and binding limited obligations of the Bank enforceable in accordance with the terms thereof. The Bonds are payable from and secured only by the certain payments and funds to be received by the Bank and the Trustee and pledged to the Bonds under the Indenture.

(b) The Indenture is a valid and binding agreement of the Bank enforceable in accordance with its terms. The Indenture creates the valid pledge that it purports to create in the Funds and Accounts and the District Bond (as such terms are defined in the Indenture), including the investments and proceeds thereof (excepting therefrom the Rebate Fund) (as defined in the Indenture) and all other funds, accounts and moneys pledged (to the extent of that pledge), subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

(c) Under the existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the Bonds is excluded from gross income for federal income tax purposes. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and taxpayers other than corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. In rendering the opinion contained in this paragraph (c), we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met by the Bank and the District after the issuance of the Bonds, including the Tax Representations and Covenants, in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure to meet such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bank and the District have covenanted to comply with or to require compliance with the requirements of the Code in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(d) Interest on the Bonds is exempt from all income taxation in the State of Mississippi under existing laws, regulations, rulings and judicial decisions.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the District Bond and the District Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

Dorian E. Turner, PLLC

APPENDIX E

**CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN
PROVISIONS OF THE INDENTURE**

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DEFINITIONS

In addition to any words and terms elsewhere defined herein, the following words and terms shall have the following meanings, unless the context or use in this Official Statement otherwise requires. Words of the masculine gender should be deemed and constructed to include correlative words of the female and neuter gender. Capitalized terms used and not defined herein shall have the meanings ascribed to them in the Indenture and the District Bond Resolution.

Accounts

"Accounts" shall mean the accounts created pursuant to Article VI of the Indenture.

Act

"Act" shall mean the Bank Act and the School Act.

Agent

"Agent" shall mean any Paying Agent or Transfer Agent, whether serving in either or both capacities, and designated by the Governing Body.

Arbitrage Rebate Agreement

"Arbitrage Rebate Agreement" shall mean the Arbitrage Rebate Agreement among the Bank, the District and the Trustee, dated the date of delivery thereof.

Authorized Officer

"Authorized Officer" shall mean the President, Vice President, or Executive Director or Secretary or Assistant Secretary of the Bank or such other person or persons who are duly authorized to act on behalf of the Bank.

Bank

"Bank" shall mean the Mississippi Development Bank, a body corporate and politic of the State exercising essential public functions, or any successor to its functions, organized under the Act.

Bank Act

"Bank Act" shall mean Sections 31-25-1 *et seq.*, Mississippi Code of 1972, as amended.

Bankruptcy Code

"Bankruptcy Code" shall mean 11 U.S.C. Sections 101 *et seq.*, as amended from time to time.

Beneficial Owner

"Beneficial Owner" shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a DTC Participant on the records of such DTC Participant.

Bond Counsel

"Bond Counsel" shall mean an attorney or firm of attorneys approved by the District, the Bond Insurer and the Bank that is nationally recognized in the area of municipal law and matters relating to the exclusion of interest on state and local government bonds from gross income under federal tax law, including particularly compliance with Section 148(f) of the Code.

Bond Insurance Policy

"Bond Insurance Policy" shall mean the municipal bond insurance policy issued by the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

Bond Insurer

"Bond Insurer" shall mean Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

Bond Issuance Expense Account

"Bond Issuance Expense Account" shall mean the account by that name created by Section 6.02 of the Indenture.

Bond Register

"Bond Register" shall mean the registration records of the Bank kept by the Trustee to evidence the registration and transfer of the Bonds.

Bondholder

"Bondholder" or "holder of Bonds" or "owner of Bonds" or any similar term shall mean the Registered Owner of any Bond as it appears in the Bond Register.

Bonds

"Bonds" shall mean the Bank's \$114,000,000 Special Obligation Bonds (Jackson Public School District General Obligation Bond Project), Series 2008.

Business Day

"Business Day" means any day, other than a Saturday or Sunday, on which the Trustee is not closed and on which the payment system of the Federal Reserve System, New Orleans Branch, is operational.

Code

"Code" shall mean the Internal Revenue Code of 1986 in effect on the date of issuance of the Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto, as such may be amended from time to time.

Costs of Issuance

"Costs of Issuance" shall mean items of expense payable or reimbursable by or indirectly by the Bank and the District and related to the authorization, sale and issuance of the Bonds and the sale and purchase of the District Bond, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds and other costs, charges and fees in connection with the foregoing.

Counsel

"Counsel" shall mean an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and approved by the Bank and the Trustee.

Default

"Default" shall mean an event or condition the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default under the Indenture.

District

"District" shall mean the Jackson Public School District, Jackson, Mississippi, a "local governmental unit" under the Bank Act.

District Bond

"District Bond" shall mean the District's \$114,000,000 General Obligation Bond, Series 2008 (Capital Improvements Project), the form of which is attached as Exhibit A to the Indenture.

District Bond Payment

"District Bond Payment" shall mean the amounts paid or required to be paid, from time to time, for principal of, premium, if any, and interest on the District Bond held by the Trustee pursuant to the Indenture.

