

*In the opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Anthony R. Simon, PLLC, Jackson, Mississippi, Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2013 Bonds (as defined herein) 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 by the Bank (as defined herein) and the City (as defined herein). See "TAX MATTERS" for description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2013 Bonds. Co-Bond Counsel are further of the opinion that under and pursuant to the Act (as defined herein), the Series 2013 Bonds (as defined herein) and interest thereon are exempt from all income taxes imposed by the State of Mississippi. See "TAX MATTERS" herein and "APPENDIX D — FORMS OF CO-BOND COUNSEL OPINIONS."*

**\$89,990,000**

**MISSISSIPPI DEVELOPMENT BANK  
SPECIAL OBLIGATION BONDS, SERIES 2013  
(CITY OF JACKSON, MISSISSIPPI WATER AND SEWER SYSTEM REVENUE BOND PROJECT)**

**Dated:** Date of Delivery

**Due:** December 1, as shown on inside front cover

The \$89,990,000 Mississippi Development Bank Special Obligation Bonds, Series 2013 (City of Jackson, Mississippi Water and Sewer System Revenue Bond Project) (the "Series 2013 Bonds") will be dated as of the date of delivery thereof, and will bear interest from that date to their respective maturities in the amounts and at the rates set forth on the inside cover of this Official Statement. The Series 2013 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 Series 2013 Bonds will be made in book-entry-only form, in denominations of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2013 Bonds will not receive physical delivery of certificates representing their interests in the Series 2013 Bonds. Interest on the Series 2013 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2013. So long as DTC or its nominee is the Registered Owner (as defined herein) of the Series 2013 Bonds, interest, together with the principal of and premium, if any, on the Series 2013 Bonds will be paid directly to DTC by Trustmark National Bank, Jackson, Mississippi, as trustee (the "Trustee") under the Indenture (as defined herein). See "DESCRIPTION OF THE SERIES 2013 BONDS — Book-Entry-Only System."

By purchasing Series 2013 Bonds, the Beneficial Owners thereof shall be deemed to have consented in writing to the prospective amendments to the General Bond Resolution as further described herein. See "CERTAIN AMENDMENTS TO THE GENERAL BOND RESOLUTION" herein and "INFORMATION CONCERNING THE SERIES 2013 CITY BOND, THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION and THE GENERAL BOND RESOLUTION" in APPENDIX H hereto and APPENDIX I hereto.

The scheduled payment of principal of and interest on the Series 2013 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2013 Bonds by ASSURED GUARANTY MUNICIPAL CORP.



The Series 2013 Bonds are issued by the Mississippi Development Bank (the "Bank") for the principal purpose of providing funds to purchase the Series 2013 City Bond (as defined herein), which amounts will provide financing for the 2013 Project (as defined herein) and to pay the premium for the Surety Bond (as defined herein) and the Policy (as defined herein) and to fund the costs of issuance in connection with the Series 2013 Bonds and the Series 2013 City Bond, all as more fully described in this Preliminary Official Statement.

The Series 2013 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "DESCRIPTION OF THE SERIES 2013 BONDS—Redemption."

**THE SERIES 2013 BONDS ARE PAYABLE SOLELY OUT OF THE REVENUES AND FUNDS OF THE BANK PLEDGED THEREFOR UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE SERIES 2013 BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR LOAN OF THE CREDIT OF 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 OR TAXING POWER OF THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. THE SOURCES OF PAYMENT OF, AND SECURITY FOR, THE SERIES 2013 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. PURCHASE OF THE SERIES 2013 BONDS INVOLVES A CERTAIN DEGREE OF RISK, AND REFERENCE IS MADE TO THE CAPTION "RISKS TO THE OWNERS OF THE SERIES 2013 BONDS" FOR A DISCUSSION OF SUCH RISKS.

**THIS OFFICIAL STATEMENT CONTAINS AN ENGINEER'S REPORT WHICH INCLUDES A FIVE-YEAR PROJECTION OF CASH FLOW FOR THE COMBINED WATER AND SEWER SYSTEM OF THE CITY (THE "SYSTEM") THE NET REVENUES OF WHICH ARE A PRIMARY SOURCE OF SECURITY FOR THE SERIES 2013 CITY BONDS WHICH ARE PLEDGED TO SECURE THE REPAYMENT OF THE SERIES 2013 BONDS. THE ENGINEER'S REPORT, INCLUDING TABLE 3 CONTAINING CASH FLOW PROJECTIONS AND CERTAIN ASSUMPTIONS REGARDING THE FIVE-YEAR CASH FLOWS HAVE BEEN UPDATED SINCE THE DATE OF THE PRELIMINARY OFFICIAL STATEMENT. SEE APPENDIX J HEREIN.**

The Series 2013 Bonds are offered subject to the final approval of the legality thereof by Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Anthony R. Simon, PLLC, Jackson, Mississippi, Co-Bond Counsel. Certain legal matters will be passed upon for the Bank by its counsel, Balch & Bingham LLP, Jackson, Mississippi, for the City by Pieter Teeuwissen, Esq., City Attorney and Hunton & Williams LLP, as Disclosure Counsel, and for the Underwriter by Begley Law Firm, PLLC, Jackson, Mississippi and Betty A. Mallett, PLLC, Jackson, Mississippi. Malachi Financial Products, Inc., Atlanta, Georgia, serves as the Financial Advisor to the City in connection with the sale and issuance of the Series 2013 City Bond. The Series 2013 Bonds are expected to be available in definitive form for delivery on or about June 27, 2013.

**Rice Financial Products Company**

**Morgan Stanley**

Dated: June 25, 2013

## MATURITY SCHEDULE

Year of Maturity (December 1)	Principal Amount	Interest Rate	Yield	CUSIP*
2016	\$1,595,000	5.000%	1.930%	60534TPP4
2017	1,680,000	5.000	2.310	60534TPQ2
2018	1,765,000	5.000	2.720	60534TPR0
2019	1,855,000	5.000	3.070	60534TPS8
2020	1,950,000	5.000	3.430	60534TPT6
2021	2,055,000	5.250	3.750	60534TPU3
2022	2,165,000	5.250	4.020	60534TPV1
2023	2,290,000	6.000	4.210	60534TPW9
2024	2,430,000	6.000	4.400 <sup>(c)</sup>	60534TPX7
2025	2,590,000	6.500	4.540 <sup>(c)</sup>	60534TPY5
2026	2,765,000	6.750	4.700 <sup>(c)</sup>	60534TPZ2
2027	2,960,000	6.750	4.840 <sup>(c)</sup>	60534TQA6
2028	3,165,000	6.750	4.940 <sup>(c)</sup>	60534TQB4
2029	3,385,000	6.750	5.000 <sup>(c)</sup>	60534TQC2
2030	3,625,000	6.750	5.090 <sup>(c)</sup>	60534TQD0
2031	3,875,000	6.750	5.150 <sup>(c)</sup>	60534TQE8
2032	4,145,000	6.750	5.210 <sup>(c)</sup>	60534TQF5
2033	4,435,000	6.750	5.260 <sup>(c)</sup>	60534TQG3

\$41,260,000 6.875% Term Bonds due December 1, 2040, Priced to Yield 5.440%<sup>(c)</sup>; CUSIP:\* 60534TQH1

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\* The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Series 2013 Bonds only, and the Bank, the City and the Underwriter do not make any representation with respect to such CUSIP numbers nor undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2013 Bonds as a result of various subsequent actions, including but not limited to a refunding in whole or part of the Series 2013 Bonds.

<sup>(c)</sup> Priced to December 1, 2023 par call date.

**THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFERING OF ANY SECURITY OTHER THAN THE ORIGINAL OFFERING OF THE SERIES 2013 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 SERIES 2013 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 SERIES 2013 BONDS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THE UNDERWRITERS SHOWN ON THE COVER OF THIS OFFICIAL STATEMENT (COLLECTIVELY, THE “UNDERWRITER”) HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS 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 UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.**

**UPON ISSUANCE, THE SERIES 2013 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 SERIES 2013 BONDS FOR SALE.**

**THE INFORMATION HEREIN HAS BEEN OBTAINED FROM THE BANK, THE CITY, DTC, THE BOND INSURER (AS DEFINED HEREIN) AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION IS NOT GUARANTEED BY THE UNDERWRITER.**

**THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE BANK AND THE PURCHASERS OR HOLDERS OF THE SERIES 2013 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 UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**ASSURED GUARANTY MUNICIPAL CORP. (THE “BOND INSURER” OR “AGM”) MAKES NO REPRESENTATION REGARDING THE SERIES 2013 BONDS OR THE ADVISABILITY OF INVESTING IN THE SERIES 2013 BONDS. IN ADDITION, THE BOND INSURER HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING THE BOND INSURER SUPPLIED BY THE BOND INSURER AND PRESENTED UNDER THE HEADING “BOND INSURANCE” AND “APPENDIX F — SPECIMEN BOND INSURANCE POLICY.”**

**CAUTIONARY STATEMENTS REGARDING  
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology such as “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” or similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE BANK NOR THE CITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

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## **OFFICIAL STATEMENT**

**\$89,990,000**

### **MISSISSIPPI DEVELOPMENT BANK SPECIAL OBLIGATION BONDS, SERIES 2013 (CITY OF JACKSON, MISSISSIPPI WATER AND SEWER SYSTEM REVENUE BOND PROJECT)**

## **INTRODUCTION**

The purpose of this Official Statement, including its Appendices, is to set forth certain information concerning the issuance and sale by the Mississippi Development Bank (the “Bank” or the “Issuer”) of its Special Obligation Bonds, Series 2013 (City of Jackson, Mississippi Water and Sewer System Revenue Bond Project), to be dated the date of delivery thereof and issued in the aggregate principal amount of \$89,990,000 (the “Series 2013 Bonds”).

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 and all appendices hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement. The offering of the Series 2013 Bonds to potential investors is made only by means of this entire Official Statement.

Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in “APPENDIX G — CERTAIN DEFINITIONS” hereto.

### **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,” as 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 providing loans to such local governmental units under loan agreements between such local governmental units and the Bank. The City of Jackson, Mississippi (the “City”), the entity described in “APPENDIX A — INFORMATION CONCERNING THE CITY,” is such a local governmental unit.

### **Sources of Payment and Security for the Series 2013 Bonds**

The Series 2013 Bonds will be issued under and secured by an Indenture of Trust, dated as of June 1, 2013 (the “Indenture”), 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 Series 2013 Bonds are payable from those revenues and funds of the Bank which, including the revenue bond issued by the City and designated as the \$89,990,000 City of Jackson, Mississippi Water and Sewer System Revenue Bond, Series 2013 (the “Series 2013 City Bond”) as more particularly described herein, are pledged pursuant to the Indenture for the benefit of the owners of the Series 2013 Bonds without priority.

The faith, credit and taxing power of the State and the City are not pledged to the payment of the principal of, premium, if any, and interest on any of the Series 2013 Bonds. The Series 2013 Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof, including the

City. The Bank has no taxing power and has only those powers and sources of revenue set forth in the Bank Act. The Series 2013 Bonds are issued and secured separately from any other obligations issued by the Bank.

The Series 2013 Bonds are secured by the pledge of the Trust Estate established under the Indenture (the "Trust Estate"), defined to be (a) all cash and securities in the funds and accounts established by the Indenture (except the Rebate Fund, as defined herein) (the "Funds" and "Accounts") and the investment earnings thereon and all proceeds thereof, (b) the Series 2013 City Bond and payments due thereunder and the earnings thereon and the proceeds thereof, and (c) all funds, accounts and monies hereinafter pledged to the Trustee as security for the Series 2013 Bonds by the Bank. All Series 2013 Bonds will be secured equally and ratably by all of the foregoing. The sources of payment for the Series 2013 Bonds are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS."

The principal of and interest on the Series 2013 City Bond is payable solely from the gross revenues derived from the operation of the combined water and sewer system of the City (the "System"), subject to the prior payment of the reasonable and necessary expenses of operating and maintaining the System, including certain amounts treated under the General Bond Resolution (defined below) as expenses of operating and maintaining the System (the "Net Revenues"). The Series 2013 City Bond is being issued pursuant to Sections 21-27-11 through 21-27-73, Mississippi Code of 1972, as amended (the "Municipal Utilities Act" and together with the Bank Act, the "Act"), a resolution adopted by the City Council of the City (the "Council") on March 11, 1993, as amended and supplemented by resolutions adopted by the Council on March 16, 2004, July 18, 2011 and August 7, 2012 (the "General Bond Resolution"), and a resolution adopted by the Council on May 14, 2013 (the "Series 2013 Supplemental Bond Resolution"). The Series 2013 City Bond is scheduled to be purchased by the Bank with the proceeds of the Series 2013 Bonds. The sources of payment for the Series 2013 City Bond is further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS — Provisions for Payment of the Series 2013 City Bond."

**THE GENERAL BOND RESOLUTION PROVIDES THAT UNDER CERTAIN CIRCUMSTANCES, ADDITIONAL BONDS (AS DEFINED HEREIN) MAY BE ISSUED BY THE CITY ON PARITY WITH THE SERIES 2013 CITY BOND AND THE EXISTING CITY BONDS (AS DEFINED BELOW) AND SECURED BY A PARITY LIEN ON NET REVENUES OF THE SYSTEM AND PAYABLE RATABLY FROM SUCH NET REVENUES ALONG WITH THE SERIES 2013 CITY BOND AND THE EXISTING CITY BONDS.**

The Series 2013 City Bond is being issued on parity with the City's \$27,180,000 (original principal amount) Water and Sewer System Revenue Refunding Bonds, Series 2005, dated August 4, 2005 (the "Series 2005 City Bonds"), the City's \$46,720,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2011A, dated August 18, 2011 (the "2011A City Bond") which secures the \$46,720,000 (original principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2011A (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project) dated August 18, 2011 (the "Series 2011A Bonds"), and the City's \$2,565,000 Taxable Water and Sewer System Revenue Refunding Bonds (the "2011B City Bond" and together with the 2011A City Bond the "Series 2011 City Bonds") which secures the \$2,565,000 (original principal amount) Mississippi Development Bank Taxable Special Obligation Bonds, Series 2011B (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), dated August 18, 2011 (the "Series 2011B Bonds" and together with the Series 2011A Bonds, the "Series 2011 Bonds"), the City's \$63,045,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2012A, dated August 29, 2012 (the "2012A City Bond") which secures the \$63,045,000 (original principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2012A (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project) dated August 29, 2012 (the "Series 2012A Bonds"), and the City's \$19,180,000 Taxable Water and Sewer System Revenue Refunding Bonds (the "2012B City Bond" and together with the 2012A City Bond the "Series 2012 City Bonds") which secures the \$19,180,000 (original principal amount) Mississippi Development Bank Taxable Special Obligation Bonds, Series 2012B (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), dated August 29, 2012 (the "Series 2012B Bonds" and together with the Series 2012A Bonds, the "Series 2012 Bonds"). The Series 2005 Bonds, the Series 2011 City Bonds and the Series 2012 City Bonds are referred to herein as the "Existing City Bonds."

The Indenture provides that in order to further secure the payment of the principal of and interest on the Series 2013 Bonds, the Bank will establish thereunder a debt service reserve fund (the "Debt Service Reserve

Fund”) and maintain therein an amount (the “Debt Service Reserve Requirement”) equal to the lesser of the following:

- the maximum amount of principal and interest becoming due in the current or any future bond year (meaning, in connection with the Series 2013 Bonds, each one year period beginning September 2 of one year and ending on September 1 of the following year, on all Bonds then Outstanding;
- 125% of the average annual debt service on the Bonds; and
- 10% of the stated principal amount of the Bonds, which Debt Service Reserve Requirement may be funded with cash or a Reserve Fund Credit Facility (as defined herein).

The initial Debt Service Reserve Requirement for the Series 2013 Bonds shall be \$7,425,093.75. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS — Debt Service Reserve Fund and the Reserve Fund Credit Facility” for further discussion of the Debt Service Reserve Fund. On the Closing Date (as defined herein), the Bank will secure from the Bond Insurer a surety bond in the total amount of the initial Debt Service Reserve Requirements for deposit to the Debt Service Reserve Fund for the Series 2013 Bonds (the “Surety Bond”).

As defined in the Indenture, “Surety Bond” means the Reserve Fund Credit Facility issued by the Bond Insurer guaranteeing certain payments into the Debt Service Reserve Fund with respect to the Series 2013 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS — Debt Service Reserve Fund and the Reserve Fund Credit Facility” for a further discussion of requirements for the Surety Bond and the Reserve Fund Credit Facility.

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2013 Bonds, Assured Guaranty Municipal Corp. (the “Bond Insurer” or “AGM”) will issue its Municipal Bond Insurance Policy for all of the Series 2013 Bonds (the “Policy”). The Policy guarantees the scheduled payment of all of the principal of and interest on the Series 2013 Bonds when due as set forth in the form of the Policy included as “APPENDIX F — SPECIMEN BOND INSURANCE POLICY” to this Official Statement. See also “BOND INSURANCE” herein.

### **Purpose of the Series 2013 Bonds**

The Series 2013 Bonds are being issued pursuant to the Act for the purpose of providing funds to purchase the Series 2013 City Bond, which amount will provide financing for improvement and repair of the System in accordance with the Performance Contract (defined below), to pay the premium for the Surety Bond and the Policy and to fund the costs of issuance in connection with the Series 2013 Bonds and the Series 2013 City Bond, all as more fully described in this Official Statement.

See “PURCHASE OF THE SERIES 2013 CITY BOND — 2013 Project” for a more detailed description of the use of the proceeds of the Series 2013 Bonds.

### **Authority for Issuance**

The Series 2013 Bonds are issued pursuant to the provisions of the Act and the Indenture.

### **Description of the Series 2013 Bonds**

**Redemption.** The Series 2013 Bonds are subject to redemption as more fully described under the caption “DESCRIPTION OF THE SERIES 2013 BONDS — Redemption” herein.

**Denominations.** The Series 2013 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

**Registration, Transfers, and Exchanges.** The Series 2013 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 Series 2013 Bonds will be made in book-entry-only form in denominations of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2013 Bonds will not receive physical delivery of certificates representing their respective interests in the Series 2013 Bonds.

**Payments.** Interest on the Series 2013 Bonds is payable on June 1 and December 1 of each year (each an “Interest Payment Date”), commencing December 1, 2013, and principal of the Series 2013 Bonds will be payable on each December 1 in the principal amounts and in the years as set forth on the inside cover hereof. So long as DTC or its nominee is the Registered Owner (as defined herein) of the Series 2013 Bonds, such interest, together with the principal of and premium, if any, on the Series 2013 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 Series 2013 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 SERIES 2013 BONDS — Book-Entry-Only System.”

For a more complete description of the Series 2013 Bonds and the basic documentation pursuant to which the Series 2013 Bonds are being issued, see “DESCRIPTION OF THE SERIES 2013 BONDS,” “REVENUES, FUNDS AND ACCOUNTS UNDER THE INDENTURE,” and “OPERATION OF FUNDS AND ACCOUNTS UNDER THE INDENTURE,” in this Official Statement.

## **Tax Matters**

In the opinions of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Anthony R. Simon, PLLC, Jackson, Mississippi (“Co-Bond Counsel”) under existing laws, regulations, rulings and judicial decisions, interest on the Series 2013 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 City. Interest on the Series 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Co-Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2013 Bonds is exempt from all income taxation in the State of Mississippi. For a more complete description of the opinions of Co-Bond Counsel and certain other tax consequences incident to the ownership of the Series 2013 Bonds, see the caption “TAX MATTERS” herein. Also, see APPENDIX D hereto for the proposed forms of opinions of Co-Bond Counsel.

## **Professionals Involved in the Offering**

Trustmark National Bank, Jackson, Mississippi, will act as trustee under the Indenture for the Series 2013 Bonds. Malachi Financial Products, Atlanta, Georgia, is employed as financial advisor (the “Financial Advisor”) to the City with respect to the Series 2013 City Bond and related matters. Certain proceedings in connection with the issuance of the Series 2013 Bonds are subject to the approval of Co-Bond Counsel. Certain legal matters will be passed upon for the City by Pieter Teeuwissen, Esq., City Attorney, for the Bank by Balch & Bingham LLP, Jackson, Mississippi and Hunton & Williams LLP, as Disclosure Counsel, and for the Underwriter by Begley Law Firm, PLLC, Jackson, Mississippi and Betty A. Mallett, PLLC. See “LEGAL MATTERS” and “MISCELLANEOUS” in this Preliminary Official Statement.

## **Offering and Delivery of the Series 2013 Bonds**

Rice Financial Products Company and Morgan Stanley & Co. LLC (together, the “Underwriter”) have agreed to purchase all of the Series 2013 Bonds subject to certain conditions set forth in a Bond Purchase Agreement by and among the Underwriter, the Bank and the City (the “Bond Purchase Agreement”). The Series 2013 Bonds are expected to be available in definitive form for delivery on or about June 13, 2013.

## **Risks to the Owners of the Series 2013 Bonds**

There are certain risks involved in the ownership of the Series 2013 Bonds, which should be considered by prospective purchasers thereof. The ability of the Bank to pay principal of, premium, if any, and interest on the Series 2013 Bonds depends primarily upon the receipt by the Bank of payments of principal, premium, if any, and interest on the Series 2013 City Bond from the City (the "City Bond Payments"). There can be no representation or assurance that the City will realize sufficient Net Revenues of the System to make the required Series 2013 City Bond Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS," herein. Failure of the Bank and/or the City to comply with certain tax covenants may also adversely affect the exempt status of the interest on all of the Series 2013 Bonds. See "RISKS TO THE OWNERS OF THE SERIES 2013 BONDS" in this Official Statement.

**THIS OFFICIAL STATEMENT CONTAINS AN ENGINEER'S REPORT WHICH INCLUDES A FIVE-YEAR PROJECTION OF CASH FLOW FOR THE COMBINED WATER AND SEWER SYSTEM OF THE CITY (THE "SYSTEM") THE NET REVENUES OF WHICH ARE A PRIMARY SOURCE OF SECURITY FOR THE SERIES 2013 CITY BONDS WHICH ARE PLEDGED TO SECURE THE REPAYMENT OF THE SERIES 2013 BONDS. THE ENGINEER'S REPORT, INCLUDING TABLE 3 CONTAINING CASH FLOW PROJECTIONS AND CERTAIN ASSUMPTIONS REGARDING THE FIVE-YEAR CASH FLOWS HAVE BEEN UPDATED SINCE THE DATE OF THE PRELIMINARY OFFICIAL STATEMENT. SEE APPENDIX J HEREIN.**

### **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 related to the Series 2013 Bonds 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 Series 2013 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 City, 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 City since the date hereof.

The Series 2013 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 security and sources of payment for the Series 2013 Bonds, the Bank, and summaries of certain provisions of the Series 2013 Bonds, the Indenture, the Series 2013 City Bond, and certain provisions of the Act. All discussions of the Act, the Indenture and the Series 2013 City Bond are qualified in their entirety by reference to the Act, the Indenture and the Series 2013 City Bond, copies of which are available from the Bank, and all discussions of the Series 2013 Bonds are qualified in their entirety by reference to the definitive form and the information with respect to the Series 2013 Bonds contained in the Indenture. Certain information relating to the City and the System is set forth in "APPENDIX A — INFORMATION CONCERNING THE CITY," "APPENDIX B — INFORMATION CONCERNING THE SYSTEM" and "APPENDIX J — ENGINEER'S REPORT." Certain financial information on the City is included in "APPENDIX C — COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

SEPTEMBER 30, 2012,” the proposed forms of opinions of Co-Bond Counsel with respect to the Series 2013 Bonds are set forth in “APPENDIX D — FORMS OF CO-BOND COUNSEL OPINIONS,” the form of a Continuing Disclosure Agreement of the Bank and the City is set forth in “APPENDIX E — FORM OF CONTINUING DISCLOSURE AGREEMENT,” a specimen bond insurance policy is set forth in “APPENDIX F — SPECIMEN BOND INSURANCE POLICY,” certain definitions used herein are set forth in “APPENDIX G — CERTAIN DEFINITIONS,” and certain information concerning the Series 2013 Supplemental Bond Resolution and the Series 2013 City Bond is set forth in “APPENDIX H — INFORMATION CONCERNING THE SERIES 2013 CITY BOND, THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION AND THE GENERAL BOND RESOLUTION” AND APPENDIX I — “RESOLUTION ADOPTED AUGUST 7, 2012 AMENDING GENERAL BOND RESOLUTION.” Certain debt service projections related to the System are set forth in “APPENDIX J — ENGINEER’S REPORT.” 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 Series 2013 Bonds.

Capitalized terms not defined herein shall have the definitions set forth in “APPENDIX G — CERTAIN DEFINITIONS.”

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS**

### **General**

The Series 2013 Bonds are payable only out of, and are secured by the pledge 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 Series 2013 Bonds. The Series 2013 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 or taxing power of the State or any political subdivision thereof, including the City. The Bank has no taxing power. The sources of payment of, and security for, the Series 2013 Bonds are more fully described below.

Under the Indenture, the Series 2013 Bonds are secured by a pledge to the Trustee of the Series 2013 City Bond and all City Bond Payments, as described herein. In addition, the Indenture pledges to the payment of the Series 2013 Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the Funds and Accounts created by the Indenture, except for the Rebate Fund, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund from such Funds and Accounts), and all other funds, accounts and monies hereinafter to be pledged by the Bank to the Trustee as security under the Indenture, to the extent of any such pledge, including the Net Revenues of the System.

### **Tax Monies**

In addition, as provided for in the Bank Act, the City and the Bank will enter into, and the Trustee will accept, a Tax Intercept Agreement (the “Tax Intercept Agreement”) pursuant to which the City has covenanted, agreed and authorized the Mississippi Department of Revenue or any other State agency, department or commission to (a) withhold all or any part of any monies which the City is entitled to receive from time to time pursuant to any law and which are in possession of the Mississippi Department of Revenue or any other State agency, department or commission (the “Tax Monies”), and (b) pay the same over to the Trustee on behalf of the Bank to satisfy any delinquent payment (the “Delinquent Payment”) of the City under and pursuant to Sections 7 and/or 17 of the Series 2013 Supplemental Bond Resolution and Section 5.10 of the Indenture. If on the first day of May or November of each year, beginning November 1, 2013, which dates are thirty (30) days prior to each Interest Payment Date, the Trustee has been notified pursuant to Section 5.10 of the Indenture that there are insufficient City Revenues to timely make the payments under Sections 7 and/or 17 of the Series 2013 Supplemental Bond Resolution, the Bank has authorized and directed the Trustee under the Tax Intercept Agreement to file the Tax Intercept Agreement and a statement of deficiency setting forth the amount of any Delinquent Payment with the Mississippi Department of Revenue or any other State agency, department or commission, thereby directing the Mississippi Department of Revenue or any other State agency, department or commission to pay any Tax Monies directly to the Trustee on behalf of the Bank to satisfy any Delinquent Payment, all as permitted under the Bank Act. The Trustee is directed in the Indenture to pay any Tax Monies into the General Account of the General Fund established under the Indenture to be applied in accordance with Section 6.05 of the Indenture except for any Delinquent Payment under of the Indenture which shall be applied in accordance with the provision thereof.

## **The General Bond Resolution and Certain Amendments Thereto**

The Council adopted its General Bond Resolution on March 11, 1993, as amended and supplemented on March 16, 2004, July 18, 2011, August 7, 2012 and May 14, 2013 to combine the water and sewer systems of the City into a single water and sewer system and to assist the City with the financing of construction of capital improvements to the System by authorizing the issuance of water and sewer revenue bonds, from time to time, and the refunding of the same.

The General Bond Resolution provides the framework for which indebtedness secured by the Net Revenues of the System may be issued by the City. Certain of the amendments to the General Bond Resolution approved by the Council on August 7, 2012 (the "Amendments"), require the consent in writing of not less than 66 2/3 percent of the holders of the bonds outstanding under the General Bond Resolution. Upon the receipt of the required consents to such Amendments, the Amendments will become effective. **At the time of issuance of the Series 2013 Bonds, the initial holders of such Series 2013 Bonds, through their purchase of the Series 2013 Bonds, shall be deemed to have consented in writing to the Amendments. The Series 2013 Bonds will represent approximately 36% of the bonds outstanding under the General Bond Resolution. Upon the issuance of the Series 2013 Bonds, the holders of more than two-thirds in principal amount of the Bonds outstanding will have consented to the Amendments and all of the Amendments will be in effect. AGM gave its consent to the Amendments at the time of issuance of the Series 2012 Bonds. The August 7, 2012 resolution of the City included other amendments to the General Bond Resolution which did not require the consent of bondholders and which became effective upon passage. Purchasers of the Series 2013 Bonds should carefully review the resolution containing the Amendments included in APPENDIX I hereto.**

The Amendments provide for the issuance of Subordinate Indebtedness which is defined to mean any bonds, notes, loan agreements or other evidences of indebtedness issued from time to time secured by the revenues derived from the operation of the System on a basis subordinate to the pledge of such revenues in favor of bonds secured by a first lien on such revenues. In addition, the Amendments authorize the establishment of a Reserve Account Requirement for Additional Bonds equal to any amount, including no reserve (e.g., \$0.00).

The Amendments revise the rate covenant in the General Bond Resolution to provide that the Net Revenues of the System in each Fiscal Year shall be at least equal to the greater of:

(1) 120% of the sum of the Annual Debt Service Requirement on the Bonds in such Fiscal Year. Net Revenues in such Fiscal Year will be increased for amounts deposited to the Revenue Fund from the Rate Stabilization Fund and will be decreased for amounts deposited to the Rate Stabilization Fund from the Revenue Fund (as such terms are defined in the General Bond Resolution); or

(2) 100% of the sum of:

(A) the Annual Debt Service Requirement on the Bonds and all Subordinate Indebtedness in such Fiscal Year,

(B) the amounts required to be paid during such Fiscal Year into any Debt Service Reserve Fund and the Contingent Fund, and

(C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, not otherwise provided for in subsection (2) (as such terms are defined in the General Bond Resolution).

If the Revenues in any Fiscal Year shown by the City's audit are less than the total amount required by the rate covenant, then the City has agreed to request an independent consulting engineer to make recommendations as to a revision of such rates, fees and charges or methods of operating the System which will result in producing the required amount in the following Fiscal Year. Upon receipt of the recommendations the City shall, subject to applicable requirements imposed by law, immediately revise such rates, fees and charges and take such other actions respecting the methods of operation of the System as shall in its discretion be deemed necessary.

For purposes of this section, the following definitions are applicable:

“Annual Debt Service Requirement” shall mean for any Fiscal Year the sum of all amounts required to pay: principal due and payable during such Fiscal Year (at maturity or upon mandatory redemption other than redemption pursuant to mandatory sinking fund payments); any amounts required to be deposited into a sinking fund during such Fiscal Year; the amount of any mandatory sinking fund redemptions in such Fiscal Year (but only to the extent such payment required to be made during such Fiscal Year is not required to be funded prior to such year); and interest due and payable during such Fiscal Year on all Bonds and any Subordinate Indebtedness outstanding.

In computing the Annual Debt Service Requirement, unless otherwise provided in a Series Resolution, any Variable Rate Bonds shall be assumed to bear interest for future periods with respect to which no rate has been established at 120% of the SIFMA Index for tax-exempt Bonds and 120% of the LIBOR Index for taxable Bonds for the previous twelve (12) month period. If the City shall have entered into one or more agreements under which it will receive payments calculated on a notional amount equal to the principal amount of certain Bonds and will make payments calculated on the same notional amount, in computing the Annual Debt Service Requirement, such Bonds shall be assumed to bear interest for the period during which any such agreement is to be in effect at the rate to be paid by the City pursuant to such agreement (with, if applicable, deductions for any amount to be received by the City pursuant to such agreement), and all computations with respect to such agreements which are based other than on fixed rates shall be made as set forth above with respect to Variable Rate Bonds.”

“Fiscal Year” shall mean the period commencing on the first day of October of any year and ending on the last day of September of the following year or any other fiscal year selected by the City or required by applicable law.

“Revenues” shall mean all payments, proceeds, fees, charges, rents and all other income (including investment income) derived by or for the account of the City from its ownership and operation of the System, excluding security deposits on all acreage, front-footage, assessment and similar fees and charges derived by the City in connection with the provision of or payment for the capital improvements constituting a part of the System and gifts, grants, bequests and proceeds of tax levies, all as calculated in accordance with generally accepted accounting principles.

The Amendments provide for the creation of a Rate Stabilization Fund to be funded from time to time and to be used (a) to transfer amounts on deposit in the Rate Stabilization Fund to other funds or accounts under the General Bond Resolution; (b) to purchase or redeem bonds issued pursuant to the General Bond Resolution, (c) to otherwise provide for the payment of bonds issued pursuant to the General Bond Resolution or interest thereon, or (d) to make other lawful payments.

The Amendments also removed a limitation on the maximum amount of a permitted adjustment in the computation of Net Revenues when computing Adjusted Net Revenues in connection with the issuance of Bonds for the construction of or otherwise acquiring improvements or additions to the System.

Finally, the Amendments reduce the percentage of bondholders required to consent to the amendment of the General Bond Resolution from 66 2/3 percent to a majority.

The Series 2013 City Bond is being issued on parity with the Existing City Bonds.

**THE GENERAL BOND RESOLUTION PROVIDES THAT UNDER CERTAIN CIRCUMSTANCES, ADDITIONAL BONDS MAY BE ISSUED BY THE CITY ON PARITY WITH THE SERIES 2013 CITY BOND AND THE EXISTING CITY BONDS AND SECURED BY A PARITY LIEN ON NET REVENUES OF THE SYSTEM AND PAYABLE RATABLY FROM SUCH NET REVENUES ALONG WITH THE SERIES 2013 CITY BOND AND THE EXISTING CITY BONDS.**

See “APPENDIX H — INFORMATION CONCERNING THE SERIES 2013 CITY BOND, THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION AND THE GENERAL BOND RESOLUTION” for a summary of the terms and provisions of the General Bond Resolution and the amendments thereto, and “APPENDIX I — AMENDMENT AND SUPPLEMENT TO THE GENERAL BOND RESOLUTION.”



## **The Series 2013 City Bond**

From the proceeds of the Series 2013 Bonds, the Bank intends to purchase the 2013 City Bond. Upon purchase, the Bank will pledge to the Trustee the City Bond Payments and the Series 2013 City Bond as described in “APPENDIX H — INFORMATION CONCERNING THE SERIES 2013 CITY BOND, THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION AND THE GENERAL BOND RESOLUTION.” Proceeds received by the City from the sale of the Series 2013 City Bond will be used to provide funds to improve and repair the System.

## **Provisions for Payment of the Series 2013 City Bond**

The Series 2013 City Bond is a revenue bond of the City issued pursuant to the General Bond Resolution and the Series 2013 Supplemental Bond Resolution adopted by the Council on May 14, 2013. **THE SERIES 2013 CITY BOND IS A LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY OUT OF THE NET REVENUES PLEDGED UNDER THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION. THE SERIES 2013 CITY BOND AND THE INTEREST THEREON SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION, AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND SHALL NEVER CONSTITUTE OR GIVE RISE TO ANY LIEN OR CLAIM AGAINST ANY TANGIBLE PROPERTY OF THE CITY NOW EXISTING OR TO BE CONSTRUCTED OR ACQUIRED AS PART OF THE SYSTEM. SEE “APPENDIX G — CERTAIN DEFINITIONS” AND “APPENDIX H — INFORMATION CONCERNING THE SERIES 2013 CITY BOND, THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION AND THE GENERAL BOND RESOLUTION.”** The Series 2013 City Bond shall be issued for the purposes of providing funds to finance the costs of the 2013 Project (as defined herein), including paying costs of issuance for the Series 2013 Bonds and the Series 2013 City Bond.

**Net Revenues.** Pursuant to the terms of the Series 2013 Supplemental Bond Resolution, the City Bond Payments are to be payable solely from the Net Revenues. Under the Series 2013 Supplemental Bond Resolution, the City has pledged the Net Revenues for the payment of the Series 2013 City Bond. The City has covenanted in the General Bond Resolution and the Series 2013 Supplemental Bond Resolution to take such action as may be necessary to make, impose, charge and collect service rates, charges and other fees in sufficient amounts to provide for the payment of principal of, premium, if any, and interest on the Series 2013 City Bond and all other amounts due under the Series 2013 Supplemental Bond Resolution and the cost of operation and maintenance of the System.

## **Additional Bonds**

Additional series of bonds may be issued on a parity with the Series 2013 City Bond and the Existing City Bonds upon satisfaction of certain conditions contained in the General Bond Resolution. The issuance by the City of any such additional bonds on a parity with the Series 2013 City Bond may dilute the security for the Series 2013 City Bond and the Series 2013 Bonds. For a description of the requirements and conditions for the issuance of any additional series of bonds, see “APPENDIX H — THE SERIES 2013 CITY BOND, THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION AND THE GENERAL BOND RESOLUTION — Additional Bonds” herein.

## **Debt Service Reserve Fund and the Reserve Fund Credit Facility**

The Bank Act authorizes and the Indenture requires the Bank to establish and maintain the Debt Service Reserve Fund, which shall be established and maintained as follows:

The Trustee shall deposit in the Debt Service Reserve Account of the Debt Service Reserve Fund all monies required to be deposited therein pursuant to Section 2.02 and Article VI of the Indenture, shall invest such funds pursuant to Article VIII of the Indenture, and, except as provided in Section 6.08 of the Indenture, shall disburse the funds held in the Debt Service Reserve Account of the Debt Service Reserve Fund solely to the General Account for the payment of interest on and principal of the Series 2013 Bonds, and only in the event that monies in

the General Account are insufficient to pay principal of and interest on the Series 2013 Bonds. The Trustee shall, as of any Interest Payment Date, value the investments in the Debt Service Reserve Fund at fair market value. If there is any deficiency in the Debt Service Reserve Account of the Debt Service Reserve Fund as of any Interest Payment Date (after taking into account any debt service payment made on such Interest Payment Date), the Trustee shall provide written notice within five Business Days to the City and the City shall replenish the Debt Service Reserve Account of the Debt Service Reserve Fund within 180 days after the Interest Payment Date as provided in the Series 2013 Supplemental Bond Resolution. Pursuant to Section 10.01(i) of the Indenture, failure to restore any deficiency in the Debt Service Reserve Account of the Debt Service Reserve Fund to the Debt Service Reserve Requirement for the Series 2013 Bonds within 180 days after a deficiency occurs is an “event of default” under the Indenture. Following each Interest Payment Date, the Trustee shall determine if any amounts in the Debt Service Reserve Account of the Debt Service Reserve Fund are in excess of the Debt Service Reserve Requirement for the Series 2013 Bonds and shall transfer said excess amount to the General Account; provided, however, such amounts in excess of the Debt Service Reserve Requirement for the Series 2013 Bonds shall be paid to the City at the written request of the City with the prior written approval of the Bank and the Bond Insurer. Initially, the Bank shall provide a Surety Bond issued by the Bond Insurer to satisfy the Debt Service Reserve Requirement for the Series 2013 Bonds.

The City, with the prior written consent of the Bond Insurer, may, at any time, provide the Trustee with a Reserve Fund Credit Facility to be substituted for all or a portion of the amount of money and investments in the Debt Service Reserve Fund equal to the amount available for drawing under such Reserve Fund Credit Facility; provided that such right of substitution shall be subject to the following conditions:

The Trustee shall receive a certificate of the City to the effect that such substitution is in the best economic interest of the City stating the reasons therefor and stating how the amounts on deposit in the Debt Service Reserve Fund are to be applied;

The Trustee shall receive an Opinion of Counsel acceptable to the Trustee, in form and substance satisfactory to the Trustee, addressed to the Trustee, the Bank and the City as to the due authorization, execution, delivery and enforceability of the Reserve Fund Credit Facility in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event the issuer of the Reserve Fund Credit Facility is not a domestic entity, an opinion of foreign counsel to the same effect in form and substance satisfactory to the Trustee;

The Trustee, the Bank and the City shall receive an Opinion of Bond Counsel, in form and substance satisfactory to each of them, to the effect that substitution of such Reserve Fund Credit Facility and the proposed application to the amounts in the Debt Service Reserve Fund will not cause the interest on the Series 2013 Bonds to become includable in gross income for federal income taxation purposes;

The obligation of the Bank to reimburse the Reserve Fund Credit Facility Issuer for any fees or expenses or claims or drawings under such Reserve Fund Credit Facility shall be subordinate to the payment of debt service on the Bonds under the Indenture;

The Reserve Fund Credit Facility must provide for a revolving feature under which the amount available for drawing thereunder will be reinstated to the extent of any reimbursement of drawings or claims paid; and

The value of the assets (including the amount available for drawing under the Reserve Fund Credit Facility) held in the Debt Service Reserve Fund must equal the Debt Service Reserve Requirement immediately upon such substitution.

If there shall be an insufficiency of funds in the General Account to make any required payment of principal of or interest on any Series 2013 Bonds and the Trustee is holding a Reserve Fund Credit Facility in lieu of funds in the Debt Service Reserve Fund, the Trustee shall make a drawing under the Reserve Fund Credit Facility in an amount equal to the lesser of (1) the amount then available for drawing under the Reserve Fund Credit Facility, or (2) the amount necessary to make up the insufficiency described above, which drawing shall be made in time to prevent the occurrence of an “event of default” under the Indenture; and the proceeds of such drawing shall be deposited into the Debt Service Reserve Account of the Debt Service Reserve Fund for application as provided in the Indenture. On the fifth Business Day prior to the expiration of any Reserve Fund Credit Facility, the Trustee shall make a drawing of the full amount available thereunder, and shall deposit the proceeds of such drawing into

the Debt Service Reserve Account of the Debt Service Reserve Fund; provided, however, that the Trustee shall not make a drawing if, not later than the fifth Business Day prior to the expiration of such Reserve Fund Credit Facility, a substitute Reserve Fund Credit Facility of money and/or Investment Securities equal to the Debt Service Reserve Requirement have been delivered to the Trustee for deposit into the Debt Service Reserve Account of the Debt Service Reserve Fund.

If the Trustee receives notice that (1) the revolving reinstatement feature described above has been suspended or terminated, (2) the Reserve Fund Credit Facility Issuer has defaulted in its payment obligations thereunder, or (3) the Reserve Fund Credit Facility will not be extended or renewed, the Trustee shall immediately notify the City in writing, of the occurrence of such event and shall request that the City make or cause to be made the payments required to replenish each Debt Service Reserve Account to the Debt Service Reserve Requirement pursuant to the Indenture and the Series 2013 Supplemental Bond Resolution, which payments may be made from the proceeds of a drawing under the Reserve Fund Credit Facility.

Initially, the Debt Service Reserve Fund will be funded with the Surety Bond of the Bond Insurer which shall meet the requirements for a Reserve Fund Credit Facility.

## **RISKS TO THE OWNERS OF THE SERIES 2013 BONDS**

### **General**

The Series 2013 Bonds will be payable solely from the payments to be made by the Bank under the Indenture. Pursuant to the Indenture, such payments are to be made solely from payments due from the City pursuant to the Series 2013 City Bond. Purchasers of the Series 2013 Bonds are advised of certain risk factors with respect to the Series 2013 Bonds.

In addition, purchasers of the Series 2013 Bonds are advised of certain additional information in connection with the City as set forth in “APPENDIX C — COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012” and the System as set forth in “APPENDIX B — INFORMATION CONCERNING THE SYSTEM.” Such information is relative to the ability of the City to make City Bond Payments sufficient to provide debt service on the Series 2013 Bonds.

### **City Bond Payments**

The ability of the Bank to pay principal of, premium, if any, and interest on the Series 2013 Bonds depends upon the receipt by the Bank of the City Bond Payments from the City which it is obligated to make under the Series 2013 Supplemental Bond Resolution, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. Except for the Debt Service Reserve Fund, there is no Fund which is required to contain amounts to make up for any deficiencies in the event of one or more defaults by the City in making such City Bond Payments, and there is no source from which the General Fund will be replenished except the City Bond Payments and investment income on monies in the Funds and Accounts. While the City covenants to take such action as may be necessary to collect sufficient Net Revenues to make the City Bond Payments, there can be no representation or assurance, that the City will collect sufficient Net Revenues to make such City Bond Payments. Certain financial statements and information of the City are contained in “APPENDIX C — COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012.” The realization of sufficient revenues can be subject to, among other things, future economic and demographic conditions, and other conditions which are variable and not certain of prediction. For a description of the City and the System, see “APPENDIX A — INFORMATION CONCERNING THE CITY” and “APPENDIX B — INFORMATION CONCERNING THE SYSTEM.” For a description of the procedures for providing for the payment of the Series 2013 City Bond, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS — Provisions for Payment of the Series 2013 City Bond.”