District Bond Purchase Agreement

"District Bond Purchase Agreement" shall mean that certain District Bond Purchase Agreement, dated the date of delivery thereof, by and between the District and the Bank in connection with the sale and issuance of the District Bond.

District Bond Resolution

"District Bond Resolution" shall mean that certain bond resolution adopted by the Governing Body on June 16, 2008, in connection with the sale and issuance of the District Bond to the Bank.

District Projects

"District Projects" shall have the meaning ascribed to such term in Appendix C.

DTC

"DTC" shall mean The Depository Trust Company.

DTC Participants

"DTC Participants" shall have the meaning ascribed thereto in Section 2.07 of the Indenture.

Event of Default

"Event of Default" shall mean any occurrence or event specified in Section 10.01 of the Indenture.

Fiscal Year

"Fiscal Year" shall mean the fiscal year for the District commencing July 1 of each year, or such other fiscal year as may be established by statute.

Funds

"Funds" shall mean the funds created pursuant to Article VI of the Indenture.

General Account

"General Account" shall mean the account by that name created by Section 6.02 of the Indenture.

General Fund

"General Fund" shall mean the fund by that name created by Section 6.02 of the Indenture.

Governing Body

"Governing Body" shall mean the Board of Trustees of the District.

Governmental Obligations

"Governmental Obligations" shall mean direct obligations of, or obligations, the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

Indenture

"Indenture" shall mean the Indenture of Trust, dated the date of delivery thereof, by and between the Bank and the Trustee, and all supplements and amendments thereto entered into pursuant to the Indenture.

Interest Payment Date

"Interest Payment Date" shall mean any date on which interest is payable on the Bonds, being April 1 and October 1 and commencing April 1, 2009.

Investment Securities

"Investment Securities" shall have the following meanings, as appropriate:

- (a) Governmental Obligations;
- (b) obligations of any municipality of the State or the State, or obligations the principal and interest of which are guaranteed by the State;
- (c) obligations of any corporation wholly owned by the United States of America;
- (d) obligations of any corporation sponsored by the United States of America which is, or may become, eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System;
- (e) obligations of insurance firms or other corporations whose investments are rated "AA" or better by recognized rating companies;
- (f) certificates of deposit or time deposits of qualified depositories of the State as approved by the State Depository Commission, secured in such manner, if any, as the corporation shall determine;
- (g) contracts for the purchase and sale of obligations of the type specified in items (a) through (e) above;
- (h) repurchase agreements secured by obligations specified in items (a) through (e) above; and
- (i) money market funds, the assets of which are required to be invested in obligations specified in items (a) through (f) above.

Letter of Representations

"Letter of Representations" shall mean the Blanket Letter of Representations, dated January 9, 1997, between the Bank and DTC.

Moody's

"Moody's" shall mean Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns and, if dissolved or liquidated or if it no longer performs the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District (with the approval of the Bank) by written notice to the Trustee.

Opinion of Bond Counsel

"Opinion of Bond Counsel" shall mean an opinion by a nationally recognized person or firm experienced in matters relating to the tax exemption of interest payable on obligations of states and their instrumentalities and political subdivisions under federal law, and which is acceptable to the Bank and the Trustee.

Opinion of Counsel

"Opinion of Counsel" shall mean a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in the Indenture) be Counsel to the Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

Outstanding

"Outstanding" or "Bonds then Outstanding" shall mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, including Bonds held by the Bank, except:

- (a) Bonds canceled after purchase in the open market or because of payment at, or redemption prior to maturity;
- (b) Bonds deemed paid under Article IX of the Indenture; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Sections 3.05, 3.06 or 3.10 of the Indenture.

Any Bonds, the principal or the interest on which have been paid by the Bond Insurer, shall remain Outstanding under the Indenture.

Paying Agent

"Paying Agent" shall mean any bank, trust company or other institution designated by the Governing Body for the payment of the principal of and interest on the District Bond and shall initially be Trustmark National Bank, Jackson, Mississippi.

Principal Payment Date

"Principal Payment Date" shall mean the maturity date of any Bond as set forth in Section 2.03 of the Indenture and on the inside front cover of this Official Statement.

Program

"Program" shall mean the program for purchasing "qualified obligations" (as defined in the Act) by the Bank pursuant to the Act.

Program Expenses

"Program Expenses" shall mean all of the fees and expenses of the Trustee relating to the Bonds or the District Bond, and costs of determining the amount rebatable, if any, to the United States of America under Section 6.09 of the Indenture, all to the extent properly allocable to the Program and approved in writing by the Bank.

Purchase Account

"Purchase Account" shall mean the account by that name created by Section 6.02 of the Indenture.

Rebate Fund

"Rebate Fund" shall mean the fund by that name created by Section 6.02 of the Indenture and the Arbitrage Rebate Agreement.

Record Date

"Record Date" shall mean, with respect to any Interest Payment Date, the fifteenth day of the calendar month next preceding such Interest Payment Date.

Redemption Account

"Redemption Account" shall mean the account by that name created by Section 6.02 of the Indenture.

Redemption Price

"Redemption Price" shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption prior to maturity.

Refunding Bonds

"Refunding Bonds" shall mean bonds issued pursuant to Section 2.05 of the Indenture and any Supplemental Indenture.