### **General Factors Affecting System’s Ability to Generate Sufficient Net Revenues**

Numerous factors may affect the ability of the System and the City to generate Net Revenues as projected in the Engineer’s Report in Exhibit J hereto. System Net Revenues are influenced by a number of factors, which

may include, among others, population, the ability of the City to collect the rates which have been imposed, unexpected increases in operational costs due to inclement weather or emergency repairs among others, general economic and business conditions, changes in political and social conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances. No attempt has been made to identify all such factors. Such factors may have a material impact on the Net Revenues of the System.

### **Performance Contract Savings May Not Be Realized**

The proceeds of the Series 2013 City Bond are being used for repair and improvement projects contemplated in the Performance Contract. SEE PURCHASE OF THE SERIES 2013 CITY BOND — PROJECT. The City has entered into the Performance Contract with the expectation of achieving approximately \$8 million annually in savings and/or additional billings as result of operational efficiencies and cost cutting measures. While some of the savings contemplated in the Performance Contract are “reimbursed” by Siemens, if not achieved, certain other anticipated savings are dependent upon the City’s implementation of measures set forth in the Performance Contract.

The City has included the expected Performance Contract savings in its projections of forecasted revenues available to make principal and interest payments for the Series 2013 City Bond and other parity bonds. SEE APPENDIX J — ENGINEER’S REPORT — *Table 3*. **The Engineer’s Report included herein has been updated since the Preliminary Official Statement to include revised cash flow projections and certain updated assumptions. See APPENDIX J.** At times, the expected Performance Contract savings will constitute a significant portion of the Net Revenues available for principal and interest payments. IF THE PERFORMANCE CONTRACT SAVINGS ARE NOT REALIZED, THE CITY WILL LIKELY HAVE TO USE OPERATING RESERVES, RAISE ITS WATER AND SEWER RATES AND/OR REDUCE OPERATING EXPENSES TO MAKE PRINCIPAL AND INTEREST PAYMENTS. If either the City or Siemens fails to perform under the contract, the Net Revenues and other monies available for the payment of principal and interest for the Series 2013 Bonds may be reduced. If Siemens fails to make payments to the City pursuant to the Contract, then monies available for principal and interest on the Series 2013 Bonds may be reduced. Even if the City and Siemens fully perform under the Performance Contract, if the City’s expected savings are not fully realized, monies available for payment of principal and interest for the Series 2013 Bonds may be reduced. Furthermore, some of the efficiencies expected are derived from (i) avoided defined maintenance costs associated with treatment plants and sewer collection systems, and (ii) a reduction in manpower deployment for meter reading and shut-offs, certain of the employees are expected to be transferred to positions designed for Consent Decree compliance. SEE APPENDIX B — INFORMATION CONCERNING THE SYSTEM). If the City fails to undergo these reductions and/or transfers, monies available for principal and interest on the Series 2013 Bonds may be reduced. SEE PURCHASE OF THE SERIES 2013 CITY BOND — THE PERFORMANCE CONTRACT.

### **Tax Covenants**

The Bank has covenanted under the Indenture to use its best efforts to comply with all actions required to assure the continuing exclusion of interest on the Series 2013 Bonds from gross income of the holders thereof for federal income tax purposes. Failure by the Bank to comply with such covenants could cause the interest on the Series 2013 Bonds to be taxable retroactive to the date of issuance of the series 2013 Bonds. Further, the City has made certain covenants in the Series 2013 Supplemental Bond Resolution regarding the preservation of the tax-exempt status of the interest on the series 2013 Bonds. The interest on the Series 2013 Bonds could become taxable in the event that the City fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to the Series 2013 Bonds under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent the series 2013 Bonds from being deemed to be “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”). Such an event could adversely affect the exempt status of the interest on all of the series 2013 Bonds retroactive to the date of issuance. See “TAX MATTERS,” herein.

### **Ratings**

There is no assurance that the ratings assigned to the Series 2013 Bonds at the time of issuance (see “RATINGS” herein) will not be lowered or withdrawn at any time, the effect of which could adversely affect the

market price for and marketability of the Series 2013 Bonds. If and when a Bondholder elects to sell a Series 2013 Bond prior to maturity, there is no assurance that a market will have been established, maintained and in existence for the purchase and sale of the Series 2013 Bonds, and there is no assurance as to the purchase price which a buyer would be willing to pay.

### **Remedies; Litigation; Bankruptcy**

The remedies available to the Trustee, to the Bank or to the owners of the Series 2013 Bonds upon an “event of default” under the Indenture or under the terms of the Series 2013 Supplemental Bond Resolution and Series 2013 City Bond are in many respects dependent upon judicial actions which are often subject to discretion and delay.

In the event the City were to become a debtor under 11 U.S.C. Section 100 *et seq.*, as amended and supplemented from time to time (the “United States Bankruptcy Code”), City Bond Payments may be stayed or under certain circumstances may be subject to avoidance or disgorgement and the interest of the Trustee in such payments may not extend to payments required after the commencement of such bankruptcy case or within 90 days prior thereto. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code, the remedies provided in the Indenture and under the Series 2013 Supplemental Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2013 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.

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 City, 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 Series 2013 City Bond, the Series 2013 Supplemental Bond Resolution or related documents that make bankruptcy and related proceedings by the City an “event of default” thereunder. All of these events would adversely affect the payment of debt service on the Series 2013 Bonds.

### **Possible Claims of Third-Party Creditors**

On February 2, 1990, the United States District Court for the District of Columbia held in *Martens v. Hadley Memorial Hospital*, 729 F. Supp. 1391 (D.D.C. 1990), that a judgment creditor of a beneficiary of the proceeds of tax exempt revenue bonds could satisfy its judgment from monies held by a trustee in a debt service reserve fund pledged to secure the revenue bonds. The Court held that absent a default under the loan agreement pursuant to which the revenue bond proceeds were loaned to the borrower and the acceleration of the obligations under the loan agreement, the trustee bank holding the debt service reserve fund could not prevent the judgment creditor from attaching the debt service reserve fund to satisfy the judgment. If the principles of *Martens* were applied by a court having jurisdiction over the Bank, there is risk that judgment creditors of the Bank could attach the funds securing the Series 2013 Bonds, including in particular, the Debt Service Reserve Fund.

## **DESCRIPTION OF THE SERIES 2013 BONDS**

### **General Description**

The Series 2013 Bonds are issuable under the Indenture as fully registered bonds. When issued, the Series 2013 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 Series 2013 Bonds will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any integral multiple thereof.

The Series 2013 Bonds will mature in the amounts and on each December 1, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Series 2013 Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2013. Interest will be calculated on the basis of a 360-day year consisting of twelve, thirty-day months.

Each Series 2013 Bond will be dated as of the date of delivery. If any Series 2013 Bond is authenticated on or prior to December 1, 2013, it will bear interest from its date of original issuance. Each Series 2013 Bond authenticated after December 1, 2013, will bear interest from the most recent Interest Payment Date on which interest was payable and has been paid on or prior to the date of authentication of such Series 2013 Bond, unless such Series 2013 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 subsequent Interest Payment Date, in which case such Series 2013 Bond will bear interest from such subsequent Interest Payment Date.

So long as DTC or its nominee is the Registered Owner of the Series 2013 Bonds, payments of the principal of, premium, if any, and interest on the Series 2013 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 (as defined herein) will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners of the Series 2013 Bonds will be the responsibility of the DTC Participants and the Indirect Participants.

If the Series 2013 Bonds are no longer in a book-entry-only system, the principal of the Series 2013 Bonds will be payable upon maturity or redemption at the principal corporate trust office of the Trustee in Jackson, Mississippi, and interest on the Series 2013 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, at the written election of the Registered Owner of \$1,000,000 or more in aggregate principal amount of Series 2013 Bonds delivered to the Trustee at least one Business Day prior to the Record Date for which such election will be effective, by wire transfer to the Registered Owner or by deposit into the account of such Registered Owner if such account is maintained by the Trustee.

### **Book-Entry-Only System**

The Bank has determined that it will be beneficial to have the Series 2013 Bonds held by a central depository system and to have transfers of the Series 2013 Bonds affected by book-entry on the books of DTC as such central depository system. Accordingly, beneficial ownership interests in the Series 2013 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 Series 2013 Bonds (the “Beneficial Owners” and each a “Beneficial Owner”) will not receive certificates representing their interests in the Series 2013 Bonds purchased.

The information provided under this section has been provided by DTC. No representation is made by the Bank, the City, the Underwriter 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 Series 2013 Bonds. The Series 2013 Bonds will be 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 Series 2013 Bond certificate will be issued for each maturity of the Series 2013 Bonds, each in the aggregate principal amount of such 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, 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, Government 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: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC may be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 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 Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 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 Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2013 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2013 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2013 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 as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2013 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 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, 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 or both. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the Bank or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2013 Bond certificates are required to be printed and delivered.

In addition, 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, Series 2013 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank, the City and the Underwriter believe to be reliable, but the Bank, the City and the Underwriter take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered holder of the Series 2013 Bonds as nominee of DTC, references herein to the Holders, holders, or registered owners of the Series 2013 Bonds mean Cede & Co. and not the Beneficial Owners of the Series 2013 Bonds.

THE BANK, THE CITY, THE TRUSTEE, THE BOND INSURER AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2013 BONDS (A) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM, IF ANY, ON THE SERIES 2013 BONDS; (B) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2013 BONDS; OR (C) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2013 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 CITY, THE TRUSTEE, THE BOND INSURER NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM, IF ANY, ON THE SERIES 2013 BONDS; (C) 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; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2013 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

## **Redemption**

***Redemption Generally.*** If the City directs the Bank to redeem the Series 2013 Bonds in accordance with the Series 2013 Supplemental Bond Resolution, the Bank has agreed under the Indenture to accept redemption and to redeem the Series 2013 Bonds in accordance with the Indenture.

***Optional Redemption.*** The Series 2013 Bonds (or any portions thereof in integral multiples of \$5,000 each) maturing on or after December 1, 2024, are subject to optional redemption, prior to their stated dates of maturity, in whole or in part, in principal amounts and maturities selected by the Bank on any date on or after December 1, 2023, at par, plus accrued interest to the date of redemption.

Under the Indenture, selection of Series 2013 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 Series 2013 Bonds are in book-entry form.



***Mandatory Sinking Fund Redemption.*** The Series 2013 Bonds maturing on December 1, 2040, are term bonds subject to mandatory sinking fund redemption prior to their scheduled maturity on December 1 in the years listed below at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date from amounts on deposit in the General Account of the General Fund in accordance with the following schedule:

<b><u>Series 2013 Term Bond</u></b>	
<b><u>Year (December 1)</u></b>	<b><u>Principal Amount</u></b>
2034	\$4,750,000
2035	5,090,000
2036	5,450,000
2037	5,840,000
2038	6,255,000
2039	6,700,000
2040	7,175,000*

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\*Final Maturity.

***Notice of Redemption.*** Notice of the call for any redemption, identifying the Series 2013 Bonds (or any portions thereof in integral multiples of \$5,000 each) to be redeemed (which may be a conditional notice of redemption), will be given by the Trustee at least 30 days, but not more than 45 days, prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the registered owner of each Series 2013 Bond to be redeemed at the address shown on the Bond Register (as defined herein). Failure to mail such notice to any particular owner of Series 2013 Bonds, or any defect in the notice mailed to any such owner of Series 2013 Bonds, will not affect the validity of the call for redemption of any other Series 2013 Bonds. So long as DTC or its nominee is the Registered Owner of the Series 2013 Bonds, notice of the call for any redemption will be given to DTC, and not directly to Beneficial Owners. See “DESCRIPTION OF THE SERIES 2013 BONDS — Book-Entry-Only System.”

***Redemption Payments.*** Prior to or on the Redemption Date, funds shall be deposited with the Trustee in an amount sufficient to pay the Redemption Price of the Series 2013 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 Series 2013 Bonds that have been called for redemption.

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## APPLICATION OF THE PROCEEDS OF THE SERIES 2013 BONDS

The following is a summary of the expected sources and uses of the Series 2013 Bonds:

<u>SOURCES OF FUNDS</u>	<u>Series 2013 Bonds</u>
Par Amount of Series 2013 Bonds	\$ 89,990,000.00
Net Original Issue Premium/Discount	<u>11,003,662.55</u>
Total Sources of Funds	<u>\$100,993,662.55</u>
 <b>USES OF FUNDS</b>	
For deposit to the Purchase Account of the General Fund <sup>1</sup>	\$ 98,764,506.21
For payment of Underwriter's Discount	674,925.00
For payment of Costs of Issuance <sup>2</sup>	704,666.90
For payment of premium for the Policy and the Surety Bond <sup>3</sup>	<u>849,564.44</u>
Total Uses of Funds	<u>\$100,993,662.55</u>

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<sup>1</sup> Proceeds of the Series 2013 Bonds will be paid to the City pursuant to the Indenture. The funds paid to the City include those needed to pay for the costs of the 2013 Project, including \$8,375,255.21 to fund interest through and including December 1, 2014.

<sup>2</sup> The monies used for Costs of Issuance (as defined herein) will be deposited in the Bond Issuance Expense Account of the General Fund and disbursed in accordance with the terms of the Indenture.

<sup>3</sup> The premiums for the Policy and the Surety Bond will be paid directly to the Bond Insurer by the Underwriter.

## DEBT SERVICE REQUIREMENTS OF THE SERIES 2013 BONDS

The following table sets forth the estimated principal and interest requirements on the Series 2013 Bonds:

Bond Year Ending December 1	Principal	Interest	Total Debt Service on the Series 2013 Bonds
2013	\$	\$ 2,509,317.71	\$ 2,509,317.71
2014		5,865,937.50	5,865,937.50
2015		5,865,937.50	5,865,937.50
2016	1,595,000.00	5,865,937.50	7,460,937.50
2017	1,680,000.00	5,786,187.50	7,466,187.50
2018	1,765,000.00	5,702,187.50	7,467,187.50
2019	1,855,000.00	5,613,937.50	7,468,937.50
2020	1,950,000.00	5,521,187.50	7,471,187.50
2021	2,055,000.00	5,423,687.50	7,478,687.50
2022	2,165,000.00	5,315,800.00	7,480,800.00
2023	2,290,000.00	5,202,137.50	7,492,137.50
2024	2,430,000.00	5,064,737.50	7,494,737.50
2025	2,590,000.00	4,918,937.50	7,508,937.50
2026	2,765,000.00	4,750,587.50	7,515,587.50
2027	2,960,000.00	4,563,950.00	7,523,950.00
2028	3,165,000.00	4,364,150.00	7,529,150.00
2029	3,385,000.00	4,150,512.50	7,535,512.50
2030	3,625,000.00	3,922,025.00	7,547,025.00
2031	3,875,000.00	3,677,337.50	7,552,337.50
2032	4,145,000.00	3,415,775.00	7,560,775.00
2033	4,435,000.00	3,135,987.50	7,570,987.50
2034	4,750,000.00	2,836,625.00	7,586,625.00
2035	5,090,000.00	2,510,062.50	7,600,062.50
2036	5,450,000.00	2,160,125.00	7,610,125.00
2037	5,840,000.00	1,785,437.50	7,625,437.50
2038	6,255,000.00	1,383,937.50	7,638,937.50
2039	6,700,000.00	953,906.26	7,653,906.26
2040	7,175,000.00	493,281.26	7,668,281.26
<b>Total</b>	<b><u>\$89,990,000.00</u></b>	<b><u>\$112,759,630.23</u></b>	<b><u>\$202,749,630.23</u></b>

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The following chart reflects the debt service on the City's outstanding water and sewer bonds.

**DEBT SERVICE REQUIREMENTS FOR THE EXISTING CITY BONDS  
AND THE SERIES 2013 BONDS<sup>1</sup>**

<b>FY Ending September 30</b>	<b>Total Debt Service for 2005 Bonds</b>	<b>Total Debt Service for 2011 Bonds</b>	<b>Total Debt Service for 2012 Bonds</b>	<b>Total Debt Service for 2013 Bonds<sup>†</sup></b>	<b>Total Debt Service</b>
2013	\$ 2,528,532.50	\$ 3,755,654.50	\$ 5,140,617.98	\$	\$ 11,424,804.98
2014	2,526,595.00	3,753,555.50	5,458,087.50	5,442,286.46	17,180,524.46
2015	2,527,045.00	3,754,328.00	5,453,150.00	5,865,937.50	17,600,460.50
2016	2,530,510.00	3,754,675.50	5,454,875.00	5,865,937.50	17,605,998.00
2017	2,532,260.00	3,752,219.50	5,454,981.26	7,421,062.50	19,160,523.26
2018	2,534,760.00	3,750,535.00	5,448,200.00	7,424,187.50	19,157,682.50
2019	2,541,960.00	3,751,575.50	5,442,500.00	7,423,062.50	19,159,098.00
2020	2,545,110.00	3,756,412.50	5,439,450.00	7,422,562.50	19,163,535.00
2021	2,554,160.00	3,756,646.00	5,427,025.00	7,422,437.50	19,160,268.50
2022	2,548,222.50	3,754,876.00	5,427,275.00	7,424,743.75	19,155,117.25
2023	2,552,772.50	3,750,768.50	5,430,775.00	7,423,968.75	19,158,284.75
2024	2,558,912.50	3,750,495.00	5,417,025.00	7,423,437.50	19,149,870.00
2025		3,748,055.00	5,726,525.00	7,421,837.50	16,896,417.50
2026		3,754,595.00	5,722,775.00	7,424,762.50	16,902,132.50
2027		3,754,345.00	5,725,275.00	7,422,268.75	16,901,888.75
2028		3,752,325.00	5,723,275.00	7,424,050.00	16,899,650.00
2029		3,757,460.00	5,726,525.00	7,422,331.25	16,906,316.25
2030		3,756,205.00	5,714,275.00	7,421,268.75	16,891,748.75
2031		3,758,605.00	5,716,775.00	7,424,681.25	16,900,061.25
2032		3,759,165.00	5,714,475.00	7,421,556.25	16,895,196.25
2033		472,660.00	8,966,400.00	7,420,881.25	16,859,941.25
2034		466,690.00	8,973,450.00	7,421,306.25	16,861,446.25
2035				7,423,343.75	7,423,343.75
2036				7,425,093.75	7,425,093.75
2037				7,422,781.25	7,422,781.25
2038				7,424,687.50	7,424,687.50
2039				7,423,921.88	7,423,921.88
2040				7,423,593.76	7,423,593.76
2041				<u>7,421,640.63</u>	<u>7,421,640.63</u>
<b>TOTAL</b>	<b><u>\$30,480,840.00</u></b>	<b><u>\$76,021,846.50</u></b>	<b><u>\$128,703,711.74</u></b>	<b><u>\$202,749,630.23</u></b>	<b><u>\$429,580,773.26</u></b>

<sup>1</sup> The Series 2013 Bonds are being issued on parity with the Existing City Bonds.

<sup>†</sup> Amounts include the portion of debt service being paid from capitalized interest funded with the proceeds of the Series 2013 Bonds.

## **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 City.

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 SERIES 2013 BONDS, AND THE SERIES 2013 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 ("MBFC") at the time and place fixed by MBFC's bylaws. Appointments are for terms of one year. The members of the Board of Directors are as follows:

<b>NAME</b>	<b>OCCUPATION</b>	<b>TERM</b>
Kim Dillon	President, Telesouth Communications Jackson, MS	07/01/12 — 06/30/13
Mack H. Brewer	Retired Finance Manager McComb, Mississippi	07/01/12 — 06/30/13
N. L. Carson	Owner, Carson Construction Company Carthage, Mississippi	07/01/12 — 06/30/13
Mark Wiggins	President & CEO, the Medical Store Meridian, Mississippi	01/22/13 — 06/30/13
William L. Freeman, Jr.	Banker Newton, Mississippi	07/01/12 — 06/30/13
Gary Harkins	Real Estate Developer Brandon, Mississippi	07/01/12 — 06/30/13
Joel Horton	Banker Vicksburg, Mississippi	07/01/12 — 06/30/13
Harold Lewis	Businessman Philadelphia, Mississippi	07/01/12 — 06/30/13
William D. Sones	President & CEO, Bank of Brookhaven Brookhaven, Mississippi	07/01/12 — 06/30/13

The operations of the Bank are administered by William T. Barry, Executive Director. Mr. Barry 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 \$6,214,772,402. Of such amount, approximately \$3,110,756,362.77 was outstanding as of May 1, 2013.

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 all such bonds are not a debt, liability, loan of the credit or pledge of the full faith and credit or 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.

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## **PURCHASE OF THE SERIES 2013 CITY BOND**

The Bank has agreed to purchase the Series 2013 City Bond from the proceeds received upon the sale and issuance of the Series 2013 Bonds. Upon the execution by the City of the City Bond Purchase Agreement with the Bank (the “City Bond Purchase Agreement”) prior to or as of the date of the approval of the sale of the Series 2013 Bonds, the City will be obligated to sell the Series 2013 City Bond to the Bank in accordance with the requirements of the Act and in accordance with the City Bond Purchase Agreement.

The Bank Act provides that the Series 2013 City Bond purchased by the Bank, upon delivery to the Bank, must be accompanied by all documentation required by the Indenture, including the approving opinions of Co-Bond Counsel. The Bank will be prepared to cause the purchase price of the Series 2013 City Bond to be paid to the City promptly after the receipt of such proceeds by the Bank. Under the Indenture, any purchase of the Series 2013 City Bond is subject to the receipt by the Trustee of certain documents and opinions as described in Section 2.04 of the Indenture.

## **THE 2013 PROJECT**

The City will use the bond proceeds for improvements to the System and repair and replacement of components of the System. Specifically, the bond proceeds will be spent on projects contemplated in the \$90,883,106 energy performance contract agreement (the “2013 Project”) entered into between the City and Siemens Industry, Inc., dated January 2, 2013, as amended (the “Performance Contract”).

## **THE PERFORMANCE CONTRACT**

Under the Performance Contract, Siemens will implement an advanced meter infrastructure (“AMI”) project, which will include the replacement of all of the City’s existing water meters, now used by approximately 65,000 residential and commercial customers, with a new AMI metering system. A mesh network will allow two-way communication with meters and a new billing system. The billing system will collect consumption information directly from the meters at regular intervals, which will eliminate the need for meter readers to view each meter on a bi-monthly basis. The AMI system will also allow for remote disconnection of delinquent accounts and resumption of service when payment is made or a new resident establishes service. The new billing system will allow customers to access their accounts through the internet to monitor their consumption, make inquiries to the City’s Water/Sewer Business Office, and to pay their bills online. The new billing system and remote reading of the meter will allow the City to bill customers on a monthly basis rather than the current bi-monthly billing. The new AMI water meter system will result in operational savings by allowing the City to eliminate its meter reading operations and to eliminate the costly maintenance expense in maintaining its current, largely outdated, billing system.

The scope of work under the Performance Contract will also include improvements to the City’s O. B. Curtis and J.H. Fewell water treatment plants necessary to maintain those plant’s current treatment capacity and replacement of several major sewer collection lines. The work schedule for completion of the projects under the Performance Contract is 910 days. The scope of work under the Performance Contract is expected to generate additional revenue from more accurate metering of water consumption and savings from changes in operations and elimination of future maintenance, in the total amount of \$123,266,455, to be realized in annual payments over a 15-year period.

Under the Performance Contract, Siemens agrees to reimburse the City for certain of these savings during the 15-year period if they are not achieved. The reimbursable savings are the small meter billable usage increases derived through improved meter reading accuracy under the new system projected to total \$43,476,313. The Performance Contract also includes calculated savings from large meter billable increases under the new system projected to total \$15,555,862. Operational Savings as defined in the Performance Contract projected to total \$37,984,280 and Deferred Maintenance as defined in the Performance Contract projected to total \$26,250,000 are Stipulated Savings, agreed to by the parties based on information provided by the City and calculated by Siemens.

The City expects that the Performance Contract will result in savings of approximately \$8 million each year. Siemens has agreed to pay to the City any “Annual Savings Shortfall,” which is calculated to be any amount equal to “Guaranteed Annual Savings” less “Annual Realized Savings,” as those terms are defined in the Performance

Contract. SEE APPENDIX J — ENGINEER’S REPORT. **The Engineer’s Report, including Table 3 thereof containing projected cash flow and certain assumptions regarding the five-year projected cash flows have been updated since the date of the Preliminary Official Statement.**

The City has agreed to pay Siemens an annual amount over 15 years, starting at \$242,000 in the first year, then escalating annually and ending at \$366,047 in year 15, for certain services provided by Siemens under a “Performance Assurance Services Program (PASP)”, as that term is defined in the Performance Contract. Payments under the PASP will not be paid from bond proceeds.

The Performance Contract is an “energy performance contract” authorized by Section 31-7-14 of the Mississippi Code of 1972, as amended and supplemented (the “Energy Contracting Statute”) and has, as required by the Energy Contracting Statute, been approved by the Mississippi Development Authority. SEE APPENDIX J — ENGINEER’S REPORT.

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## FIVE YEAR HISTORIC AND PROJECTED OPERATING RESULTS

### Summary of the Water/Sewer Proprietary Fund Operating Results for the Past Five (5) Fiscal Years

	Fiscal Years Ended September 30				
	2012	2011	2010	2009	2008
Operating Revenues:					
Sales to customers	\$ 47,966,053	\$ 47,577,896	\$ 41,973,689	\$ 41,439,792	\$ 47,468,036
Contributions		-			
Contributions — City Match		-			
Other revenues	51,029	94,565	100,274	88,080	179,975
Total Operating Revenues	48,017,082	47,672,461	42,073,963	41,527,872	47,648,011
Operating Expenses:					
Personnel services	10,645,418	11,151,617	9,971,052	9,329,969	9,384,421
Supplies	5,159,810	4,438,709	4,138,811	4,057,899	4,167,034
Other services and charges	17,560,729	17,164,756	12,018,186	14,884,923	16,720,141
Depreciation	8,782,498	4,085,720	7,985,600	8,077,193	8,041,630
Total operating expenses	42,148,455	36,840,802	34,113,649	36,349,984	38,313,226
Operating income (loss)	5,868,627	10,831,659	7,960,314	5,177,888	9,334,785
Nonoperating revenues (expenses):					
Interest revenue	461,524	484,392	239,717	810,275	2,324,417
Interest and service charges on long-term debt and capitalized lease obligations	(11,937,083)	(4,670,423)	(6,735,720)	(5,710,471)	(6,751,843)
Gain on retirement bond		1,275,207			
Sale of fixed assets		-			
Gain (loss) on sale of fixed assets	15,090	(14,940)	16,375	(1,332,294)	55,090
Amortization of bond issuance cost	(1,261,804)	(283,835)	(214,349)	(214,349)	(214,349)
Total nonoperating revenues (expenses)	(12,722,273)	(3,209,599)	(6,693,977)	(6,446,839)	(4,586,685)
Income (loss) before contributions and transfers	(6,853,646)	7,622,060	1,266,337	(1,268,951)	4,748,100
Capital contributions from grants	-	-	-	-	-
Transfers In:					
General Fund	361,478	-			
Enterprise Fund		-			
Transfers Out:					
General Fund		-			
Enterprise Fund	(37,870)	(60,139)	(145,363)	(133,473)	(98,996)
Total Transfers In (Out)	323,608	(60,139)	(145,363)	(133,473)	(98,996)
Change in Net Assets	(6,530,038)	7,561,921	1,120,974	(1,402,424)	4,649,104
Total net assets — beginning	251,544,427	243,982,506	242,861,532	244,263,956	239,614,852
Total net assets — ending	\$245,014,389	\$ 251,544,427	\$243,982,506	\$242,861,532	\$244,263,956

The General Bond Resolution requires the City to establish System rates that will maintain a debt service coverage of 120%. The following table supplied by the City sets forth the historical debt service coverage for the System. For projected revenues, expenditures and debt service coverage ratios, SEE APPENDIX J — ENGINEER'S REPORT.

#### STATEMENT OF REVENUES, EXPENDITURES AND DEBT SERVICE COVERAGE FOR THE SYSTEM

<b>Fiscal Year</b>	<b>Water/Sewer Charges and Other</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Water/Sewer Revenue Bonds Debt Service<sup>1</sup></b>		<b>Debt Service Coverage<sup>2</sup></b>
				<b>Principal</b>	<b>Interest</b>	
2012	\$ 48,171,000	\$ 33,366,000	\$14,805,000	\$ 6,780,000	\$ 4,961,886	1.26x
2011	47,578,000	32,755,000	14,823,000	4,870,000	6,876,000	1.26x
2010	41,974,000	26,128,000	15,846,000	6,085,000	7,284,000	1.19x
2009	41,440,000	27,837,000	13,603,000	6,910,000	7,617,000	0.94x
2008	47,468,000	29,410,000	18,058,000	6,910,000	7,617,000	1.24x

<sup>1</sup>The City of Jackson, Mississippi uses the water/sewer revenue bond's largest debt payment in future years to compute the coverage rate.

<sup>2</sup>Depreciation is excluded from expenses in performing the Debt Service Coverage calculation.

#### Management's Discussion and Analysis

##### *FYE 2008*

Total revenues for fiscal year 2008, which was a twelve month period, ended September 30, 2008, were \$47,648,011. The external auditors posted an initial accrual for the water billings in FY 2008 in the amount of \$4,370,794. The accrual was for a 60-day billing as of September 30, 2008. This accrual had not been posted in prior fiscal years. Total expenses for fiscal year 2008 were \$38,313,226. The external auditor posted an adjustment to allowance for depreciation in the amount of \$4,598,748 which impacted FY 2009 and FY 2010 other services and charges.

##### *FYE 2009*

Total revenues for fiscal year 2009, which was a twelve month period, ended September 30, 2009, were \$41,527,872. The accrual entry for water billings in FY 2008 was reversed in FY 2009 which had a negative impact on the revenues disclosed in the comprehensive annual financial report. This change resulted in an overstatement of revenues in FYE 2008. Total expenses for fiscal year 2009 were \$35,349,984. The City sold assets to an outside entity and sustained a loss from the sale in the amount of (\$1,332,294).

##### *FYE 2010*

Total revenues for fiscal year 2010, which was a twelve month period, ended September 30, 2010, were \$42,073,963. There were no significant changes in revenues in FY 2010. Total expenses for fiscal year 2010 were \$33,113,649. There were no significant changes in expenses in FY 2010.

#### *FYE 2011*

Total revenues for fiscal year 2011, which was a twelve month period, ended September 30, 2011, were \$47,672,461. There was a water and sewer rate increase effective January 2011. The water rate increase went from \$2.20 to \$2.48/ccf. The sewer rate increase went from \$2.03 to \$2.15/ccf.

Total expenses for fiscal year 2011 were \$36,840,802. Personnel services increased due to overtime wages incurred from inclement weather (ice storm January 2011, April 4<sup>th</sup> storm/tornado). This increase also had an impact on supplies and other services and charges which include the materials (fuel usage, asphalt, water/sewer pipes, among others) needed to make repairs throughout the City. The City sold major assets to an outside entity and sustained a loss from the sale in the amount of (\$14,940). The disposal/sale of assets caused the depreciation expense to decrease significantly. An adjustment to allowance for depreciation was posted in the amount of \$4,022,832. The City accrued contracts payable in the amount of \$792,302.

#### *FYE 2012*

Total revenues for fiscal year 2012, which was a twelve month period, ended September 30, 2012, were \$48,017,082. The increase in revenue was the result of water and sewer rate that went into effect January 2011 and represents a full fiscal year.

Total expenses for fiscal year 2012 were \$42,148,455. The increase in supplies and other services and charges was the result of the operation and maintenance agreement of the WWTP with a third party. The use of chemical supplies increased significantly. The City also purchased capital outlay for the operation and maintenance of the water/sewer system which caused the depreciation to increase. The City refunded Water/Sewer Bonds in FY 2011 and the costs savings on the refunded bonds were recognized in the first year of the refunding.

#### **FORECASTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE RATIOS (UPDATED)**

The City retained Neel-Schaffer, Inc. (the "Consulting Engineer") in connection with the proposed issuance of the Series 2013 Bonds. The Consulting Engineer prepared the Engineer's Report which is attached hereto as Exhibit J. The Consulting Engineer has assembled financial forecasts of Net Revenues available for debt service based upon assumptions and estimates concerning future events and circumstances which are believed to be reasonable. The inclusion of the Engineer's Report is qualified by cautionary statements and assumptions contained herein and in the report. See also, "RISKS TO THE OWNERS OF THE SERIES 2013 BONDS" herein.

**At the request of the City, the Consulting Engineer updated the projections which were included in the report attached on Appendix J to the Preliminary Official Statement dated May 31, 2013. The updated report includes revised assumptions that reflect (1) two fewer years of capitalized interest (now capitalizing interest only through December 1, 2014) and (2) a required rate increase in Fiscal Year 2015, instead of two years later in Fiscal Year 2017 as previously projected.** The following table presents the updated forecasted revenues, expenses and debt service reserve coverage ratios for the System during fiscal years 2013 through 2017. In the updated Independent Consulting Engineer's Report, attached hereto as Appendix J, chargeable volume is forecasted, conservatively for projection purposes, to remain flat through 2017. In the updated projections, water rates are projected to increase by 4.03% in FY15, 4.65% in FY16 and 9.26% in FY17. Sewer rates are projected to increase by 2.79% in FY15, 6.33% on FY16 and 2.13% in FY17. **THE PROJECTED DEBT SERVICE COVERAGE RATIO WAS LOWERED AND IS NOW TARGETED AT 1.20X FOR FY15 THROUGH FY17.** Reference is made to the report in Appendix J for further details regarding the assumptions and conclusions made in the following table.

### Projected Cash Flow Analysis

	FY13	FY14	FY15	FY16	FY17
<b>Revenue to Be Derived from User Charges</b>					
Water and Operating Revenues					
Rate per CCF	\$2.48	\$2.48	\$2.58	\$2.70	\$2.95
Chargeable Volume	8,924,138	8,924,138	8,924,138	8,924,138	8,924,138
<i>Chargeable Consumption Revenue</i>	\$22,131,862	\$22,131,862	\$23,024,276	\$24,095,173	\$26,326,207
Sewer Operating Revenues					
Rate per CCF	\$2.15	\$2.15	\$2.21	\$2.35	\$2.40
Chargeable Volume	7,767,738	7,767,738	7,767,738	7,767,738	7,767,738
<i>Chargeable Volume Revenue</i>	\$16,700,637	\$16,700,637	\$17,166,701	\$18,254,184	\$18,624,571
Additional Income	\$11,674,074	\$11,674,074	\$11,674,074	\$11,674,074	\$11,674,074
Anticipated Savings (Small and Large Meter Revenues)	986,149	2,502,354	3,870,636	3,945,960	4,021,285
Total Revenues	\$51,492,722	\$53,008,927	\$55,735,687	\$57,969,391	\$60,664,137
<b>Operations and Maintenance</b>					
Water System	\$20,294,197	\$20,497,139	\$20,702,110	\$20,909,131	\$21,118,223
Sewer System	18,037,030	18,578,141	19,135,485	19,709,550	20,300,836
Anticipated Savings (Operational and Deferred Maintenance)	(503,750)	(875,000)	(1,750,000)	(3,795,428)	(3,825,656)
<i>Total O&amp;M Requirements</i>	\$37,827,477	\$38,200,280	\$38,087,595	\$36,823,253	\$37,593,403
Total Net Revenues	\$13,665,245	\$14,808,647	\$17,648,091	\$21,146,138	\$23,070,734
Debt Service Requirements	\$11,424,804**	\$11,738,238**	\$14,667,492**	\$17,605,999	\$19,160,524
Coverage Ratio <sup>†</sup>	1.20x	1.26x	1.20x	1.20x	1.20x

SOURCE: May 31, 2013 Neel-Schaffer Engineer Report, SEE APPENDIX J — ENGINEER'S REPORT

\*\* Excludes funded interest available to pay interest on the Series 2013 Bonds through December 1, 2014.

<sup>†</sup> Debt service coverage for Fiscal Year 2013 through and including Fiscal Year 2014 assumes interest on the Series 2013 Bond is paid from capitalized interest or funded interest available in the City's 2013 Project funds.

## **REVENUES, FUNDS AND ACCOUNTS UNDER THE INDENTURE**

### **Creation of Funds and Accounts**

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

General Fund - comprised of the following:

General Account

Bond Issuance Expense Account

Purchase Account

Redemption Account

Debt Service Reserve Fund

Rebate Fund

### **Revenues and Other Receipts**

The Trustee will deposit Revenues and other receipts (except the proceeds of the Series 2013 Bonds, and interest earnings on any amounts in the Rebate Fund into the General Account of the General Fund and will deposit any monies received from the sale or prepayment prior to maturity of the Series 2013 City Bond into the Redemption Account of the General Fund. A sufficient amount of the funds remitted by the City as City Bond Payments under the Series 2013 City Bond shall be timely transferred to the General Account by the Trustee to provide funds for the payment of debt service on the Series 2013 Bonds.

## **OPERATION OF FUNDS AND ACCOUNTS UNDER THE INDENTURE**

### **General Fund**

**General Account.** The Trustee will disburse the amounts held in the General Account of the General Fund 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 each Interest Payment Date, to the Registered Owners such amount (including Investment Securities held by the Trustee maturing or callable on or before the applicable Interest Payment Date) as shall be necessary to pay the principal and interest coming due on the Series 2013 Bonds on such Interest Payment Date;
- b. As soon as funds become available, to the Debt Service Reserve Account sufficient amounts to assure that there is on deposit therein an amount equal to the Debt Service Reserve Requirement for the Series 2013 Bonds;
- c. At such times as shall be necessary, to pay Program Expenses allocable to the series 2013 Bonds;
- d. On or before 30 days after each anniversary of the issuance of the Series 2013 Bonds, the amounts, if any, to be transferred to the Rebate Fund as provided in the Arbitrage Rebate Agreement; and
- e. After making such payments in paragraphs (a) through (d) above, the Trustee shall make a determination of the amounts reasonably expected to be received in the form of cash 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 Series 2013 Bonds within the immediately succeeding twelve-month

period, to the City at the written request of the City with the prior written approval of the Bank and the Bond Insurer.

***Bond Issuance Expense Account.*** The Trustee shall disburse funds upon receipt of acceptable invoices and the written authorization of the Mayor of the City and an Authorized Officer of the Bank, to pay the Costs of Issuance of the Series 2013 Bonds or to reimburse the Bank for amounts previously advanced for such costs; and on the date that is 60 days after the date of issuance of the Series 2013 Bonds, any funds remaining in the Bond Issuance Expense Account shall be transferred to the General Account of the General Fund.

***Purchase Account.*** Upon submission of a duly authorized written certificate of an Authorized Officer of the Bank stating that all requirements for the purchase of the Series 2013 City Bond 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 to purchase the Series 2013 City Bond in accordance with the Series 2013 Supplemental Bond Resolution.

***Redemption Account.*** The Trustee will deposit into the Redemption Account all monies received from prepayment prior to maturity of the Series 2013 City Bond. Monies in the Redemption Account shall be used to redeem Series 2013 Bonds. The Trustee shall pay and disburse the amounts necessary to redeem the Series 2013 Bonds being called for redemption from the Redemption Account.

### **Rebate Fund**

If a deposit to the Rebate Fund is required as a result of the computations made pursuant to the Arbitrage Rebate Agreement, the Trustee will upon receipt of direction from the Bank accept such payment for the benefit of the Bank and make transfers of monies from the General Account to the Rebate Fund to comply with such direction. 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 Arbitrage Rebate Agreement.

Not later than 60 days after five years following the date of delivery of the Series 2013 Bonds and every five years thereafter, the Trustee shall, upon written request of the Bank in accordance with the Arbitrage Rebate Agreement, pay to the United States of America 100% of the amount required to be on deposit in the Rebate Fund as of such payment date provided that written direction from the Bank for transfer of such amount to the Rebate Fund has been previously received by the Trustee pursuant to the provisions of the Indenture, and further provided that funds were available in the General Account to fund 100% of the amount required to be on deposit in the Rebate Fund as of such payment date. Each payment shall be accompanied by a copy of the Form 8038-G originally filed with respect to the Series 2013 Bonds, and a statement of the Bank summarizing the determination of the amount to be paid to the United States of America.

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 an amended Arbitrage Rebate Agreement accompanied by the Opinion of Bond Counsel to the effect that compliance with such amended Arbitrage Rebate Agreement will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2013 Bonds.

### **Amounts Remaining in Funds or Accounts**

Any amounts remaining in any Fund or Account after full payment of all of the Series 2013 Bonds Outstanding under the Indenture, all required rebates to the United States of America and the fees, charges and expenses of the Trustee will be distributed to the City, except as provided in Section 3.08 of the Indenture which deals with the nonpresentment of Series 2013 Bonds and except for any monies owing to the Bank or the Bond Insurer which will be paid to such parties.

### **Investment of Funds**

Any moneys held as part of any Fund or Account created under or pursuant to Article VI in the Indenture including the Rebate Fund shall be invested or reinvested by the Trustee as continuously as reasonably possible in

such Investment Securities as may be directed in writing by the City. 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 and, except as provided in Article VI, all income and profits on such investments, other than from moneys on deposit in the Rebate Fund or any Account created thereunder, shall be deposited as received in the General Account. The Trustee may make any and all such investments through its bond department or through the bond department of any financial institution that is an affiliate of the Trustee and may trade with itself or any of its affiliates in doing so. Moneys in separate Funds and Accounts may not 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 that shall coincide as nearly as practicable with 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.

The Bank (a) will certify in the Indenture to the owners of the Outstanding Series 2013 Bonds from time to time that monies on deposit in any Fund or Account in connection with the Series 2013 Bonds, whether or not such monies were derived from the proceeds of the sale of the Series 2013 Bonds or from any other sources, are not intended to be used in a manner which will cause the interest on the Series 2013 Bonds to lose the exclusion from gross income for federal income tax purposes and (b) will covenant in the Indenture with the owners of the Outstanding Series 2013 Bonds from time to time that, so long as any of the Series 2013 Bonds remain Outstanding, monies on deposit in any Fund or Account established in connection with the Series 2013 Bonds, whether or not such monies were derived from the proceeds of the sale of the Series 2013 Bonds or from any other source, will not be used in any manner which will cause the interest on the Series 2013 Bonds to become subject to federal income taxation.

## **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 APPENDIX G hereto and the Indenture.

### **Provisions for Issuance of Refunding Bonds**

- (a) All or any part of one or more series of Refunding Bonds may be issued, authenticated and delivered upon original issuance to refund all or any part of the Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such and to make such deposits required by the provisions of the Act, this paragraph and by the Supplemental Indenture authorizing said Refunding Bonds.
- (b) Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by the Trustee of the documents required by Section 2.04 of the Indenture) of:
  - i. Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Series 2013 Bonds to be refunded on the redemption date specified in such instructions;
  - ii. Irrevocable instructions to the Trustee, satisfactory to it, to give due notice provided for in Section 4.05 of the Indenture to the owners of the Series 2013 Bonds being refunded (which may be a conditional notice of redemption); and
  - iii. Either (A) monies in an amount sufficient to effect timely payment at the Redemption Price or principal payment amount of the Series 2013 Bonds to be refunded or paid, respectively, together with accrued interest on such Series 2013 Bonds to the redemption or maturity date and all necessary and appropriate fees and expenses of the Trustee, which monies shall be held by the Trustee or an escrow agent approved by the Bank in a separate account irrevocably in trust for and assigned to the respective owners of the Series 2013 Bonds to be refunded or paid, or (B) Governmental Obligations

in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of Article IX of the Indenture which Governmental Obligations shall be held in trust and used only as provided in said Article.

### **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 that mutilated, lost, stolen or destroyed; provided that in the case of any mutilated Bond, it 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, 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 Bonds mutilated, lost, stolen or destroyed. Any Bond issued as described in this paragraph 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.

### **Registration, Transfer and Exchange of Bonds; Persons Treated as Owners**

The Bank shall cause the Bond Register to be kept by the Trustee at its Principal Office, and the Trustee is constituted and appointed the bond registrar of the Bank for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and prepared by the Bank or by Beneficial Owners (or a designated representative thereof) of 5% or more in aggregate principal amount of the Bonds then Outstanding.

Upon surrender for transfer of any Bond at the Principal Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in a form satisfactory to the Trustee and duly executed by the Registered Owner or his attorney duly authorized in writing, the Bank shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same maturity for a like aggregate principal amount. The Bonds may be transferred or exchanged without cost to the Bondholders except for any tax or governmental charge required to be paid with respect to the transfer or exchange. The execution by the Bank of any Bond of any denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such Bond.