Registered Owner

"Registered Owner" shall mean the person or persons in whose name any Bond shall be registered on the Bond Register.

Revenues

"Revenues" shall mean the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture including, without limitation, all District Bond Payments and any additional amounts paid to the Trustee under the District Bond Resolution.

S&P

"S&P" shall mean Standard & Poor's Rating Group, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if dissolved or liquidated or if it no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District (with the approval of the Bank), by written notice to the Trustee.

School Act

"School Act" shall mean Sections 37-59-1 *et seq.*, Mississippi Code of 1972, as amended.

State

"State" shall mean the State of Mississippi.

Supplemental Indenture

"Supplemental Indenture" shall mean an indenture supplemental to or amendatory of the Indenture, executed by the Bank and the Trustee in accordance with Article XII of the Indenture.

Transfer Agent

"Transfer Agent" shall mean any bank, trust company or other institution designated by the Governing Body for the registration of the owner of the District Bond and for the performance of such other duties as may be specified by the Governing Body, and shall initially be Trustmark National Bank, Jackson, Mississippi.

Trustee

"Trustee" shall mean Trustmark National Bank, Jackson, Mississippi, a national banking association duly organized and existing under the laws of the United States of America, or any successor thereto, acting as Trustee under the Indenture.

Trust Estate

"Trust Estate" shall mean the property, rights, and amounts pledged and assigned to the Trustee pursuant to the granting clauses of the Indenture.

Underwriters

"Underwriters" shall mean Rice Financial Products Company, as representative of itself, Kipling Jones & Co., Morgan Keegan & Company, Inc., Sterne Agee & Leach, Inc. and Wachovia Bank, National Association.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to such document, a copy of which may be obtained upon written request to the Bank. Capitalized terms used and not defined herein shall have the meanings ascribed to them in this APPENDIX E and the Indenture.

Mutilated, Lost, Stolen or Destroyed Bonds

If any Bond is mutilated, lost, stolen or destroyed, the Bank shall execute and the Trustee shall authenticate a new Bond or Bonds, of the same maturity and denomination, as the mutilated, lost, stolen or destroyed Bond; provided that in the case of any mutilated Bond, such Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with security and/or indemnity satisfactory to the Trustee. In the event any such Bond shall have matured or been called for redemption, instead of issuing and authenticating a duplicate Bond, the Trustee may pay the same without surrender thereof; provided, however, that in the case of a lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with security and/or indemnity satisfactory to the Trustee. The Trustee may charge the owner of such Bond its reasonable fees and expenses in connection with replacing any Bond mutilated, lost, stolen or destroyed. Any Bond issued pursuant to Section 3.05 of the Indenture shall be deemed part of the original series of the Bonds in respect of which it was issued and a contractual obligation of the Bank replacing the obligation evidenced by such mutilated, lost, stolen or destroyed Bond.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal thereof comes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Trustee for the benefit of the Registered Owner thereof, all liability of the Bank to the owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds for four years, for the benefit of the Registered Owner of such Bond, without liability for interest thereon to such owner, which owner shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond.

Any money so deposited with and held by the Trustee not so applied to the payment of Bonds within four years after the date on which the same shall become due, shall be repaid by the Trustee to the Bank, and thereafter, the Bondholders shall be entitled to look only to the Bank for payment, and then only to the extent of the amount so repaid to the Bank by the Trustee, and the Bank shall not be liable for any interest thereon to the Bondholders and shall not be regarded as a trustee of such money.

Other Obligations Payable from Revenues

The Bank shall grant no liens or encumbrances on or security interests in the Trust Estate (other than those created by the Indenture), and, except for the Bonds and any Refunding Bonds, shall issue no bonds or other evidences of indebtedness payable from the Trust Estate.

Limitations on Obligations of Bank

The Bonds, together with interest thereon, shall be limited obligations of the Bank and payable solely from the Revenues and shall be a valid claim of the respective owners thereof only against the Funds and Accounts (other than the Rebate Fund and any Accounts created thereunder) established under the Indenture and the District Bond acquired by the Trustee, all of which are hereby assigned and pledged under the Indenture for the equal and ratable payment of the Bonds and any Refunding Bonds and shall be used for no other purpose than the payment of the Bonds and any Refunding Bonds, except as may be otherwise expressly authorized in the Indenture. The Bonds do not constitute a debt or liability or moral obligation of the State or of any political subdivision thereof under the Constitution of the State or a pledge of the faith and credit of the State or any political subdivision thereof (except the District), but shall be payable solely from the Revenues and funds pledged therefor in accordance with the Indenture, including, without limitation, the avails of the full faith and credit of the District derived or to be derived from payments made in respect of the District Bond pursuant to the District Bond Resolution. The issuance of the Bonds under the provisions of the Act does not directly, indirectly or contingently, obligate the State or any political subdivision thereof (except the District) to levy any form of taxation for the payment thereof or to make any appropriation for their payment and such Bonds and the interest payable thereon do not now and shall never constitute a debt of the State or any political subdivision thereof (except the District) within the meaning of the Constitution of the State or the statutes of the State and do not now and shall never constitute a charge against the credit or taxing power of the State or any political subdivision thereof (except the District); provided, however, that the District Bond is secured by the full faith, credit and taxing power of the District. Neither the State nor any agent, attorney, member or employee of the State or of the Bank, shall in any event be liable for the payment of the principal of, and premium, if any, or interest on the Bonds or damages, if any, for the nonperformance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Bank. No breach by the Bank of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the State or any of the State's or the Bank's agents, members, attorneys, and employees or any charge upon the general credit of the State or a charge against the taxing power of the State or any political subdivision thereof (except the District). In the Act, the State has pledged and agreed with the holders of any Bonds that the State will not limit or alter the rights hereby vested in the Bank to fulfill the terms of any agreements made with the said Bondholders or in any way impair the rights and remedies of such holders until such Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of Bonds are fully met and discharged.