The person in whose name a registered Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal, premium, if any, and interest thereon, shall be made only to or upon the order of the Registered Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

All Bonds delivered upon any transfer or exchange shall be valid obligations of the Bank, evidencing the same debt as the Bonds surrendered, shall be secured by the Indenture and shall be entitled to all of the security and benefits of the Indenture to the same extent as the Bonds surrendered.

### **Nonpresentment of Bonds**

In the event any Bond shall not be presented for payment when the principal thereof comes due, either at maturity, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Trustee for the benefit of the 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 owner of such Bond, without liability for interest thereon to such owner, who shall thereafter 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, 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, shall issue no bonds or other evidences of indebtedness payable from the Trust Estate; provided, however, that City Bond Payments constitute parity obligations as to the obligation of the City in connection with the Existing City Bonds and any Additional Bonds secured by a parity lien on the Net Revenues of the System as payable ratably from such Net Revenues along with the Existing City Bonds and any Additional Bonds.

### **Limitations on Obligations of Bank**

The Bonds, together with interest thereon, shall be limited obligations of the Bank but payable solely from 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 Series 2013 City Bond acquired by the Trustee, all of which are assigned and pledged under the Indenture for the equal and ratable payment of the Bonds and shall be used for no other purpose than the payment of the Bonds, except as may be otherwise expressly authorized in the Indenture. The Bonds do not constitute a debt or liability 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, but shall be payable solely from the Revenues and funds pledged therefor in accordance with the Indenture. The issuance of the Bonds under the provisions of the Bank Act does not directly, indirectly or contingently, obligate the State or any political subdivision thereof, including the City, 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 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, including the City. 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, including the City. In the Bank Act, the State has pledged to and agreed with the holders of any Series 2013 Bonds that the State will not limit or alter the rights 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 Series 2013 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 Series 2013 Bonds are fully met and discharged.

### **Payment of Debt Service**

The Bank covenants and agrees under the Indenture that it will promptly pay the principal of, Redemption Price 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, Redemption Price and interest are payable by the Bank solely from the Revenues and any other funds or assets constituting the Trust Estate pledged to the Trustee as security by the Bank to the extent of that pledge.

### **Performance of Covenants**

The Bank covenants and agrees that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and every Bond executed, authenticated and

delivered under the Indenture and in all of its proceedings pertaining thereto. The Bank covenants and agrees under the Indenture that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized and to execute the Indenture and to pledge the Revenues and all other property pledged in the manner and to the extent set forth in the Indenture; 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 possession of the owners thereof are and will be valid and enforceable limited obligations of the Bank according to the terms thereof and of the Indenture.

### **Discharge of Indenture**

Except as provided herein below, 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 Indenture and the Trust Estate and rights granted under the Indenture 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 under the Indenture or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee for the payment of the principal of, premium, if any, 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 (and premium, if any, on) such Bond and interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise), either (i) shall have been made or caused to have been made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee or other financial institution (which must meet the requirements of the Indenture) which provides services as escrow agent for the Bank (for purposes hereof, an "Escrow Agent"), 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, and (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 the Indenture, with respect to which such deposit is made, shall have been paid or deposited with the Trustee.

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 satisfying the requirements thereof.

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

Notwithstanding any provision of the Indenture to the contrary, all moneys or Governmental Obligations set aside and held in trust pursuant to the Indenture for the payment of Bonds (including interest thereon but excluding any amounts, if any, set aside for rebate to the United States of America in accordance with the Arbitrage

Rebate Agreement and 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 set aside in trust.

Upon the deposit with the Trustee or Escrow Agent, in trust, at or before maturity, of money or Governmental Obligations in the necessary amount to pay or redeem all Outstanding Bonds as aforesaid, the Indenture, to the extent it relates to such Bonds, may be discharged in accordance with the provisions of the Indenture; and 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 or Escrow Agent 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 of any Bond; 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, 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 time provided in, and after notice thereof pursuant to, 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 otherwise takes possession of such property and such order remains in effect or such possession continues for more than 60 days; or
- (i) The Bank fails to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement within 180 days after a deficiency occurs; or
- (j) Default in the due and punctual payment of any interest or principal on the Series 2013 City Bond;  
or
- (k) There is a default under the Series 2013 City Bond, the Series 2013 Supplemental Bond Resolution and/or the General Bond Resolution.

## **Remedies; Rights of Bondholders**

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

(a) The Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the Bonds Outstanding, including enforcement of any rights of the Bank or the Trustee under the Series 2013 City Bond, including, but not limited to, acceleration thereof.

(b) The Trustee may 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 take such action with respect to the Series 2013 City Bond as the Trustee deems necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Series 2013 City 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 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 and the City.

Upon the occurrence of an Event of Default, (a) if requested to do so by the holders of 25% or more in aggregate principal amount of all Bonds Outstanding, and (b) 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 set forth above 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 the 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 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, the Beneficial Owners of a majority in aggregate principal amount of Bonds 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, 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 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 provisions of the Indenture (including moneys received by virtue of action taken under provisions of the Series 2013 City Bond), shall, after payment of the costs and expenses of the proceedings resulting in the collection of such

moneys and payment of the expenses, liabilities and advances incurred or made by the Trustee and any other moneys owed to the 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 which shall have become due 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 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 which may then become due 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

**FOURTH** — Amounts due to the Bond Insurer not provided for in FIRST, SECOND or THIRD above.

(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 as 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 it 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 of the Indenture 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.

### **Remedies Vested in the Trustee**

All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the owners of all the Outstanding Bonds.

## **Rights and Remedies of Bondholders**

No owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust of the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a Default has occurred, (b) such Default shall have become an Event of Default and the Beneficial Owners of not less than 25% in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the remedies granted under the Indenture or to institute such action, suit or proceeding in its own name, (c) such Beneficial Owners of Bonds have offered to the Trustee security and/or indemnity as provided in the Indenture, and (d) the Trustee has refused or for 60 days after receipt of such request and offer of security and/or indemnification has failed to exercise the remedies granted under the Indenture or to institute such action, suit or proceeding in its own name, and such request and offer of security and/or indemnity are declared under the Indenture in every case at the option of Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its, his, her or their action or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal and ratable benefit of the owners of all Bonds Outstanding. However, nothing contained in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof, or the limited obligation of the Bank to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture to the respective owners thereof at the time and place, from the source and in the manner expressed in the Bonds.

## **Termination of Proceedings**

In case the Trustee or any owner of any Bonds shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, and with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee and the owners of the Bonds shall continue as if no such proceedings had ever taken place.

## **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 percent 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. 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 and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default or impair any rights consequent thereon.

## **Trustee as Paying Agent and Registrar**

The Trustee is designated in the Indenture and agrees to act as paying agent and registrar for and in respect to the Bonds.

### **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 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 to the Indenture in such a manner as to permit the qualification of the Indenture and thereof 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 they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; and
- (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.

### **Supplemental Indentures Requiring Consent of Bondholders**

Exclusive of Supplemental Indentures provided for by the Indenture 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 Outstanding which are affected (exclusive of Bonds held by the Bank), 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 to the Indenture 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 in the Indenture contained shall permit, or be construed as permitting, without the consent of the owners of all then Outstanding Bonds, (a) an extension of the maturity of the principal of or the interest 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 (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 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 above, 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 each owner of a Bond at the address shown on the registration records 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 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 owners of not less than 51% in aggregate principal amount of the Bonds 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 as provided in the 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 above, the Indenture shall be and be deemed to be modified and amended in accordance therewith.



## BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix F for a specimen of the Bond Insurer's Policy.

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2013 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2013 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2013 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of the shareholders of AGL or AGM is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the report, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P's comments.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at [www.moody's.com](http://www.moody's.com), for the complete text of Moody's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013.

### *Capitalization of AGM*

At March 31, 2013, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,468,362,848 and its total net unearned premium reserve was approximately \$1,990,661,506, in each case, in accordance with statutory accounting principles.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2013 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### *Miscellaneous Matters*

AGM or one of its affiliates may purchase a portion of the Series 2013 Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the Series 2013 Bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Series 2013 Bonds or the advisability of investing in the Series 2013 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

## **THE SERIES 2013 BONDS AS LEGAL INVESTMENTS**

The Series 2013 Bonds shall be legal investments in which all public officers and public bodies of the State, its political subdivisions, all municipalities and municipal subdivisions of the State, 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 whatsoever and domiciled in the State who are now or may hereafter be authorized to invest funds, including capital, in their control or belonging to them may invest. The Series 2013 Bonds are also securities which 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 Series 2013 Bonds or prohibiting the Bank from purchasing the Series 2013 City Bond with the proceeds of such Series 2013 Bonds nor any contest affecting the validity of the Series 2013 Bonds, or of any proceedings of the Bank taken with respect to the issuance or sale thereof or the pledge or application of any monies or security provided for the payment of the Series 2013 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 City's knowledge, threatened any litigation restraining or enjoining the adoption and execution or the delivery of the Series 2013 Supplemental Bond Resolution or prohibiting the City from delivering the Series 2013 City Bond to the Bank or in any way contesting or affecting the validity of the Series 2013 Supplemental Bond Resolution or Series 2013 City Bond, nor contesting any proceedings of the City taken with respect to the execution and delivery thereof or the pledge or application of any monies or security provided for the payment of the Series 2013 City Bond.

A challenge to the validation of the Series 2013 Bonds was filed and subsequently dismissed by the Chancery Court for the First Judicial District of Hinds County with prejudice. A non-appealable validation judgment was entered on June 21, 2013. See "VALIDATION" herein.

## **TAX MATTERS**

### **Series 2013 Bonds**

In the opinions of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Anthony R. Simon, PLLC, Jackson, Mississippi, Co-Bond Counsel, interest on the Series 2013 Bonds is excludable from gross income for federal income tax purposes, pursuant to Section 103 of the Code. The opinions of Co-Bond Counsel are based on certain certifications, covenants and representations of the Bank and the City and are conditioned on continuing compliance therewith.

In the opinions of Co-Bond Counsel, interest on the Series 2013 Bonds is exempt from income taxation in the State under existing laws, regulations, rulings and judicial decisions. The opinions of Co-Bond Counsel address only the exemption of interest on the Series 2013 Bonds under the income tax laws of the State and do not address the tax treatment of the series 2013 Bonds in any other state or jurisdiction.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2013 Bonds as a condition to the exclusion from gross income of interest on the Series 2013 Bonds for federal tax purposes. Non-compliance with such requirements may cause interest on the Series 2013 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 Series 2013 Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Series 2013 Bonds would be materially and adversely affected.

The Indenture and the Series 2013 Supplemental Bond Resolution include covenants that (a) the Bank and the City will not take or fail to take any action with respect to the Series 2013 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 Series 2013 Bonds under Section 103 of the Code, and neither the Bank nor the City will act in any other manner which would adversely affect such exclusion; (b) the Bank and the City will not make any investment or do any other act or thing during the period that the Series 2013 Bonds are outstanding which would cause the Series 2013 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 City 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 Series 2013 Bonds becomes includable in gross income for federal tax purposes due to a change in law or interpretation of law after the date of issuance of the Series 2013 Bonds.

The interest on the Series 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2013 Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Although Co-Bond Counsel have rendered their opinions that interest on the Series 2013 Bonds is excluded from federal gross income and that the Series 2013 Bonds are exempt from State of Mississippi income tax, the accrual or receipt of interest on the Series 2013 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 Series 2013 Bonds. Co-Bond Counsel express no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Series 2013 Bonds.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2013 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 Beneficial Owners 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 Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

### **Premium Bonds**

The initial public offering prices of the Series 2013 Bonds are more than the amounts payable at the maturity dates thereof as set forth on the inside front cover of this Official Statement. Under the Code, the difference between the principal amount of a Series 2013 Bond and the cost basis of such Series 2013 Bond to its owner (other than an owner who holds such a Series 2013 Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium." Bond premium is amortized over the term of such a Series 2013 Bond for federal income tax purposes. The owner of a Series 2013 Bond is required to decrease his basis in such Series 2013 Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Series 2013 Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Series 2013 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, redemption or other disposition of such Series 2013 Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2013 Bonds.

### **LEGAL MATTERS**

Certain legal matters incident to the authorization and issuance of the Series 2013 Bonds by the Bank are subject to the approval of Co-Bond Counsel, whose approving opinions will be delivered with the Series 2013 Bonds. Certain legal matters will be passed upon for the Bank by Balch & Bingham LLP, Jackson, Mississippi, the Bank's counsel, for the Underwriter by Begley Law Firm, PLLC, Jackson, Mississippi, and Betty A. Mallett, PLLC, Jackson, Mississippi and for the City by Pieter Teeuwissen, Esq., City Attorney and Hunton & Williams LLP, as Disclosure Counsel.

The remedies available to the Trustee, to the Bank or to the owners of the Series 2013 Bonds upon an "event of default" under the Indenture or under the terms of the Series 2013 Supplemental Bond Resolution 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 United States Bankruptcy Code, the remedies

provided in the Indenture and under the Series 2013 Supplemental Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2013 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 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 and May 26, 2010, the Securities and Exchange Commission (the “Commission”) amended Rule 15c2-12 (the “Rule”) 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 the Rule, the newest of which apply to primary offerings that occur on or after December 1, 2010, add 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 the Rule, 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 City are “obligated persons” with respect to the Series 2013 Bonds within the meaning of the Rule.

The City and the Bank will enter into a written undertaking with the Trustee for the benefit of Bondholders to deliver, or cause to be delivered, to (a) the Municipal Securities Rulemaking Board (the “MSRB”) through MSRB’s Electronic Municipal Market Access system at <http://emma.msrb.org> (“EMMA”) in the electronic format then prescribed by the SEC pursuant to the Rule, and (b) any public or private repository or entity designated as a State repository, if any, for the purposes of the Rule, the information described in the undertaking, together with any identifying information or other information then required to accompany the applicable filing. This information will be made available free to securities brokers and others through EMMA. For the procedures for all filings and notices due to the MSRB, instructions will be provided on the following website for MSRB: <http://emma.msrb.org>.

In the Bank’s undertaking, the Bank has agreed to deliver to the Repositories notices of certain events relating to the Series 2013 Bonds and the Bank. In the City’s undertaking, the City has agreed to cause the delivery to the Repositories (a) operating data and annual financial information relating to the City and (b) notices of certain events relating to the Series 2013 Bonds and the City.

For a summary of the City’s and the Bank’s undertaking, see “APPENDIX E — FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto.

The Bank has been in compliance with all prior undertakings, as applicable, for all municipal securities issued by the Bank, for the past five years.

The City prepared and timely disseminated its annual financial and operating data to the legacy nationally recognized municipal securities information repositories (“NRMSIRS”) for FYE 2008, 2009 and 2010. Prior to its annual filing for FYE 2011 the City had not disseminated and posted its disclosure to EMMA as currently required by the Rule, as a result, the disclosure provided for FYE 2010 was not posted on EMMA and did not comply with the Rule. In 2012 the City retained ImageMaster LLC as its Dissemination Agent (the “Dissemination Agent”) to file all of its required continuing disclosure. Records maintained by the Dissemination Agent reflect that it filed and posted the City’s continuing disclosure with EMMA for FYE 2011; however, certain CUSIP numbers associated with the filing were inadvertently missed and, as a result the filings did not comply with the Rule as to certain CUSIP numbers. The City and the Dissemination Agent have reviewed their procedures to ensure future compliance with the Rule. Additionally, the City has retained Disclosure Counsel to assist it with compliance with the Rule. The annual financial and operating data filing for FYE 2012 was filed on May 30, 2013 in order to include the audited results which were delayed and, as a result, the FYE 2012 filing was not timely. The May 30, 2013 posting contains the CAFR for FYE 2012 and Notice of a Ratings Downgrade.

## **RATINGS**

The Series 2013 Bonds are expected to be assigned a rating of “AA-” (stable outlook) by S&P on the basis of the municipal bond insurance policy being issued by the Bond Insurer at the time of delivery of the Series 2013 Bonds. See “BOND INSURANCE” herein. Moody’s has published an underlying rating on the Series 2013 Bonds of “A1” (negative outlook). S&P has published an underlying rating on the Series 2013 Bonds of “A+” (stable outlook). Such ratings reflect only the view of each organization, and an explanation of the significance of the rating may be obtained only from each said rating agency. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency if, in their judgment, circumstances so warrant. Any downward revision, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2013 Bonds.

## **FINANCIAL ADVISOR**

The City has retained Malachi Financial Products, Inc., Atlanta, Georgia, as independent financial advisor (the “Financial Advisor”) in connection with the sale and issuance of the Series 2013 Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the City with respect to the preparation of documents, the preparation for the sale of the Series 2013 Bonds and of the time of the sale, tax-exempt bond market conditions and other factors related to the sale of said Series 2013 Bonds. Although the Financial Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein.

## **CONSULTING ENGINEER**

Neel-Shaffer, Inc. (the “Consulting Engineer”) has prepared, in its entirety, APPENDIX J — ENGINEER’S REPORT, and has consented to its inclusion in this Preliminary Official Statement. The Consulting Engineer is a 30-year old privately held multi-disciplined engineering and planning firm. The Consulting Engineer has offices in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and Texas.

## **UNDERWRITING**

The Series 2013 Bonds have been sold by negotiated sale to the Underwriter, and the Underwriter has agreed, subject to certain conditions set forth in a bond purchase agreement among the Underwriter, the Bank and the City (the “Bond Purchase Agreement”), to purchase all of the Series 2013 Bonds from the Bank at a purchase price of \$100,318,737.55 (representing the par amount of the Series 2013 Bonds of \$89,990,000.00, plus an original issue premium of \$11,003,662.55, and less an underwriter’s discount of \$674,925.00), which represents 0.750% of the par amount of the Series 2013 Bonds. No assurance can be given that any trading market will develop for the Series 2013 Bonds after their initial sale to said Underwriter. The City and the Bank have no control over the prices at which the Series 2013 Bonds will initially be reoffered to the public.

The Underwriters are a full service firm engaged in trading, underwriting, investment banking, financial advisory, and other financial and non-financial activities for various persons and entities. Those business activities may include purchasing, selling and trading securities for our own account and/or for the accounts of customers.

Rice Financial Products may also enter into agreements with other firms for the distribution of municipal securities offerings, which may include the Bonds, to another firm’s retail distribution network at the initial offering prices. Pursuant to such an agreement, another firm may purchase the Series 2013 Bonds from Rice Financial Products at initial offering prices less a negotiated selling concession applicable to any of the Series 2013 Bonds the other firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2013 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney, LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co., LLC will compensate Morgan Stanley Smith Barney, LLC for its selling efforts with respect to the Series 2013 Bonds.

## **VALIDATION**

The Series 2013 Bonds and the Series 2013 City Bond were validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided by Sections 31-13-1 to 31-13-11, Mississippi Code of 1972, as amended.

### **Challenge to the Validation of the Series 2013 Bonds**

On June 4, 2013, an objection (the “Objection”) to the validation of the Series 2013 Bonds was filed in the Chancery Court for the First Judicial District of Hinds County, Mississippi (the “Court”) by two individuals and one corporate entity (collectively, the “Objectors”). The Objectors asserted, among other things, that the economic benefits of the Project were materially misstated and misrepresented to the public and to the City Council of the City as to the amount, source and contingent nature of the projected savings to the System which would be a result of the installation of the Project. The City denied the assertion and argued that the Objection was without merit. The Objectors further asserted that certain unrelated litigation (“Unrelated Litigation”) filed by two of the Objectors in federal court against the City, a redevelopment authority and several persons in their individual capacities (including the Mayor of the City) was not disclosed in the Official Statement. The Objection acknowledges, however, that the Preliminary Official Statement disclosed information regarding the amount, source and contingent nature of the projected savings to the System as a result of the installation of the Project. The City Attorney has assessed the merits of the Unrelated Litigation and concluded that it is not “material” for purposes of disclosure in this Official Statement.

### **Withdrawal of Objection to Validation of Bonds; Entry of Validation Judgment**

On June 20, 2013, the Objectors filed a “Withdrawal of Objection to Validation of Bonds.” The State Bond Attorney issued an opinion that all acts of the Bank relative to the issuance of the Series 2013 Bonds and the City relative to the Series 2013 City Bond were concluded pursuant to lawful resolutions, orders and proceedings and that such obligations are regular, legal and valid and do not exceed any limitations imposed by law. On June 21, 2013, the Court dismissed the Objection, with prejudice, and entered a Validation Judgment (attaching the Opinion of the State Bond Attorney) finding that the obligations related to the Series 2013 Bonds are “regular, legal and valid” and that “no litigation is pending affecting the issuance or validity” of the Series 2013 Bonds.

## **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, the Series 2013 Bonds, the Series 2013 City Bond, the General Bond Resolution and the Series 2013 Supplemental Bond Resolution 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 quantities of the Act, the Indenture, the Series 2013 Supplemental Bond Resolution, the General Bond Resolution, the Series 2013 Bonds, the Series 2013 City Bond and any supplemental materials furnished to the Bank by the City may be obtained upon request directed to the Bank.

Neither any advertisement of the Series 2013 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2013 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. The Bank will timely provide copies of this Official Statement to the Underwriter.

**MISSISSIPPI DEVELOPMENT BANK**

By:           /s/ William T. Barry          

**APPROVED:**

**CITY OF JACKSON, MISSISSIPPI**

By:           /s/ Harvey Johnson



**APPENDIX A**  
**INFORMATION CONCERNING THE CITY**

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## INFORMATION CONCERNING THE CITY OF JACKSON

### 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 after General Andrew Jackson. On November 28, 1821, when legislation was passed to locate a permanent seat of government for the State of Mississippi, the City became its capitol.

Today, the City is the largest municipality in the State and is considered to be Mississippi’s governmental, trade, financial, medical, educational and cultural center. 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. In 2009, Forbes Magazine ranked Jackson third out of 100 of America’s largest Metro Areas for the best “Bang for Your Buck” in terms of overall affordability and quality of life. The City is the location of the University of Mississippi Medical Center (“UMMC”), the State’s only academic health science center, encompassing six health science schools: medicine, nursing, dentistry, health related professions, graduate studies and pharmacy. UMMC includes four specialized hospitals, including the only children’s hospital in the State, a women’s and infants’ hospital, and a critical care hospital. UMMC is constructing a new \$65,000,000 medical school building. The City is the location for four other hospital/medical centers: St. Dominic, Mississippi Baptist, Central Mississippi Medical Center and the G.V. (Sonny) Montgomery VA Medical Center. The Jackson metropolitan area is home to several major industries including the Nissan automotive assembly plant in Canton, Cal-Maine Foods (largest fresh egg provider in the United States), C-Spire Wireless (eighth largest wireless provider in the United States), Trustmark National Bank, Ergon (refining and distribution of petroleum products) and Stuart C. Irby, Co. (electrical distribution). Whole Foods is constructing a new grocery store in the City.