Payment of Principal and Interest

The Bank covenants and agrees that it will promptly pay the principal of and interest on every Bond issued under the Indenture at the place, on the dates and in the manner provided in the Indenture and in said Bonds, according to the true intent and meaning thereof, provided that the principal and interest are payable by the Bank solely from Revenues and any other funds or assets of the Bank hereinafter pledged to the Trustee as security by the Bank to the extent of that pledge.

Performance of Covenants; Bank

The Bank covenants and agrees under the Indenture that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all of its proceedings pertaining thereto. The Bank covenants and agrees that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized in the Indenture and to execute the Indenture and to pledge the Revenues and all other property hereby pledged in the manner and to the extent set forth therein; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable limited obligations of the Bank according to the terms thereof.

Covenants Concerning Program

(a) In order to provide for the payment of the principal, premium, if any, and interest on the Bonds and Program Expenses, the Bank shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Indenture and sound banking practices and principles, to the extent necessary to provide for the payment of the Bonds (1) do all such acts and things as shall be necessary to receive and collect Revenues (including enforcement of the prompt collection of all arrears on the District Bond), and (2) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bank to protect its rights with respect to the District Bond and to enforce all terms, covenants and conditions of the District Bond including the collection, custody and prompt application of all payments and deposits required by the terms of the District Bond for the purposes for which they were made.

(b) Whenever necessary in order to provide for the payment of debt service on the Bonds, the Bank shall timely commence appropriate remedies with respect to the District Bond if it is in default.

Bank Covenants with Respect to District Bond

(a) The Bank covenants and agrees that it will not permit or agree to any material change in the District Bond.

(b) The Bank covenants and agrees that it will enforce or authorize the enforcement of all remedies available to the owner or holder of the District Bond; provided, however, that decisions as to the enforcement of remedies shall be within the sole discretion of the Trustee, except with respect to the rights of the Bond Insurer, as set forth in Article XIII of the Indenture.

(c) The Bank covenants and agrees that it will not sell or dispose of the District Bond.

Covenants Concerning Preservation of Tax Exemption

The Bank hereby covenants and agrees to take all qualifying actions and to not fail to take any qualifying actions which are necessary in order to protect and preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds. For this purpose, the Bank shall approve and deliver to the Trustee a certificate concerning the provisions of the Code necessary to protect and preserve such exclusion. Such certificate may only be amended from time to time upon the receipt by the Trustee of an opinion of Bond Counsel to the effect that compliance by the Bank with such certificate will not adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes.

Discharge of Indenture

Except as otherwise provided in the Indenture, if payment or provision for payment is made to the Trustee, of the principal of, premium, if any, and interest due and to become due on the Bonds at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Trustee all sums of money due and to become due according to the provisions of the Indenture, and all other amounts due under the Indenture have been paid in full, then the Trust Estate and rights thereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to the Bank such instruments in writing as shall be requisite to cancel and discharge the lien of the Indenture, and release, assign and deliver unto the Bank any and all estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee thereby or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond shall be deemed to be paid within the meaning of the Indenture when (a) payment of the principal of such Bond, Redemption Price, premium, if any, and interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture or otherwise), either (1) shall have been made or caused to have been made in accordance with the terms thereof, or (2) shall have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (A) moneys sufficient to make such payment or (B) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of

sufficient moneys to make such payment, or (C) a combination of such moneys and Governmental Obligations, (b) all necessary and proper fees and expenses of the Trustee pertaining to the Bonds, including the amount, if any, required to be rebated to the United States of America in accordance with the Arbitrage Rebate Agreement and Section 6.09 of the Indenture, with respect to which such deposit is made, shall have been paid or deposited with the Trustee and (c) any amounts due and owing the Bond Insurer and the Bank have been paid.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Bank shall have given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions:

(x) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by the Indenture);

(y) to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to (x) of this paragraph; and

(z) to mail, as soon as practicable, in the manner prescribed by Article IV of the Indenture, a notice to the owners of such Bonds that satisfies the requirements thereof.

Any moneys so deposited with the Trustee may at the direction of the Bank also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Trustee that is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be deposited in the General Account as and when collected for use and application as are other moneys deposited in the General Account.

With respect to the Bonds, no such deposit shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause any of the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code. Moreover, no such deposit shall be deemed a payment of Bonds unless the Trustee shall have received a verification from a nationally recognized firm of independent certified public accountants appointed by the Bank and acceptable to the Trustee verifying the sufficiency of the deposit to pay the principal of, premium, if any, and interest on the Bonds to the due date, whether such due date be by reason of maturity or upon redemption.

Notwithstanding any provision of any other Article of the Indenture that may be contrary, all moneys or Governmental Obligations set aside and held in trust for the payment of Bonds (including interest thereon but excluding any amounts set aside for rebate to the United States of America in accordance with the Arbitrage Rebate Agreement and Section 6.09 of the Indenture) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or obligations have been so set aside in trust.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or Governmental Obligations in the necessary amount to pay or redeem all Outstanding Bonds as aforesaid (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as hereinabove provided, or provisions satisfactory to the Trustee shall have been made for the giving of such notice, and compliance with the other payment requirements of the Indenture, the Indenture may be discharged in accordance with the provisions of the Indenture but the limited liability of the Bank in respect of such Bonds shall continue provided that the owners thereof shall thereafter be entitled to payment only out of the moneys or Governmental Obligations deposited with the Trustee as aforesaid.

Defaults; Events of Default

If any of the following events occurs, it is defined as and declared to be and to constitute an "Event of Default" under the Indenture:

(a) Default in the due and punctual payment of any interest on any Bond; or

(b) Default in the due and punctual payment of the principal or redemption premium of any Bond whether at the stated maturity thereof or on any date fixed for redemption; or

- (c) Failure of the Bank to remit to the Trustee within the time limits prescribed in the Indenture any moneys which are required by the Indenture to be so remitted; or
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Bank contained in the Indenture or in the Bonds and failure to remedy the same within the time provided in, and after notice thereof, pursuant to, Section 10.10 of the Indenture; or
- (e) Any warranty, representation or other statement by or on behalf of the Bank contained in the Indenture or in any instrument furnished in compliance with or in reference to the Indenture is false or misleading, when made, in any material respect, and failure to remedy the same within the required time, and after notice thereof, pursuant to, Section 10.10 of the Indenture; or
- (f) A petition is filed against the Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days after such filing; or
- (g) The Bank files a petition in voluntary bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, adjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law; or
- (h) The Bank is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bank or any of its property is appointed by court order or takes possession of such property and such order remains in effect or such possession continues for more than 60 days; or
- (i) Default in the due and punctual payment of any principal of, premium, if any and interest on the District Bond; or
- (j) The Bank for any reason shall be rendered incapable of fulfilling its obligations under the Indenture; or
- (k) There is an "event of default" under the District Bond Resolution.

Remedies: Rights of Bondholders

Upon the occurrence of an Event of Default, the Trustee shall notify the owners of all Bonds then Outstanding and the Bond Insurer of such Event of Default by registered or certified mail, and the Trustee will have the following rights and remedies:

- (a) The Trustee may, with the written consent of the Bond Insurer, pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding, including enforcement of any rights of the Bank or the Trustee under the District Bond.
- (b) The Trustee may, with the written consent of the Bond Insurer, by action or suit in equity, require the Bank to account as if it were the trustee of an express trust for the holders of the Bonds and may, with the written consent of the Bond Insurer, take such action with respect to the District Bond as the Trustee deems necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the District Bond.
- (c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.
- (d) The Trustee may, with the written consent of the Bond Insurer, declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the Indenture and the Act, by notice to the Bank, the Attorney General of the State and as otherwise required by the Act.

Upon the occurrence of an Event of Default, (i) if requested to do so by the holders of 25% or more in aggregate principal amount of all Bonds then Outstanding and if secured and/or indemnified as provided in the Indenture, and after obtaining the prior written consent of the Bond Insurer, or (ii) at the written direction of the Bond Insurer and if secured and/or indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights, remedies and powers conferred by the Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders.

No right or remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to Trustee or to the Bondholders under the Indenture or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default under the Indenture, whether by the Bond Insurer, the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Rights of Bondholders to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, excepting therefrom the rights of the Bond Insurer, the Beneficial Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee and the Bond Insurer, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law, including the Act, and of the Indenture.

Application of Moneys

All moneys received by the Trustee pursuant to any right or remedy given or action taken under the Indenture (including moneys received by virtue of action taken under provisions of the District Bond) shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and any other moneys owed to Trustee under the Indenture, be deposited in the General Account and all moneys in such Account shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, including interest on any past due principal of any Bond at the rate borne by such Bond, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to such payment ratably, according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds that shall have become due either at maturity or pursuant to a call for redemption (other than Bonds called for redemption for the payment of which other moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due on any particular date, together with such interest, then to such payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege;

THIRD - To the payment of amounts owed to the Bond Insurer pursuant to Article XIII of the Indenture;

FOURTH - To be held for the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds that may then become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full the principal of and interest on Bonds due on any particular date, such payment shall be made ratably according to the amount of principal and interest due on such date to the persons entitled thereto without any discrimination or privilege; and

FIFTH - To the payment of any amounts owed the United States of America under the Arbitrage Rebate Agreement.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions set forth above, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date, interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with the Trustee of any such moneys and of the fixing of any such date, and shall not be required to make payment of principal to the owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds have been paid under the provisions set forth above and all expenses and charges of the Trustee have been paid and all other amounts due under the Indenture have been paid in full, any balance remaining in the General Account shall be paid as provided in Article VI of the Indenture.