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, Ballet Mississippi, the Mississippi Museum of Art, the Mississippi Natural Science Museum, the Mississippi Children’s Museum, the Mississippi Agriculture and Forestry Museum, the Smith-Robertson Museum and Cultural Center, the Old Capitol Museum, the Jackson Zoo, New Stage Theatre and numerous theatrical and musical performances that occur each year throughout the City. The City annually hosts the Mississippi Blues Marathon, the Mal’s Saint Paddy’s Day Parade, and the Sweet Potato Queen Zippity Doo Dah Parade. Mississippi Veterans Memorial Stadium, with a capacity of 65,000 seats, is the home field for Jackson State University and hosts numerous sporting events, including the Capital City Classic, Battle of the Bands and the Mississippi High School Football Championships. The State Fairgrounds and Coliseum hosts the Mississippi State Fair, the Dixie National Rodeo, numerous trade shows, agriculture and equine events, and performing concerts. The City’s tourism marketing uses the theme the “City with Soul.” The City is famous for its music, including gospel, blues, and rhythm and blues and is also home to the world famous Malaco Records recording studio. Many notable musicians hail from Jackson. The City is the site for numerous markers on the Mississippi Blues Trail. In recent years the City has showcased such international art and cultural exhibitions as the Palace of St. Petersburg, the Splendors of Versailles, the Majesty of Spain, and the Glory of Baroque Dresden. Literary giants Richard Wright and Margaret Walker Alexander and Pulitzer Prize winning authors Eudora Welty, Richard Ford, Willie Morris, Alice Walker, and Beth Henley have claimed Jackson as their homes. Jackson native Katherine Stockett is author of the recent best-selling novel “The Help”, set in Jackson during the Civil Rights Movement, which was adapted into an Oscar winning movie filmed in the City. In 2011 the Mississippi Legislature appropriated \$40 million for the construction of the Museum of Mississippi History and the Mississippi Civil Rights Museum, to be located on adjoining sites near the Old Capitol Museum in downtown Jackson, at a total cost of \$70 million. Groundbreaking for both museums will occur in 2013 with a completion date in 2017.

The City is the permanent site in the United States for the USA International Ballet Competition, which was hosted in the City in the summers of 1979, 1982, 1986, 1990, 1994, 1998, 2002, 2006 and 2010. The USA International Ballet Competition is a two-week “Olympic-style” competition where up and coming ballet stars vie for gold, silver, and bronze medals, cash awards and scholarships. Designated as the official USA Competition by a 1982 Joint Resolution of Congress, the USA International Ballet Competition is held every four years, in the tradition of sister competitions in Varna, Bulgaria and Moscow, Russia, and will be held in the City again in 2014.

In January 2009, the Jackson Convention Center Complex opened in downtown Jackson. In addition to offering the latest in conferencing capability, fiber optic technology and Wi-Fi capability, the Jackson Convention Center Complex offers 330,000 square feet of exhibit and meeting space conducive for hosting large regional and national conferences and trade shows, and entertainment events.

The City's medical community is implementing a health-care corridor, facilitated by the State Legislature's passage of the Health Care Industry Zone Act, which provides numerous tax incentives for the creation of jobs and facilities in dedicated health-care zones.

## Population of the City

The population of the City has been recorded as follows:

<b>2000</b>	<b>2010</b>	<b>2011 estimate</b>
184,256	173,514	175,561

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SOURCE: United States Bureau of the Census; February 2013

The five counties comprising the Jackson Metropolitan Statistical Area had a population of 535,057 according to the 2010 census and according to 2011 estimates the population has risen to 545,394.

## City Government

The City operates under the Mayor-Council form of government. The City Council (the "Governing Body") 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:

<b>Name</b>	<b>Occupation/Position</b>	<b>Held Since</b>	<b>Current Term Expires</b>
Harvey Johnson, Jr.	Mayor	2009	July 1, 2013
Margaret Barrett Simon	Council Member	1985	July 1, 2013
Frank Bluntson	Council Member	2005	July 1, 2013
Charles Tillman	Council Member	2005	July 1, 2013
Chokwe Lumumba	Council Member	2009	July 1, 2013
Tony Yarber	Council Member	2009	July 1, 2013
Quentin Whitwell	Council Member	2011	July 1, 2013
Larita Cooper Stokes	Council Member	2012	July 1, 2013

## Employee Benefits

The City participates in two retirement systems administered by the Public Employees Retirement System of Mississippi ("PERS"), a cost-sharing, multiple employer retirement system administered by the State for the benefit of its local government and State personnel. The Public Employees' Retirement System of the State of Mississippi (the "Mississippi Retirement System") Board of Trustees (the "PERS Board of Trustees") administers the 24 programs and plans, including 22 defined benefit plans and two defined contribution plans. PERS was established in 1952.

Any political subdivision or judicial entity within the State may elect to have its employees covered by PERS. As of June 30, 2012, the Mississippi Retirement System covered 887 public entities with the State.

For those employees of political subdivisions and instrumentalities of the State, such as the City, membership in PERS is contingent upon the PERS Board of Trustees' approval of the entity's participation in the plan. If approved, membership is a condition of employment and eligibility is granted upon hiring. The City and its employees are members of PERS.

Participating employees who retire at or after age 60 with four years of credited service if hired before July 1, 2007 or for those that were hired on July 1, 2007 or after, who retire at or after age 65 with eight years of credited service or those who retire regardless of age with at least 25 years of credited service if hired prior to July 1, 2011 or 30 years for those that were hired on July 1, 2011 or after are entitled to an annual retirement allowance, payable monthly for life. The retirement allowance is an amount equal to 2% of their average compensation for each year of credited service up to and including 25 years and 2.5 % for each year of credited service over 25 years, if hired prior to July 1, 2011. If hired on July 1, 2011 or after they are entitled to an annual retirement allowance, payable monthly for life, in an amount equal to 2% of their average compensation for each year of credited service up to and including 30 years and 2.5 % for each year of credited service over 30 years. There is an actuarial reduction for each year of creditable service below 30 or for each year of age below age 65, whichever is less for those hired on July 1, 2011 or after. "Average compensation" is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of four years of credited service for those hired prior to June 30, 2007 and vest with completion of eight years of credited service for those hired on or after July 1, 2007. PERS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense. Benefit provisions are established by Section 25-11-1 *et seq.*, Mississippi Code of 1972, as amended, and may be amended from time to time only by the State Legislature.

The Mississippi Retirement System incurs no expense for post-retirement health benefits.

The PERS Board of Trustees announced its decision to raise the percentage that an employer is required to contribute from 14.26% to 15.75% effective July 1, 2013.

Funding policies and annual pension costs at June 30, 2011 were:

- (a) Rate of return on investment of 8.0%;
- (b) Projected wage inflation rates 4.25%;
- (c) Projected salary increases of 4.5% to 20.0% per year for PERS, 5.0% to 10.52% for MHSPRS and 4.5% for SLRP attributable to seniority/merit;
- (d) Assumption that post-retirement benefits will increase 3.0% per year for PERS and SLRP; calculated 3% simple interest to age 55, compounded each year thereafter; calculated 3% simple interest to age 60, compounded each year thereafter;
- (e) Entry age for actuarial cost method; and
- (f) Five-year smoothed market asset valuation method.

Employer contribution rates for PERS are set by State statute. The adequacy of these rates is assessed annually by actuarial valuation. Unfunded actuarial accrued liabilities are amortized as a level percent of the active member payroll, over the period of future years that produces the statutory employer contribution rate. Assuming the amortization period is reasonable, the employer contribution rate so computed, expressed as a percent of active member payroll, is designed to accumulate sufficient assets to pay benefits when due.

The defined benefit plans administered by the Retirement System were actuarially funded at an average of 58.9% as of June 30, 2012, a decrease from the comparative average of 62.4% (67.5% excluding MRS) as of June 30, 2011. The decrease in funding percentage was primarily due to recognition of investment losses from 2008 and 2009, growth in the number of retirees, the compounding effects of past benefit improvements and a rate of return for 2012 less than the actuarial assumed rate.

At June 30, 2012, the plans' unfunded pension benefit obligations were as follows (in thousands).

	<u><b>PERS</b></u>
Total actuarial accrued liability	\$34,492,873
Assets used in valuation	<u>19,992,797</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$14,500,076</u>

SEE APPENDIX C — COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012 —Note 6(F) for additional details about the City’s contribution to PERS.

## **Transportation**

Two interstate highway systems intersect in the City. Interstate Highway 55 runs north and south and connects Memphis, Tennessee, to the north and 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 and 25 and a number of county highways provide access to all areas of the County and the State. U.S. Highway 49 connects the City to Hattiesburg, Mississippi, and the Mississippi Gulf Coast. The Natchez Trace Parkway, a two lane limited parkway maintained by the National Park Service extending 444 miles from Natchez, Mississippi to Nashville Tennessee, runs through Jackson.

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-Medgar Wiley Evers International Airport (the “Airport”) located approximately 10 miles east of the City and administered by the Jackson Municipal Airport Authority. The Airport is named after the late Medgar Wiley Evers, civil rights activist and field secretary of the Mississippi NAACP, assassinated in 1962 and buried with full military honors at Arlington National Cemetery. 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. The airport provides excellent facilities and service to private and corporate pilots, both transient and home-based. American, Delta, Continental, United, US Air and Southwest Airlines offer non-stop flights to Atlanta, Baltimore, Charlotte, Chicago, Dallas/Ft. Worth, Houston-Hobby, Houston-Bush Intercontinental, Memphis, Orlando and Washington, D.C., with connecting service available to every major city in the United States. Air cargo carriers include United Parcel Service. The Mississippi Air Cargo Logistics Center provides the optimal location for air cargo and logistics management for consolidation and distribution. Trucking cargo is provided through BAX Global. Also, recent improvements to the facilities include a new covered garage and five new jetways installed in 2011. The Airport has recently undergone a \$15 million air cargo expansion program, which offers 450,000 square feet of aircraft parking, 60,000 square feet of warehousing distribution facilities and 125,000 square feet of warehouse space. A smaller airport, Hawkins Field, located near the City’s downtown and adjacent to a major industrial park, provides fixed-base operations for private and corporate pilots, and is also administrated by the Jackson Municipal Airport Authority.

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 and is ranked 11th among U.S. inland ports based on trip ton miles. 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. The Port maintains a 150-ton crane and two 15-foot overhead cranes for all weather loading and unloading and 129,000 square feet of insured and sprinklered warehouse space. More than 3,000,000 tons of cargo pass through the Port each year. Truck traffic is in excess of 165,000 trucks annually.

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, JATRAM. Several vehicles for hire service providers are located in the metropolitan area, which supply the citizens with quality taxi, limousine and shuttle services. In 2004, the City

opened the renovated Union Station located in downtown Jackson, which serves as a multi-modal transportation center for Amtrak, Greyhound, JATRAM and taxicab services.

### Population of the County

The population of the County has been recorded as follows:

<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2012 Estimate</b>
254,441	250,800	245,285	248,643

SOURCE: United States Bureau of the Census; May 2013

### Per Capita Income of Hinds County, Jackson and Jackson MSA

<b>Year</b>	<b>Hinds County</b>	<b>Jackson MSA</b>	<b>Mississippi</b>	<b>United States</b>	<b>Jackson as % of U.S.</b>
2011	\$35,473	\$37,544	\$32,000	\$41,560	90%
2010	34,645	36,227	30,841	39,937	91
2009	33,997	35,230	30,013	38,846	91
2008	36,324	37,071	30,945	40,947	91
2007	34,511	35,116	29,568	39,506	89

SOURCE: United States Bureau of Economic Analysis, Last Updated: November 26, 2012

### Gross Domestic Product (GDP) of Jackson, MS (MSA)

<b>Year</b>	<b>GDP (MILLIONS)</b>
2011	\$24,666
2010	24,218
2009	23,237
2008	23,756
2007	23,782

SOURCE: U.S. Bureau of Economic Analysis, Last Updated: February 22, 2013.

### Retail Sales of the City

<b>Year</b>	<b>Total Retail Sales</b>	<b>No. of Taxpayers</b>	<b>Total Gross Sales Tax</b>
2012	\$2,734,272,875	5,255	\$176,309,964
2011	2,677,040,723	4,260	173,414,443
2010	2,573,052,215	4,274	167,072,197
2009	2,799,408,505	5,015	181,248,051
2008	3,042,419,980	5,021	196,269,070

SOURCE: Mississippi Department of Revenue, Annual Report, Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, 2008, 2007, respectively; May, 2013

**Unemployment Statistics for Hinds County**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
January	5.8%	7.5%	10.6%	9.9%	9.0%	9.7%
February	5.2	7.4	9.9	9.7	8.4	8.9
March	5.4	7.4	9.5	9.3	8.0	8.0
April	5.0	7.1	8.9	8.8	7.6	
May	5.9	7.9	9.4	9.2	8.4	
June	6.9	8.5	10.0	10.3	9.3	
July	7.2	8.8	10.3	10.3	9.6	
August	6.4	8.2	8.7	9.2	8.2	
September	6.4	8.5	9.3	9.7	8.4	
October	6.3	8.8	9.3	9.6	8.1	
November	5.8	8.6	9.3	8.8	7.4	
December	<u>6.5</u>	<u>9.2</u>	<u>9.2</u>	<u>8.9</u>	<u>8.4</u>	
Annual Average	<u>6.1%</u>	<u>8.2%</u>	<u>8.2%</u>	<u>9.5%</u>	<u>8.4%</u>	

SOURCE: Mississippi Department of Employment Security, Labor Market Information, Unemployment Rates, May 2013.

**Unemployment Statistics for Mississippi**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
January	6.7%	8.8%	11.9%	11.0%	10.0%	10.1%
February	6.0	8.7	11.2	10.8	9.5	9.9
March	6.1	8.7	10.8	10.4	8.8	8.7
April	5.5	8.3	9.9	10.0	8.3	
May	6.8	9.2	10.3	10.6	9.1	
June	7.5	9.8	10.7	11.6	10.0	
July	8.0	10.1	11.1	11.6	10.3	
August	7.0	9.5	9.7	10.7	9.1	
September	7.0	9.6	10.1	10.8	9.0	
October	6.8	9.9	10.0	10.6	8.7	
November	6.5	9.7	10.1	9.8	8.0	
December	<u>7.4</u>	<u>10.5</u>	<u>10.3</u>	<u>9.9</u>	<u>9.1</u>	
Annual Average	<u>6.8%</u>	<u>9.4%</u>	<u>10.5%</u>	<u>10.6%</u>	<u>9.2%</u>	

SOURCE: Mississippi Department of Employment Security, Labor Market Information, Unemployment Rates, May 2013

**Unemployment Statistics for Jackson MSA**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Annual Average	5.5%	7.4%	8.5%	8.3%	7.3%

SOURCE: Mississippi Department of Employment Security, Labor Market Information, Unemployment Rates, May 2013



## Banking Institutions in the City

<b>Institution</b>	<b>December 31, 2012 Total Assets</b>
Regions Bank <sup>1</sup>	\$120,420,827,000
BancorpSouth Bank <sup>2</sup>	13,390,496,000
Trustmark National Bank <sup>3</sup>	9,716,802,000
BankPlus <sup>4</sup>	2,243,098,000
Merchants and Farmers Bank <sup>5</sup>	1,593,402,000
State Bank & Trust Company <sup>6</sup>	943,422,000
Metropolitan Bank <sup>7</sup>	721,550,000
Community Bank of Mississippi <sup>8</sup>	644,190,000
Liberty Bank and Trust Company <sup>9</sup>	532,299,000
First Commercial Bank <sup>10</sup>	276,576,000
Merchants and Planters Bank <sup>11</sup>	86,102,000
Omnibank <sup>12</sup>	550,180,000

<sup>1</sup> Headquartered in Birmingham, Alabama

<sup>2</sup> Headquartered in Tupelo, Mississippi

<sup>3</sup> Headquartered in Jackson, Mississippi

<sup>4</sup> Headquartered in Belzoni, Mississippi

<sup>5</sup> Headquartered in Kosciusko, Mississippi

<sup>6</sup> Headquartered in Greenwood, Mississippi

<sup>7</sup> Headquartered in Crystal Springs, Mississippi

<sup>8</sup> Headquartered in Forest, Mississippi

<sup>9</sup> Headquartered in New Orleans, Louisiana

<sup>10</sup> Headquartered in Jackson, Mississippi

<sup>11</sup> Headquartered in Raymond, Mississippi

<sup>12</sup> Headquartered in Mantee, Mississippi

SOURCE: FDIC, December 31, 2012

## Construction Permits for New Commercial and Residential Buildings of the City

<b>Fiscal Year Ending 9/30</b>	<b>Commercial Construction Permits</b>		<b>Residential Construction Permits</b>	
	<b>Number</b>	<b>Commercial Value</b>	<b>Number</b>	<b>Residential Value</b>
2012	10	\$ 4,258,339	52	\$ 21,601,795
2011	12	32,985,136	38	6,675,925
2010	11	23,676,001	54	18,610,456
2009	33	97,045,540	41	4,588,909
2008	33	147,517,323	466	50,486,347

Note: The above information only includes permits for new commercial and residential buildings. In FY 2012 there were 1,501 total building permits issued, which included additions and remodeling (\$85,205,697 value), reroofs and repairs (\$5,842,975 value) and structures other than buildings (\$2,587,596 value).

SOURCE: Office of the Director of Administration of the City, February 2013.

**Employment Statistics of the County**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Residence Based Employment</b>					
Civilian Labor Force	116,280	115,460	117,710	120,760	120,850
Unemployed	7,070	9,430	11,210	11,360	10,150
Employed	109,210	106,030	106,500	109,400	110,700
<b>Establishment Based Employment</b>					
Manufacturing	4,810	4,020	3,620	3,560	3,660
Nonmanufacturing	132,720	130,470	128,570	129,120	129,410
Natural Resources and Mining	310	290	290	260	270
Construction	5,250	4,500	4,370	4,290	3,700
Trade, Transp. & Utilities	21,180	20,200	19,610	19,590	19,050
Information	3,050	2,910	2,540	2,150	2,020
Financial Activities	7,930	7,740	7,280	7,060	7,420
Professional & Business Services	17,960	16,450	15,740	15,390	16,670
Education & Health Services	23,110	24,160	24,750	24,380	24,800
Leisure and Hospitality	10,500	10,050	9,570	9,970	10,400
Other Services	6,130	5,840	5,680	7,130	6,750
Government	37,300	38,330	38,740	38,900	38,330
Public Education	13,430	13,260	14,040	14,700	15,560

SOURCE: Mississippi Department of Employment Security, Labor Market Information Department, Annual Averages 2001 Forward, May 2013.

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## Employment Statistics of the City

	2008	2009	2010	2011	2012
Residence Based Employment					
Civilian Labor Force	78,660	78,800	80,640	82,740	82,750
Unemployed	5,090	6,870	8,250	8,370	7,500
Employed	73,570	71,930	72,390	74,370	75,250

SOURCE: Mississippi Department of Employment Security, Labor Market Information Department, Annual Averages 2001 Forward, May 2013.

## Major Area Employers

The following is a partial 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	Medical Center Academic and Health Science Center	8,000
United States Government	Federal Government	5,500
Jackson Public School District	Public Education	4,814
Nissan North America Inc.	Manufacturing: Automobiles	5,000
Rankin County School District	Public Education	3,039
Baptist Health Systems	Healthcare Services	2,875
Wal-Mart Stores, Inc.	Discount Stores	2,725
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	2,323
Jackson State University	Higher Education	1,667
Madison County School District	Public Education	1,500
AT&T	Local Exchange Service, Internet Access, Intrastate/Intralata Long Distance	1,300
River Oaks Health System	Healthcare Services	1,236
Central Mississippi Medical Center	Healthcare Services	1,200
Kroger	Grocery Store	1,200
Trustmark National Bank	Financial Services	1,075
Saks, Inc.	Back Office Operations	800
Entergy	Electric/Utility	765
Eaton Aerospace	Aerospace	625

SOURCE: Greater Jackson Chamber Partnership and other public sources, May 2013.

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## **Educational Facilities**

The Jackson Public School District is the second largest school district in the State, serving approximately 30,000 students with 57 schools: 7 high schools, 12 middle schools, 38 elementary schools, and four special schools (Capital City Alternative, Career Academic Placement Center, Adult Education Center, and the Career Development Center). Students are enrolled in grades K-12, with 18 elementary schools offering pre-K classes. The Montessori curriculum is taught at one elementary school. The District offers special programs for its academically and artistically talented students and for student interested in health-related professions. The School District offers special programs for its academically and artistically talented students at its Academic and Performing Arts Complex and at Bailey APAC Middle School. International Baccalaureate programs exist at one elementary, one middle and one high school. 50% of the schools are rated successful “C”, high performing “B”, or star “A” by the Mississippi Department of Education, and every school is accredited by the Southern Association of Colleges and Schools. The District employs 4,503 individuals, including 2,154 licensed employees. The average teacher salary is \$45,590. Over the past five years, in connection with \$150 million in bond issues, the District has constructed three new schools and upgraded existing facilities.

Total enrollment for the School District for the 2011-2012 scholastic year and for preceding years is as follows:

<b>Scholastic Year</b>	<b>Enrollment</b>
2011-12	29,898
2010-11	30,366
2009-10	30,617
2008-09	30,587
2007-08	31,191

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SOURCE: Mississippi Department of Education, “Public School Enrollment (End of First Month),” for years indicated, May 2013.

The City also has numerous private elementary schools and high schools.

Education beyond high school in the metropolitan area is provided by Jackson State University, University of Mississippi Medical Center, Mississippi College, Belhaven University, Millsaps College, Tougaloo College, Mississippi College School of Law, Hinds Community College, and Holmes Community College.