Waivers of Events of Default

The Trustee may, at its discretion, waive any Event of Default under the Indenture and its consequences, and shall do so upon the written request of the Beneficial Owners of (a) more than 66 2/3% in aggregate principal amount of all the Bonds then Outstanding in respect of which an Event of Default in the payment of principal or interest exists, or (b) more than 50% in aggregate principal amount of all Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (x) any Event of Default in the payment of the principal of any Outstanding Bond at the date of maturity specified therein or (y) any Event of Default in the payment when due of the interest on any Outstanding Bond unless, prior to such waiver, all of the interest or all payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for or (z) any Event of Default for nonpayment of Program Expenses; and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Bank, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or recession shall extend to any subsequent or other Event of Default, or impair any rights consequent thereon; provided, however, that prior to waiving any Event of Default, the Trustee shall obtain the prior written consent of the Bond Insurer.

Supplemental Indentures not Requiring Consent of Bondholders

The Bank and the Trustee may, without the consent of or notice to any of the Bondholders, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the

Trustee, or to make any change which, in the opinion of Bond Counsel, does not materially and adversely affect the interest of the owners of Outstanding Bonds and does not require unanimous consent of the Bondholders pursuant to Section 12.02 of the Indenture;

(c) To subject to the Indenture additional Revenues, properties or collateral;

(d) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture and any indenture supplemental thereto under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if so determined, to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(e) To evidence the appointment of a separate or co-trustee or the succession of a new Trustee under the Indenture or the succession of a new registrar and/or paying agent; and

(f) In connection with issuance of Refunding Bonds.

Prior to the Trustee entering into any Supplemental Indenture for the purposes set forth in paragraphs (a) or (b) above, the Trustee shall obtain the written consent of the Bond Insurer regarding said supplement to the Indenture.

Supplemental Indentures Requiring Consent of Bondholders

Exclusive of Supplemental Indentures provided for above and subject to the terms and provisions contained in this paragraph, and not otherwise, the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding which are affected (exclusive of Bonds held by the Bank), with the prior written consent of the Bond Insurer, shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Bank and the Trustee of such other indenture or indentures supplemental thereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing contained under this heading shall permit, or be construed as permitting, without the consent of the owners of all Bonds then Outstanding and the Bond Insurer, (a) an extension of the maturity of the principal of or the interest or redemption date on any Bond issued under the Indenture, or (b) a reduction in the principal amount of any Bond or change in the rate of interest or redemption premium, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (e) the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

If at any time the Bank shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes set forth under this heading, the Trustee shall, upon being satisfactorily secured and/or indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to the Bond Insurer and to each owner of a Bond at the address shown on the registration books maintained by the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Bank following the mailing of such notice, the Bond Insurer and the owners of not less than 51% in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such Supplemental Indenture (exclusive of Bonds held by the Bank) shall have consented to and approved the execution of such Supplemental Indenture, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Bank from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided under this heading, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Provisions Relating to Bond Insurance

The following provisions govern as long as the Bond Insurance Policy is in force, notwithstanding anything to the contrary set forth in the Indenture:

(a) The Bond Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant to Article X and Article XI of the Indenture.

(b) The maturity of the Bonds may not be accelerated without the consent of the Bond Insurer. In the event the maturity of the Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Bank) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Bond Insurance Policy with respect to such Bonds shall be fully discharged.

(c) No grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without the prior written consent of the Bond Insurer. No grace period shall be permitted for payment defaults.

(d) The Bond Insurer shall be a third party beneficiary under the Indenture.

(e) The exercise of any provision of the Indenture which permits the purchase of Bonds in lieu of redemption shall require approval of the Bond Insurer wherein any Bond so purchased is not extinguished.

(f) No modification or amendment to the Indenture, the District Bond Resolution or any other transaction document including any underlying security agreement (each a "Related Document") may become effective except upon obtaining the prior written consent of the Bond Insurer. Copies of any modification or amendment to the Indenture or any other Related Document shall be sent to Moody's at least 10 days prior to the effective date thereof.

(g) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default amounts on deposit in the 2008 Capital Improvements Construction Fund under the District Bond Resolution shall not be disbursed but shall instead be applied to the payment of debt service or the redemption price of the Bonds.

(h) The rights granted to the Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Bond Insurer.

(i) (1) Only (A) cash, (B) non callable direct obligations of the United States of America ("Treasuries"), (C) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (D) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "Aaa" and "AAA" by Moody's and S&P, respectively or (E) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be authorized to be used to effect defeasance of the Bonds unless the Bond Insurer otherwise approves.

(2) To accomplish defeasance the Bank shall cause to be delivered (A) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or

redemption date ("Verification"), (B) an escrow deposit agreement (which shall be acceptable in form and substance to the Bond Insurer), (C) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture, and (D) a certificate of discharge of the Trustee with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed to the Bank, the Trustee and the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above referenced documentation not less than five business days prior to the funding of the escrow.

(3) Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(j) Amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and shall remain Outstanding and continue to be due and owing until paid by the Bank in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

(k) Each of the Bank and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to otherwise preserve the priority of the pledge of the Trust Estate under applicable law.

(l) The Bond Insurer shall be provided with the following information:

(1) Annual audited financial statements within 150 days after the end of the District's fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Indenture or the Bond Resolution), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;

(2) Notice of any default known to the Trustee or the Bank within five Business Days after knowledge thereof;

(3) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(4) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(5) Notice of the commencement of any proceeding by or against the Bank or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(6) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(7) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Related Documents; and

(8) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

(m) In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Indenture would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Bond Insurance Policy.

(n) No contract shall be entered into nor any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

Claims Upon the Bond Insurance Policy and Payments by and to the Bond Insurer

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Bank on any Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Bond Insurance Policy the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to in the Indenture as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of the Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the Indenture, and to the extent permitted by law, in the event amounts paid under the Bond Insurance Policy are applied to claims for payment of principal of or interest on the Bonds, interest on such principal of and interest on such Bonds shall accrue and be payable from the date of such payment at the greater of (1) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (2) the then applicable rate of interest on the Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Bond Insurer.

(f) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy. The obligations to the Bond Insurer shall survive discharge or termination of the Related Documents.

(g) The Bank or the District shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (1) the administration,

enforcement, defense or preservation of any rights or security in any Related Document; (2) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (3) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, (4) the violation by the Bank or the District of any law, rule or regulation, or any judgment, order or decree applicable to it, or (5) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(h) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to payment of expenses of the Bank only after the payment of debt service due and past due on the Bonds.

(i) The Bond Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Bond Insurance Policy) by the Bank and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Bond Insurer has received Notice of Nonpayment (as defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

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**CONTINUING DISCLOSURE AGREEMENT
BY AND AMONG THE MISSISSIPPI DEVELOPMENT BANK,
JACKSON PUBLIC SCHOOL DISTRICT, JACKSON, MISSISSIPPI, AND TRUSTMARK NATIONAL
BANK, AS TRUSTEE**

DATED July 23, 2008

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is executed and delivered by the Mississippi Development Bank (the "Bank"), Jackson Public School District, Jackson, Mississippi (the "District"), and Trustmark National Bank, as trustee (the "Trustee"), in connection with the issuance of \$114,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2008 (Jackson Public School District General Obligation Bond Project), dated as of their date of delivery (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated July 23, 2008, between the Bank and the Trustee. The proceeds of the Bonds will be used by the Bank to purchase the District's \$114,000,000 General Obligation Bond, Series 2008 (Capital Improvements Project) (the "District Bond"). The proceeds of the District Bond will be used by the District to provide funds for the purpose of (a) purchasing, erecting, repairing, equipping, remodeling and enlarging school buildings and related facilities and purchasing land therefor; (b) providing necessary water, light, heating, air conditioning and sewerage facilities for school buildings and purchasing land therefor; (c) establishing and equipping school athletic fields and necessary facilities connected therewith, and purchasing land therefor; and (d) paying certain expenses incurred in connection with the issuance of the District Bond and the Mississippi Development Bank Bonds (as defined in the Indenture of Trust). Payment of the principal of and interest on the Bonds, when due, will be guaranteed by a municipal bond insurance policy issued by Financial Security Assurance Inc. (the "Bond Insurer"). The Bank, the District and the Trustee covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Bank, the District and the Trustee for the benefit of the Registered Owners (defined below) and the Beneficial Owners (defined below) of the Bonds in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed to them below. Capitalized terms, not otherwise defined herein, shall have the meanings ascribed to them in the Indenture.

"Bank Annual Financial Information" shall mean the information summarized herein below under the heading "Annual Financial Information - Bank Undertaking."

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"District Annual Financial Information" shall mean the information summarized herein below under the heading "Annual Financial Information - District Undertaking."

"Independent Accountant" shall mean any firm of certified public accountants appointed by the District which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants or the State Auditor.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for the purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repositories
100 Business Park Drive
Skillman, NJ 08558
Telephone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Telephone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpccdata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Telephone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: NRMSIR_repository@sandp.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Telephone: (212) 771-6999
Fax: (212) 771-7390
E-Mail: NRMSIR@FTID.com

"Participating Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Registered Owner" shall mean the person or persons in whose name any Bond is registered on the registration records of the Bank held and maintained by the Trustee.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Mississippi.

"State Repository" shall mean any public or private repository or entity designated by the State as a State repository for the purposes of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. General. Nothing in this Disclosure Agreement shall prevent the Bank or the District from disseminating any information in addition to that required by this Disclosure Agreement. If the Bank or the District disseminates any such additional information, neither the Bank nor the District, respectively, shall have any obligation to update such information or include it in any further materials disseminated. All expenses and any other costs incurred by the Bank, the District or the Trustee in complying with this Disclosure Agreement shall be paid by the District.

SECTION 4. Bank Undertaking. The Bank hereby agrees for the benefit of the holders of the Bonds to provide:

- (a) to each Repository no later than 180 days after the end of each fiscal year ending in or after 2008:
 - (i) the Bank Annual Financial Information for such fiscal year; or
 - (ii) notice of the Bank's failure to provide the Bank Annual Financial Information;and
- (b) to each Repository or to the Municipal Securities Rulemaking Board in a timely manner, notice of any of the following events, if material:
 - (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders of the Bonds; (viii) Bond calls; (ix) defeasances; (x) release, substitution or sale of property securing repayment of the Bonds; and (xi) rating changes.