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## TAX INFORMATION

### Assessed Valuation of Property in the City<sup>1</sup>

<b>Fiscal Year Ending 9/30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Utilities</b>	<b>Total</b>
2008	\$ 658,357,211	\$ 314,653,853	\$ 145,341,826	\$ 1,118,352,890
2009	733,942,673	315,525,190	116,858,076	1,166,325,939
2010	740,892,777	297,029,550	115,979,165	1,153,901,492
2011	748,861,444	170,938,976	235,070,641	1,154,871,061
2012	808,902,830	303,107,574	114,103,154	1,226,113,108
2013	810,977,848	303,489,996	120,216,296	1,234,682,140

SOURCE: Office of the Director of Administration of the City, May 2013.

### Assessed Valuation of Property in the County<sup>1</sup>

<b>Fiscal Year Ending 9/30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Utilities</b>	<b>Total</b>
2008	\$ 868,643,068	\$ 499,207,152	\$ 173,768,808	\$ 1,541,619,028
2009	1,062,577,805	491,567,497	146,342,260	1,700,487,562
2010	1,169,229,407	451,589,047	168,222,305	1,789,040,759
2011	1,171,580,961	454,625,981	168,222,305	1,794,429,247
2012	1,173,890,492	455,356,981	201,619,743	1,830,867,216
2013	1,186,783,137	457,726,707	209,882,230	1,854,392,074

<sup>1</sup> 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 tax year 2011 were collected starting in January 2012 for the 2011-2012 fiscal year budgets of the City and the County.

SOURCE: Office of the Hinds County Tax Assessor, January 2013.

Pursuant to Article 4 Section 112, Mississippi Constitution and Section 27-35-4, Mississippi Code of 1972, assessed valuations of property are based upon the following classifications and 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.

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## **Procedure for Property Assessments and Validation**

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 Mississippi Department of Revenue, which examines the rolls on receipt. The Mississippi Department of Revenue 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 Mississippi Department of Revenue. If the Board of Supervisors has any objections to the order of the Mississippi Department of Revenue, it may arrange a hearing before the Agency. 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 Mississippi Department of Revenue.

## **Procedure for Tax Collections**

The Governing Body is required each year to levy taxes upon all taxable property within the City to provide sufficient revenue to cover the operating expenses of the City. 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.

### City's Tax Levy Per \$1,000 Valuation<sup>1</sup>

	2009	2010	2011	2012	2013
General Fund	43.69	42.53	45.81	45.68	46.61
Parks & Recreation Fund	2.00	2.00	2.00	2.00	2.00
Debt Service Fund	5.47	6.63	3.07	3.20	3.04
Special Revenue Pension Fund	5.56	5.56	5.75	5.75	4.89
Jackson/Hinds Library System	1.31	1.31	1.40	1.40	1.49
Jackson Public School District	<u>77.49</u>	<u>74.99</u>	<u>74.99</u>	<u>74.99</u>	<u>77.49</u>
Total City Purposes Levy	<u>58.03</u>	<u>58.03</u>	<u>58.03</u>	<u>58.03</u>	<u>58.03</u>

<sup>1</sup> Tax levy figures are given in mills.

SOURCE: Office of the Director of Administration of the City, February 2013.

### City Ad Valorem Tax Collections<sup>2</sup>

Year	Total Tax Levy	Amount Collected <sup>3</sup>	Collections as Percent of Levy
2012	\$59,853,150	\$60,119,653	100.4%
2011	59,020,780	59,117,009	100.2
2010	58,919,123	59,082,147	100.3
2009	59,890,601	59,595,270	99.5

<sup>2</sup> Does not include school taxes and automobile taxes.

<sup>3</sup> Includes delinquent tax collections.

SOURCE: Office of the Director of Administration of the City, February 2013.

### Appraisal of Property and Limitation on Ad Valorem Levies

The State imposes an annual tax on all real and personal property not exempted by statute. The State Constitution classifies taxable property into five categories and establishes an assessment. The assessment Section 27-39-321, Mississippi Code limits ad valorem tax levies by a political subdivision, such as a city or county, 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 political subdivision or to certain other specified levies including school district purposes. 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.

### Homestead Exemption

The Mississippi Homestead Exemption Law of 1946, Sections 27-33-1 through 27-33-69, Mississippi Code, 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.

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 Mississippi Department of Revenue. 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 2012 are as follows:

<b>Taxpayer</b>	<b>Assessed Valuation</b>	<b>Taxes Collected</b>
Entergy	\$ 60,291,792	\$ 3,498,733
BellSouth Telecommunications	46,056,385	2,672,652
AT&T	14,966,744	868,520
Atmos Energy	10,805,961	627,070
Parkway Properties	7,995,685	463,990
Jackson HMA	7,430,703	431,204
Jackson Medical Center	6,753,021	391,878
Trustmark National Bank	6,356,245	368,853
MS Baptist Medical Center	6,328,819	367,261
Central Mississippi Medical Center	<u>4,150,448</u>	<u>240,850</u>
Total	\$ <u>171,135,803</u>	\$ <u>9,931,011</u>

SOURCE: Office of the Director of Administration of the City, January 2013.

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## DEBT INFORMATION

### Legal Debt Limit Statement

	15% Limit	20% Limit
Authorized Debt Limit (Last Completed Assessment for Taxation - \$1,234,682,140)	\$ 176,090,089	\$ 234,786,786
Present Debt Subject to Debt Limits <sup>1</sup>	<u>75,920,000</u>	<u>75,920,000</u>
Margin for Further Debt Under Debt Limits	\$ 100,170,089	\$ 158,866,786

<sup>1</sup> Does not include the \$65,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2006 (City of Jackson, Mississippi General Obligation Capital City Convention Center Project), dated November 8, 2006 which were issued to finance the construction of the City's Convention Center (the "Convention Center Bonds").. Does not include the \$64,940,000 Mississippi Development Bank Special Obligation Bonds, Series 2013 (City of Jackson, Mississippi General Obligation Capital City Convention Center Refunding Project). See footnote 1 on page A-17 for additional explanation

SOURCE: Office of the Director of Administration of the City, May 2013.

### Statutory Debt Limits

Pertinent to Section 21-33-303 Mississippi Code of 1972, the City is subject to a general statutory debt limitation under which no municipality in the State may incur general obligation bonded indebtedness in an amount which will exceed 15% of the assessed value of the taxable property within such municipality according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15% limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water and sewerage systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying a municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may municipality contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20% of the assessed value of the taxable property within such municipality.

In arriving at the limitations set forth above, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under the provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, as amended, and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, as amended, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

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## Outstanding Bonded Debt

Issue	Date of Issue	Final Maturity Date	Par Amount	Outstanding Principal
<b>General Obligation Bonds</b>				
General Obligation Bond, Series 2003	2/19/03	3/01/23	\$20,000,000	\$12,395,000
General Obligation Refunding Bonds, Series 2005	8/04/05	10/01/17	20,960,000	9,615,000
General Obligation Convention Center Bonds, Series 2006 <sup>1</sup>	11/08/06	3/01/36	65,000,000	3,805,000
General Obligation Series 2009 Street Bond	1/06/09	1/1/2024	26,210,000	21,045,000
General Obligation Refunding Bonds 2010A-B	9/01/10	9/30/24	23,665,000	23,665,000
General Obligation Note, Series 2012	5/9/12	5/1/17	11,500,000	9,200,000
General Obligation Convention Center Refunding Bonds, Series 2013 <sup>1</sup>	3/1/13	3/1/36	64,940,000	<u>64,940,000</u>
<b>Total Outstanding General Obligation Bond Debt</b>				<u>\$ 144,665,000</u>

<sup>1</sup> Debt service on these bonds has been paid from the proceeds of an additional sales tax imposed on the gross proceeds of sales of restaurants, hotel and motel rooms, and of caterers at the Convention Center. Legislation passed by the Mississippi Legislature establishing the additional sales tax provides that these bonds shall only be included in the City's legal debt limit pursuant to Section 21-33-303, Mississippi Code of 1972, as amended, to the extent that the proceeds of the additional sales taxes are insufficient to pay the debt service on these bonds.

SOURCE: Office of the Director of Administration of the City, May 2013.

Issue	Date of Issue	Final Maturity Date	Par Amount	Outstanding Principal
Water/Sewer Revenue Refunding Bonds, Series 2005	7/01/05	9/01/24	\$27,180,000	\$22,920,000
Water/Sewer Revenue Refunding Bonds, Series 2011A	8/18/11	9/01/34	46,720,000	46,720,000
Water/Sewer Revenue Refunding Bonds, Series 2011B	8/18/11	9/01/34	2,565,000	2,565,000
Water/Sewer Revenue Refunding Bonds, Series 2012A	8/16/12	9/01/34	63,045,000	63,045,000
Water/Sewer Revenue Refunding Bonds, Series 2012B	8/16/12	9/01/34	19,180,000	<u>19,180,000</u>
<b>Total Outstanding Revenue Bond Debt</b>				<u>\$ 154,430,000</u>

SOURCE: Office of the Director of Administration of the City, May 2013.

Water and sewer system revenue bonds are payable as to principal and interest solely from net revenues of the City's water and sewer system. Such bonds and the interest thereon are limited obligations of the City and shall never constitute nor give rise to any pecuniary liability of the City or a charge against its general credit or taxing powers.

<b>Tax Increment Limited Obligation Bond Issues</b>	<b>Date of Issue</b>	<b>Final Maturity Date</b>	<b>Par Amount</b>	<b>Outstanding Principal</b>
Tax Increment 2007	12/31/07	03/01/20	\$ 2,270,000	\$ 1,520,000
Tax Increment 2009	04/01/09	10/31/24	407,000	329,000
Tax Increment 2009	06/01/09	07/01/15	375,000	198,000
Tax Increment 2009	06/01/09	07/01/22	1,600,000	1,323,000
Tax Increment 2010	12/30/10	10/01/30	2,800,000	<u>2,422,387</u>
<b>Total Outstanding Tax Increment Limited Obligation Bonds</b>				\$ <u>5,792,387</u>

SOURCE: Office of the Director of Administration for the City, May 2013.

<b>Urban Renewal Bond Issues<sup>1</sup></b>	<b>Date of Issue</b>	<b>Final Maturity Date</b>	<b>Par Amount</b>	<b>Outstanding Principal</b>
Urban Renewal Bonds Jackson Mall Area Project, Series 1998-A <sup>2</sup>	11/01/98	11/01/13	\$ 650,000	\$ 60,000
Urban Renewal Central Business District Development Program Project No 1, Series 2011-A & B <sup>3</sup>	06/01/11	10/01/31	9,910,000	9,900,000
Urban Renewal Central District Development Program, Series 2012-A <sup>3</sup>	10/20/12	10/26/19	2,500,000	2,500,000
<b>Total Outstanding Tax Increment Limited Obligation Bonds</b>				\$ <u>12,460,000</u>

<sup>1</sup> These bonds are issued by the Jackson Redevelopment Authority ("JRA").

<sup>2</sup> Hinds County, Mississippi has entered into a contribution agreement with JRA regarding these bonds.

<sup>3</sup> The City, pursuant to a contribution agreement, is responsible for the entire outstanding principal and interest of these bonds.

SOURCE: Office of the Director of Administration for the City, May 2013.

### Annual Existing General Obligation Debt Service Requirements<sup>1</sup>

<b><u>Fiscal Year Ending 9/30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2013	—	\$ 3,245,170.76	\$ 3,245,170.76
2014	\$ 2,450,000.00	3,182,689.51	5,632,689.51
2015	4,810,000.00	2,998,664.52	7,808,664.52
2016	5,045,000.00	2,747,620.76	7,792,620.76
2017	5,295,000.00	2,482,195.76	7,777,195.76
2018	5,560,000.00	2,209,977.01	7,769,977.01
2019	6,405,000.00	1,932,775.01	8,337,775.01
2020	6,710,000.00	1,628,087.76	8,338,087.76
2021	7,050,000.00	1,285,990.38	8,335,990.38
2022	7,420,000.00	918,589.25	8,338,589.25
2023	7,805,000.00	530,578.25	8,335,578.25
2024	<u>8,170,000.00</u>	<u>165,825.00</u>	<u>8,335,825.00</u>
TOTAL	\$ <u>66,720,000.00</u>	\$ <u>23,328,163.97</u>	\$ <u>90,048,163.97</u>

<sup>1</sup> Includes general obligation bonded indebtedness of the City, but does not include the General Obligation Convention Center Bond Series 2006. Does not include the City's \$11,500,000 General Obligation Note, Series 2012.

SOURCE: Office of the Director of Administration of the City, February 2013.

### Direct and Overlapping Debt Ratios

<b>Jurisdiction</b>	<b>FY 2013 Net Assessed Valuation</b>	<b>G.O. Bond Debt</b>	<b>Amount Applicable to City Taxpayers</b>	<b>% Applicable to City Taxpayers</b>
City of Jackson	\$ 1,234,682,140	\$ 78,220,000	\$ 78,220,000	100.0%
Jackson Public School District	1,206,634,933	136,935,000	136,935,000	100.0
Hinds County	1,830,867,216	45,155,000	30,524,780	67.6
Total Direct and Overlapping GO. Debt			\$ 245,679,780.00	
Direct and Overlapping Debt Per Capita (156,152)			\$ 1,421.01	
Direct Debt to Assessed Valuation				5.77%
Direct and Overlapping Debt to Assessed Valuation				16.61%

SOURCE: Office of the Director of Administration of the City and Hinds County Tax Assessor, February 2013

**APPENDIX B**  
**INFORMATION CONCERNING THE SYSTEM**

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## GENERAL

Prior to 1971, the City of Jackson, Mississippi's (the "City") water and sewer systems were operated on a combined basis. In 1971, the systems were separated and, over time, the City established the following enterprise funds to account for different operations of such systems: the Water Fund; the Jackson Sewage Disposal System Fund (the "Sewer Fund"); the Rankin Sewage Disposal System Fund; and the Madison Sewage Disposal System Fund. Following the issuance of the \$84,355,000 Water and Sewer System Revenue Refunding Bonds, Series 1993-A (the "1993-A Bonds") pursuant to a General Bond Resolution (the "General Bond Resolution") adopted March 11, 1993 and amended by resolutions adopted on March 16, 2004, July 18, 2011, and August 7, 2012, and the Series 1993-A Bond Resolution adopted March 11, 1993 by the City Council of the City (the "Council"), certain previously issued and outstanding bonds (the "Refunded Bonds") were defeased and the Water System and the Jackson Sewage Disposal System, along with the Water Fund and the Sewer Fund, were combined into the single water and sewer system (the "System"). The Madison Sewage Disposal System continues to operate as a separate fund and purchases services from the System.

The System provides water services and sanitary sewer services, including wastewater treatment facilities, to residents of the City, residents of the City of Byram and some residents of Hinds County. All activities necessary to provide such services have been accounted for in the combined Water Fund and Sewer Fund (collectively the "Fund"), including administration, engineering, pumping and purification, transmission and distribution, financing and debt service, and billings and collections. The System is also charged an annual fee by the City's General Fund for support services provided by the City, which is based on the City's federally approved central service cost allocation plan. In fiscal year 2012, general administrative expenses of \$2,007,913 were charged to the System and such amount was recorded as revenues to the City's General Fund. In addition to general administrative expenses, the System also pays a franchise fee of 2% of sales to the General Fund. In fiscal year 2012, franchise fees of \$830,597 were paid by the System and such amount was recorded as revenues to the City's General Fund.

The table set forth below presents total sales and customers of the System for fiscal years 2008-2012:

### ANALYSIS OF SALES

Fiscal Year	Water System Sales	Sewer System Sales	Water System Customers	Sewer System Customers
2007	\$26,537,687	\$16,743,086	63,004	52,766
2008	26,259,685	16,766,794	58,698	48,789
2009	24,734,367	15,733,993	58,059	48,597
2010	25,426,069	16,463,342	60,881	51,322
2011	29,309,378	17,017,223	61,600	52,082
2012	28,382,990	16,969,542	60,776	51,175

SOURCE: Department of Public Works, City of Jackson; May 2013.

In 1973, in connection with the United States Environmental Protection Agency's (the "USEPA") approval of a regional plan for the collection, transportation and treatment of sewage within the three-county area of Hinds, Rankin and Madison Counties, Mississippi, the City declared its intent to assume certain regional responsibilities. These regional activities are accounted for through the Madison Sewage Disposal System Fund and the Ridgeland West Sewage Disposal Fund, by direct payments from the West Rankin Utility Authority to the City of Jackson Water and Sewer Fund. The Madison Sewage Disposal System Fund and the Ridgeland West Sewage System Fund are not included in the System, but continue to operate separately and to purchase services as described below from the System.

The Madison Sewage Disposal System Fund is used for the costs of construction, operation and maintenance of an interceptor from the eastern portion of Madison County to the City's Wastewater Treatment Facilities (the "East Madison County Sewage Disposal System" or the "Madison Sewer System"). Madison Sewer System customers include certain contracting parties under certain Metropolitan Area Waste Disposal Agreements.

The Madison Sewer System bears a pro-rata share of the capital and operating costs of the City's Wastewater Treatment Facilities based on the volume of wastewater treated.

The Ridgeland West Sewage Disposal System Fund is used for the costs of operation and maintenance of certain interceptors from a western portion of Ridgeland, Mississippi to the City's Wastewater Treatment Facilities (the "Ridgeland West Sewage Disposal System"). The Ridgeland West Sewage Disposal System bears a pro-rata share of the capital and operating costs of the City's Wastewater Treatment Facilities based on the volume of wastewater treated.

## **MANAGEMENT OF THE SYSTEM**

Except as noted below under "Management Contract-Wastewater Treatment Facilities," the System and the Madison Sewer System are operated by the City's Department of Public Works under the control of the Mayor. The Director of Finance and Administration, as the chief financial officer of the City, maintains the books of accounts, and prepares financial statements for each system.

The costs of water and sewer employees (currently 315) have been historically charged directly to the System and the City has historically charged an annual fee for support services provided by the City, based on the City's federally approved central service cost allocation plan.

**Department of Administration.** The operations of the Department of Administration are separated into six (6) functional divisions: Finance; Information Systems; Purchasing; Municipal Court Services; Records Management; and Telecommunications. The resumes of key staff members for the Department of Administration are provided below.

*Lee Unger, Director of Administration:* Mr. Unger was appointed to that position in May 2010. In that position he oversees the development of the City's budget and manages the areas of finance, information services, procurement, and court services. Prior to assuming this position, Mr. Unger served for 28 years as Vice President for Fiscal Affairs and served one year as Interim President for The Piney Woods School, a private co-educational historically African American boarding school in Mississippi. He also serves as a consultant to non-profit organizations and on numerous non-profit boards and committees within the metro Jackson area. A native of Goodman, Mississippi, Mr. Unger holds a Bachelor of Science degree in Business Administration from Alcorn State University and has done graduate work at Jackson State University and Grand Canyon University.

*Rick Hill, Deputy Director of the Department of Administration:* Mr. Hill joined the City in 1972 and has held the positions of Accountant, Controller, Internal Audit Manager, Assistant Director of Finance, Special Projects Coordinator, Treasurer and Director. His current position is Deputy Director of Administration, and he is responsible for the divisions of Finance, Purchasing and Municipal Court. Mr. Hill graduated in 1970 from Mississippi State University with a B.A. degree in Accounting and earned a Masters in Business Administration degree in 1980 from Mississippi College.

**Department of Public Works.** The operations of the Public Works Department are separated into eight (8) divisions: Administration, Water-Sewer-Business Administration, Utility-Management, Engineering, Facility Management, Municipal Garage, Infrastructure Management and Solid Waste Disposal. The resume of the key staff members for the Water-Sewer Division are provided below.

*Dan Gaillet, Director of Public Works:* Mr. Gaillet joined the City as Public Works Director on May 1, 2010. Mr. Gaillet's professional career includes working more than five years as a consulting engineer; holding the position of City Traffic Engineer/Manager and later Engineering Manager with the City of Jackson for more than six years; and working as the Deputy Director for the Pearl River Valley Water Supply District for 5 years before returning to the City in his current capacity. As a veteran of the U.S. Navy and the U.S. Coast Guard, Mr. Gaillet holds a M.S. and B.S. degree in Civil Engineering from Mississippi State University and an A.A. degree in Engineering from Anne Arundel Community College, Arnold, Maryland. Mr. Gaillet is a licensed professional engineer in the states of Mississippi, Louisiana, Alabama and Florida.

**Management Contract - Wastewater Treatment Facilities.** The City of Jackson currently has a contract with United Water Services Mississippi, LLC ("United Water"), a Mississippi limited liability company with its



principal office located in Indianapolis, Indiana. United Water serves as the sole and exclusive operations, maintenance and management agent of the City's wastewater treatment facilities. The current contract runs to November 1, 2015. The City's Department of Public Works operates the City's water facilities.

Under the contract the City agrees to pay United Water an annual management fee of \$356,932.00 in addition to payment by the City of actual labor costs and expenses incurred by United Water in the discharge of its obligations under the contract. The fixed fee is subject to an annual inflation adjustment of 75% of the Southern Region All Urban Consumer Price Index.

On or before April 1 of each calendar year United Water is required to submit to the City for budgeting purposes: (1) a process budget including all costs necessary to properly operate the wastewater treatment facilities and (2) a maintenance budget including all costs necessary to properly maintain the wastewater treatment facilities. The City and United Water have agreed to negotiate in good faith with regard to said budgets. United Water then submits monthly billings on actual monthly costs so that the City can reimburse United Water for actual costs allowable under the contract. The budgets are prepared on the basis of current costs for energy and chemicals and on the basis of projections based on experience with the line items. The contract provides for increases in the annual budget when costs increase beyond United Water's control. United Water can earn an annual performance incentive of \$0.50 for each unexpended budgeted dollar of the annual budget up to a maximum of \$150,000.00 each year. Unexpended maintenance dollars are not included in the incentive calculation.

**Management Contract - Wastewater Sludge Hauling.** A private vendor has been hired to haul to disposal sites sludge generated by the Savanna Wastewater Treatment Plant and the Trahon Wastewater Treatment Plant. The cost of this service varies with the volume of sludge hauled. For fiscal year 2012, the cost of this service was \$547,283.48.

## THE WATER SYSTEM

**General.** The City has three principal sources of water for the System: a surface water treatment facility located in the vicinity of the Ross Barnett Reservoir (the "Curtis Plant"); a surface water treatment facility located east of Interstate 55 on Laurel Street (the "Fewell Plant"); and two ground water well systems (the "Wells").