SECTION 5. District Undertaking. The District hereby agrees for the benefit of holders of the Bonds to deliver, or cause to be delivered:

- (a) to each Repository no later than 180 days after the end of each fiscal year ending in or after 2008:

(i) the District's Annual Financial Information relating to such fiscal year together with audited financial statements of the District for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements are not then available, the District will provide unaudited financial statements by such time and audited financial statements when the audit report becomes available. The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify each Repository of the change; or

(ii) notice of the failure of the District to provide the District Annual Financial Information; and

(b) to each Repository or to the Municipal Securities Rulemaking Board, in a timely manner, notice of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders of the Bonds; (viii) Bond calls; (ix) defeasances; (x) release, substitution or sale of property securing repayment of the Bonds; and (xi) rating changes.

SECTION 6. Annual Financial Information.

General. The contents, presentation and format of the Bank Annual Financial Information and the District Annual Financial Information may be modified from time to time as determined in the judgment of the Bank and the District, respectively, to conform to changes in the Rule to disclosure principles or practices and legal requirements followed by or applicable to the Bank or the District, provided that such modifications shall comply with the requirements of the Rule.

Bank Undertaking. Bank Annual Financial Information is defined to include:

(a) a brief narrative discussion of the results of operations and financial condition of the Bank for such fiscal year if financial statements for such fiscal year have been prepared; and

(b) updated financial and operating information relating to the following section of the Official Statement: "THE MISSISSIPPI DEVELOPMENT BANK".

District Undertaking. District Annual Financial Information is defined to include:

(a) a brief narrative discussion of the results of operations and financial condition of the District for such fiscal year; and

(b) updated financial and operating information relating to the District set forth in the tables and text in the following sections of the Official Statement: "APPENDIX A - INFORMATION CONCERNING THE DISTRICT" and "APPENDIX B," which includes current financial information for the District.

SECTION 7. Financial Statements. The annual financial statements for the Bank and the District for each fiscal year shall be prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by an Independent Accountant.

SECTION 8. Remedies. This Disclosure Agreement is enforceable in accordance with its terms by any Registered Owner or Beneficial Owner of the Bonds either directly or as a third party beneficiary. Any Registered Owner or Beneficial Owner of the Bonds shall have the rights, for the equal benefit and protection of all Registered Owners and Beneficial Owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Bank and the District and any of the officers, agents and employees of the Bank and the

District, and to compel the Bank and the District or any such officers, agents or employees to perform and carry out their duties under their respective undertakings; provided that such rights shall be limited to an action to compel specific enforcement of the obligations of the Bank and the District hereunder and shall not include any rights to monetary damages.

The Trustee shall not be obligated or liable to any Registered Owner or Beneficial Owner of the Bonds or other party with respect to any aspect of the implementation, operation or enforcement of any undertaking set forth herein. If the Trustee is made a party to any litigation or legal action involving any undertaking, the District shall pay the legal fees and related costs and expenses of the Trustee in connection with such litigation or legal action.

SECTION 9 Amendments. This Disclosure Agreement may be amended, changed or modified pursuant to a written instrument signed by the Bank, the District and the Trustee, with the consent of the Bond Insurer and without the consent of any of the Registered Owners and Beneficial Owners of the Bonds, (a) to comply with the provisions of the Rule, (b) to cure any ambiguity, remedy any omission, or cure or correct any defect or inconsistent provision in the undertakings of the Bank and the District, or (c) if the Bank or the District make a determination that any such amendment will not have a material adverse effect on the interests of the Registered Owners and Beneficial Owners of the Bonds; provided, that any such amendment, change or modification comply with the provisions of the Rule. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such changes shall be given in the same manner as for a listed event under Section 4(b) and 5(b).

SECTION 10. Parties in Interest; Governing Law. This Disclosure Agreement is executed and delivered for the sole benefit of the Registered Owners and Beneficial Owners of the Bonds, the Bank and the District and shall be governed by the laws of the State.

SECTION 11. Termination. The undertaking of the Bank and the District hereunder shall terminate on the earlier of (a) August 1, 2008, in the event that the Bonds have not been issued by such date; (b) such date that the Rule, or the provisions thereof are no longer effective; or (c) the date upon which there are no outstanding Bonds.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Bank, the District and the Trustee each have caused this Disclosure Agreement to be executed by its respective officers, duly authorized, all as of the date first above written.

(SEAL)

MISSISSIPPI DEVELOPMENT BANK

By: _____
Executive Director

ATTEST:

By: _____
Secretary

**JACKSON PUBLIC SCHOOL DISTRICT,
JACKSON, MISSISSIPPI**

By: _____
President, Board of Trustees, Jackson Public
School District, Jackson, Mississippi

ATTEST:

By: _____
District Secretary

ACCEPTED BY:

**TRUSTMARK NATIONAL BANK,
as Trustee**

By: _____

Title: _____

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APPENDIX G
SPECIMEN BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