The Curtis Plant is a modern, computerized plant which began operation in June 1993. At the time of its commissioning, it had a capacity of 25 million gallons per day (mgd). The water source for the plant is the Ross Barnett Reservoir. The \$23 million plant was designed to accommodate not less than 75 mgd and, ultimately, 100 mgd as demand increases. A forty-eight inch (48") diameter water transmission line completed in 1997 connects the plant to the existing water distribution system. The most recent addition to the Curtis Plant was a \$62 million improvement program to increase production capacity at the facility to 50 mgd. The project included addition of advanced membrane filtration units, additional clearwell storage, disinfection system upgrades, mechanical and electrical improvements, and computer automation upgrades. The City completed the upgrade project in 2008. Construction of a fifty-four inch (54") diameter transmission main to connect the Curtis Plant and the Fewell plant is completed and in service.

The Fewell Plant withdraws water from the Pearl River. It has a design capacity of 52 mgd with a functional maximum capacity of 30 mgd. Originally constructed in 1914, the plant has had several additions; the most recent was a \$12.4 million improvement program in order to maintain a minimum production capacity of 25 mgd and to eliminate the discharge of solids into the Pearl River. The project included a solids collection system, disinfection system upgrades, mechanical and electrical improvements, and a computer automation upgrade, all of which the City completed in 2008.

The Wells have a capacity of 6 mgd and the only treatment required of the water drawn from the Wells is fluoridation and chlorination. The City's use of the Wells will be phased out because the supply of water in the related aquifer is dropping and more stringent water quality standards are now in effect. The supply of the well system will be replaced by a water pumping station and storage tank (Maddox Booster Station). The source of supply for the Maddox Booster Station will be from the Curtis and Fewell Plants. Construction of the 5.0 MG supply tank and the 24" supply main are completed and the Booster Station is currently under construction with an anticipated completion date of July 2013.

Over the years, the City has acquired private utility companies (including the Triangle Water Company in 1984) and has constructed numerous transmission mains, water storage facilities, and distribution facilities to provide service throughout the City and certain parts of Hinds County for a total service area of approximately 150 square miles. These water distribution facilities include approximately 906 miles of water mains ranging in size from 2 inches to 54 inches in diameter. In all, this distribution network serves approximately 70,000 water connections for a service population of approximately 250,000. The City also supplies potable water to the Nissan Plant and its suppliers near Canton, Mississippi through a contract with the State of Mississippi (the "State"). The City's existing water storage facilities have a capacity of 13 million gallons and the City will undertake to increase such capacity as necessary to comply with Mississippi State Department of Health requirements. In 2010, the State authorized a \$6,000,000 non-recourse loan to the City to make improvements to water infrastructure in the area around the State Capitol Complex. Using these funds the City recently completed repairs to its 0.5 mg water tank located at Livingston Road near the Jackson Zoo, began construction of a new 1.5 mg water tank located near Fortification Street and replaced water distribution lines in Capitol Street and its major cross streets, which area is the focus of much of the City's downtown revitalization.

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**Water Customers.** As of September 30, 2012, the System had 60,776 customers who purchased 910,255,700 cubic feet of water annually (133,690 cubic feet of water equals 1 million gallons). Although residential customers accounted for approximately 88% of the total System's water customers, residential customers comprised only 48% of the total volume of water sold by the System. The balance of the System's customers and sales of water was primarily commercial.

#### **WATER CUSTOMERS**

<u><b>Fiscal Year</b></u>	<u><b>Residential</b></u>	<u><b>Commercial</b></u>	<u><b>Total</b></u>
2007	55,577	7,427	63,004
2008	51,854	6,844	58,698
2009	51,366	6,694	58,059
2010	53,824	7,057	60,881
2011	54,430	7,170	61,600
2012	53,627	7,149	60,776

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SOURCE: Department of Public Works, City of Jackson; April 2013.

#### **WATER SYSTEM AVERAGE USAGE PER MONTH (Cubic Feet) (Year Ending September 30)**

<b>Fiscal Year</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Residential</b>	36,523,503	41,441,744	38,141,358	39,634,697	44,068,732
<b>Commercial</b>	<u>39,331,738</u>	<u>40,046,095</u>	<u>38,521,951</u>	<u>35,748,502</u>	<u>37,399,210</u>
<b>Average Total</b>	<u>75,854,641</u>	<u>81,487,839</u>	<u>76,663,309</u>	<u>75,383,199</u>	<u>81,467,942</u>

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SOURCE: Department of Public Works, City of Jackson; April 2013.

#### **AVERAGE RESIDENTIAL CONSUMPTION (Cubic Feet) (Bi-monthly Billing Cycle) (Year Ending September 30)**

<b>Fiscal Year</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Cubic Feet</b>	1,362	1,523	1,417	1,543	1,700
<b>Average Billing</b>	\$33.78	\$36.63	\$31.18	\$33.95	\$37.39

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SOURCE: Department of Public Works, City of Jackson; April 2013.

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**Water Rates and Charges.** The current water rate is \$2.48 per 100 cubic feet of water consumed (\$2.48/CCF) and has been in effect since January 1, 2011. From October 8, 2004 to December 31, 2010, the rate was \$2.20/CCF. From October 13, 2001 to October 7, 2004, the rate was \$1.77/CCF, and from December 29, 1998 to October 13, 2001, it was \$1.18/CCF. Water customers also pay a \$7.44 monthly service charge when using more than 300 cubic feet of water each month. For each meter serving more than one residential unit a service charge of \$7.44 times the number of residential units is assessed.

Water customers residing outside but within one mile of the corporate City limits are charged double the above rates, i.e., \$4.96 per 100 cubic feet (\$4.96/CCF) of water consumed; a \$14.88 monthly service charge for users of more than 300 cubic feet and for each meter serving more than one residential unit a service charge of \$14.88 times the number of residential units. Customers residing more than one mile outside the corporate City limits are charged \$1.48 per 100 cubic feet of water consumed (\$1.48/CCF), a rate which must be reviewed and approved by the Mississippi Public Service Commission (the "PSC"). These customers are not subject to a service charge.

In addition to the volumetric water rate, the City imposes fire protection charges for each fire protection connection as follows:

**WATER SYSTEM MONTHLY  
FIRE PROTECTION CHARGE**

<b>Item</b>	<b>Charge</b>
Hydrant	\$15.00
6" or less sprinkler connection	\$20.00
8" sprinkler connection	\$22.00
10" sprinkler connection	\$24.00
12" sprinkler connection	\$28.00
16" sprinkler connection	\$48.00

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SOURCE: Department of Public Works, City of Jackson; April 2013.

The rates to be charged customers residing outside the corporate limits but within one mile of the City will be double the rates set forth above.

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Notwithstanding the foregoing, in order to provide incentives for companies to establish new businesses within the City's corporate boundaries, the City offers new businesses a reduced volumetric water charge based on the amount of capital investment made and the number of employees employed by each such new business. The discount may apply for any period of time up to a maximum period of 10 years. The following table shows the amount of capital investment and number of employees required for a new business to achieve a specified percentage reduction in the volumetric water charge.

#### **DISCOUNTS FOR NEW BUSINESSES**

<b>Minimum Capital Investment</b>	<b>Minimum Number of Employees</b>	<b>Percentage Reduction in Water Charge</b>
\$75 million	75	25%
50 million	50	20
25 million	25	15
10 million	25	10

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SOURCE: Department of Public Works, City of Jackson; April 2013.

The Council is vested under applicable statutes with the exclusive power and authority to set water rates and, in setting such rates, the City is not subject to supervision or regulation, except as to rates charged to customers residing outside a one mile radius of the City limits. These rates charged to customers residing outside a one mile radius of the City limits are subject to regulation by the PSC. See "MISCELLANEOUS AND LEGAL INFORMATION" herein.

The following table compares customers and water sales revenue based on point of origin:

#### **ORIGIN OF WATER REVENUES (Year Ending September 30, 2012)**

<b>Location</b>	<b>Active Accounts</b>	<b>Metered Consumption (cubic feet)</b>	<b>Total Water Sales</b>
Inside City	57,066	958,168,392	\$24,112,699
Outside City Limits (within 1 mile)	2,138	24,347,974	\$1,636,690
Outside City Limits (beyond mile)	<u>3,961</u>	<u>37,809,958</u>	<u>\$664,192</u>
Total	<u>63,165</u>	<u>1,020,326,324</u>	<u>\$26,413,581</u>

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SOURCE: Department of Public Works, City of Jackson; May 2013.

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***Largest Customers.*** The following table presents information concerning the ten largest customers of the City's water system.

**LARGEST CUSTOMERS  
(Year Ending September 30, 2012)**

<u>CUSTOMER NAME</u>	<u>Annual Usage FY 2012 (Cubic Feet Billed)</u>	<u>Volumetric Sales</u>	<u>Percentage of Total Annual Usage</u>
Jackson State University	13,337,137	\$330,761.00	1.5 %
Mississippi Baptist Hospital	12,397,264	307,452.15	1.4
Double G. Coating	10,119,500	250,963.60	1.1
City Zoological Park	8,549,942	212,038.56	1.0
Par Holdings/Jackson Square Apts	8,525,806	211,439.99	1.0
Methodist Medical Center	7,441,936	184,560.01	1.0
St. Dominic Hospital	5,695,283	141,243.02	1.0
City Of Jackson Wastewater	5,082,211	126,038.83	1.0
State Capitol Commission	4,292,895	106,463.80	<1
Metro Center	3,266,000	80,996.80	<1
One Thousand One Hotel, LLC	3,081,197	76,413.69	<1
Griffin Industries	<u>2,590,580</u>	<u>64,246.38</u>	<1
	<u>84,379,751</u>	<u>\$2,092,617.82</u>	<u>9.2%</u>

SOURCE: Department of Public Works, City of Jackson; May, 2013.

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**Private Wells.** The drilling of private-owned water wells is permitted under local laws. There are twenty-two (22) privately drilled industrial commercial water wells currently in operation within the City which are large enough (diameter of casing six (6) inches or greater) to require permitting by the State.

### INDUSTRIAL COMMERCIAL WATER WELLS

Organization	Total Wells
Entergy	6
Colonial Country Club	3
University Medical Center	3
Tri-State Brick	1
Jackson Plating Company	1
Frito Lay	1
Presto Manufacturing	1
Crescent Uniform & Linen Service	1
Filtrol	1
General Electric	1
Jackson Packaging	1
Coca-Cola	1
McCarty Processors	1
St. Dominic	1
Veterans Medical Center	1
Mississippi Baptist Hospital	1
Country Club of Jackson	1
Natural Science Museum	1
Mississippi Department of Transportation	1
Central Mississippi Medical Center	<u>1</u>
Total	<u>22</u>

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SOURCE: State of Mississippi Department of Environmental Quality; April 2013.

The owners of these wells were required to obtain a Well Drilling Permit from the State's Department of Environmental Quality, Division of Land and Water Resources. As a part of the permitting process, a legal advertisement is required giving notice that a well will be drilled by the owner and giving opportunity for any opposition to issuance of the well permit. The permit is for a period of ten (10) years. At the end of the ten (10) year period, the permit is reevaluated by the State prior to renewal. As a part of the permitting process, the City will monitor future requests for well permits and take any action deemed appropriate under the circumstances. The City has been advised that the MDOT and Baptist Hospitals well systems are intended for use only in the event of an emergency in which City water pressure to these facilities is lost. Provided that the wells are operated in this manner, they will not have a detrimental effect on the financial integrity of the City's water system.

**Federal and State Water Requirements.** All water supply systems in the United States which provide water to at least 15 service connections or 25 individuals are subject to the provisions of, and to regulation by USEPA under the Safe Drinking Water Act ("SDWA"). USEPA has promulgated nationwide drinking water regulations that specify the maximum level of harmful contaminants allowed in drinking water and that govern the construction, operation, and maintenance of water supply systems as required by SDWA. The USEPA regulations are administered on a local level by the State's Department of Health, Division of Water Supply. The State does not promulgate additional regulations. The System meets all requirements of the SDWA.

## THE SEWER SYSTEM

**General.** The City owns and operates three wastewater treatment facilities, plus numerous interceptor and collector sewers throughout the metropolitan area, and provides sewer services to the City and parts of Hinds County, western Rankin County and eastern Madison County.

The primary wastewater treatment facility is located east of the Savanna Street exit off Interstate 55 South (the “Savanna Plant”). The Savanna Plant has a 46 million gallons per day (“mgd”) permitted capacity during May through October and 60 mgd from November through April, and was placed in operation in 1975 at a cost of \$15.3 million. It is a secondary treatment facility employing the contact stabilization mode of the activated sludge process, utilizing the Ludzack-Effinger process for nitrogen and phosphorous removal. As a secondary treatment facility, the Savanna Plant is capable of removing approximately 90 percent of the biodegradable and inert substances (biochemical oxygen demand (“BOD”) and suspended solids) from the influent wastewater. The Savanna Plant consists of the following: storm lagoons, screens, raw sewage pump station, grit chambers, aeration tanks for contact re-aeration of return sludge and aerobic digestion of waste activated sludge, final clarifiers, pH adjustment facilities, chlorination/dechlorination facilities, effluent pump station, gravity thickeners for aerobically digested waste sludge, and sludge dewatering facilities for the digested sludge. Dewatered sludge is disposed of at either a landfill or on permitted land application sites. Treated wastewater is discharged into the Pearl River.

The second wastewater treatment facility is located in the vicinity of the Greater Jackson Industrial Park for treatment of wastewater flows from the Trahon and Big Creek Basins (the “Trahon/Big Creek Plant”) and is an oxidation ditch design plant that began operation in 1991 and that has a capacity of 4.5 mgd with an average daily flow of 2.1 mgd. The Trahon/Big Creek Plant was constructed at a cost of \$10.66 million and discharges into the Pearl River.

The third treatment facility is located in the Presidential Hills subdivision in the northwest part of the City. The facility provides treatment of wastewater flows from Bogue Chitto Creek Basin (the “Presidential Hills Facility”). The facility consists of an influent pump station, aerated primary lagoon, polishing lagoon, filters, and chlorination/dechlorination facilities that began operation in the early 1970’s and that has a capacity of 0.75 mgd with an average daily flow of 0.3 mgd. The City purchased the wastewater facilities from a private developer after the City annexed this area in 1976.

The City has constructed numerous interceptor and collector sewers throughout the metropolitan area. The City’s principal interceptor, the West Bank Interceptor, was constructed in conjunction with the Savanna Street Plant. The West Bank Interceptor extends on the west bank of the Pearl River from the Savanna Street Plant to the Hinds-Madison County line. The Caney Creek interceptor is another interceptor conveying flows directly to the Savanna Street Plant. Major hydrologic sub-basins served by the interceptors and their connecting sewers are as follows: (1) Caney Creek; (2) Hardy Creek; (3) Three Mile Creek; (4) Lynch Creek; (5) Town Creek; (6) Belhaven Creek; (7) Eubanks Creek; (8) Eastover Creek; (9) Hanging Moss Creek; (10) White Oak Creek; (11) Purple Creek, (12) Trahon Creek; and (13) Big Creek.

As of September 30, 2012, the City’s sewer system served approximately 51,175 customers and contained over 874 miles of collection pipes.

**Regional Sewage Treatment Program.** In October 1973, under the sponsorship of the Pearl River Basin Development District, a state planning agency, and the USEPA, the Jackson Metropolitan/Regional Water Quality Management Plan (“WQMP”) was prepared to comply with the facility planning requirements of Section 201 of Public Law 92-500, the Federal Water Pollution Control Act of 1972. The WQMP was a detailed plan for the collection, transportation and treatment of sewage within the three-county area of Hinds, Rankin and Madison Counties, Mississippi.

On July 24, 1973, the City, by resolution, to the extent authorized by the applicable laws of the State, declared its intent:

- (i) to participate in the WQMP and to cooperate in said plan for financing, designing and constructing a regional sewage treatment system to be funded by a USEPA grant and other funds;



- (ii) to enter into agreements with governmental units, including municipalities, as may be required by the USEPA for funding, constructing, operating and maintaining said regional sewage treatment system;
- (iii) to fully cooperate and participate with the USEPA and other governmental agencies and units to expedite the implementation of such regional sewage treatment system as may be approved by the USEPA; and
- (iv) to construct, own, operate and maintain said regional sewage treatment system and to treat the sewage generated within the service areas as may be designated by the USEPA and to provide such service to the areas at an equitable cost. Upon completion of construction of the regional sewage treatment system, this service shall be available to phase out those existing sewage treatment plants and systems determined to be inadequate by the appropriate state and federal agencies. Such service by the regional sewage treatment system, in lieu of existing sewage treatment plants and systems, is subject to the condition that the existing plants and systems may be connected to the regional sewage treatment system at a justifiable economic cost.

Under the provisions of the Metropolitan Area Waste Disposal Act, Section 21-27-161 *et seq.*, Mississippi Code of 1972, as amended (the “Metropolitan Area Waste Disposal Act”), the City is empowered to own and operate sewer systems separate and apart from the System maintained by the City for its own use, provided that any such separate sewer systems must be within 10 miles of the City’s corporate boundaries. The Metropolitan Area Waste Disposal Act authorizes the City to enter into contracts with public agencies and persons whereby the City may agree to collect, transport, treat, and dispose of sewage for such public agencies or persons within the areas where such separate systems may be owned and operated. The City is likewise authorized to issue revenue bonds for the purpose of constructing such separate systems, the payments of which are to be solely secured by the payments which the City receives from the public agencies or persons pursuant to the referenced contracts.

The City currently has contractual agreements with the City of Ridgeland (Madison County) and West Rankin Metropolitan Sewer Authority, now known as the West Rankin Utility Authority, which in turn has agreements with the following public wastewater systems in Rankin County: (1) City of Pearl (Rankin County), (2) City of Flowood (Rankin County), (3) City of Brandon (Rankin County), (4) Pearl River Valley Water Supply District (Pelahatchie Bay Development Area in Rankin County), (5) Richland Water and Sewer System District (“Richland”) (Rankin County), (6) Jackson Municipal Airport Authority (Rankin County) and (7) Mississippi Board of Mental Health Whitfield State Hospital Complex (Rankin County).

***The Rankin Sewer System and the West Rankin Utility Authority.*** Acting pursuant to the Metropolitan Area Waste Disposal Act, the City established and constructed the Rankin Sewer System, which has been operated as a separate sewage collection system to serve certain areas of Rankin County, and the City agreed to treat the sewage collected therefrom in the City’s own treatment facilities.

In 1977, the City issued \$9,000,000 in revenue bonds in order to provide funds for construction of the initial components of the Rankin Sewer System, and in 1987 the City issued an additional \$700,000 in revenue bonds to provide additional funds for the construction of the Rankin Sewer System. The 1977 and 1987 Rankin Sewer System bonds have been retired and are no longer outstanding. Payment of the aforementioned bonds was secured solely by a first lien on the contract payments which the City received from the various persons and public agencies who are parties being served by the Rankin Sewer System, namely the City of Brandon, the City of Flowood, the City of Pearl, the Pearl River Valley Water Supply District, the State Board of Mental Health, and the Jackson Municipal Airport Authority. Richland operated under a different contract and its revenues were not pledged to retire the Rankin Sewer System bonds. Richland paid for only a proportionate share of the Rankin Sewer System bonds utilized to construct the force main and a proportionate share of the operation and maintenance cost of the City’s treatment facilities as well as reimbursement to the City for a proportionate share of the City’s debt service obligations incurred in order to construct or improve City facilities used in treatment of the Rankin Sewer System’s sewage.

In 2002, the City and the West Rankin Utility Authority (“Utility Authority”) entered into a long-term agreement for the treatment of wastewater from the Utility Authority’s members. Under the agreement, the City

transferred the collection and interceptor system in Rankin County to the Utility Authority. The amount of the annual contract payment for the Utility Authority is based on the percentage of the Utility Authority's contributed flow and the Utility Authority's proportionate share of the operation and maintenance costs of the City's treatment facilities as well as reimbursement to the City for a proportionate share of the City's debt service obligations (incurred prior to the date of the agreement) that were used to construct or improve City facilities used in treatment of the Rankin Sewer System's sewage. The Utility Authority also pays a surcharge of 50% for the treatment cost of all flows in excess of baseline flow, which is set by the agreement as 10 million gallons per day annualized over 365 days. The agreement also allows the Utility Authority to request expansion of the treatment capacity at the Savanna Street Plant to the extent the Utility Authority is willing to pay the cost of the requested capacity expansion. A recent amendment to the agreement requires the Utility Authority to participate proportionately in any expansion of the treatment capacity of the Savanna Plant required by any State or Federal agreed order, consent decree or other administrative action.

The term of the agreement between the City and the Utility Authority is for an initial term of 30-years with the option to extend the agreement in 10-year increments thereafter. The original terms of the agreement allowed the Utility Authority to terminate the agreement in 2015 by giving the City written notice of its intent to terminate by September 30, 2012. Under a recent amendment to the agreement, the Utility Authority now has six months after the approval of the Composite Correction Plan for the Savanna Plant required by the City's Consent Decree to notify the City of its intent to terminate the agreement. Currently the composite correction plan is anticipated to be approved during the final quarter of 2015. The agreement continues to allow the Utility Authority to terminate the agreement early in 2025 by giving written notice to the City by September 30, 2022.

***The Madison Sewer System.*** The City and Ridgeland, Mississippi ("Ridgeland") have entered into a contract (the "Madison Contract") for the construction, operation and maintenance of the Madison Sewer System. Ridgeland is responsible for service contracts with other entities in Madison County and is the only source of funds available to the City for the Madison Sewer System. Annual payments under the Madison Contract have been fixed in an amount to provide to the City during each Fiscal Year Madison Sewer System's proportionate share of: (i) operation and maintenance expense of the City's west bank interceptor (the "West Bank Interceptor"); (ii) principal of and interest on outstanding bonds of the City which will mature and become due during such Fiscal Year and which were issued for construction, expansion and improvement of the West Bank Interceptor; (iii) sales tax revenues withheld for repayment of grants received by the City pursuant to the Water Pollution Abatement Grant Program of the State for construction, expansion and improvement of the West Bank Interceptor; (iv) sales tax revenues withheld for repayment of grants received by the City pursuant to the Water Pollution Abatement Grant Program of the State for construction, expansion and improvement of the City's wastewater treatment facilities; (v) principal of and interest on outstanding bonds of the City which will mature and become due during such Fiscal Year and which were issued for construction, expansion and improvement of the City's wastewater treatment facilities (if such bonds are or have been refunded, recovery will be on a proportionate share of the refunding bonds); and (vi) operation and maintenance expenses of the City's wastewater treatment facilities.

In 2008, the City and Ridgeland entered into an Agreement (the "Ridgeland West Agreement") to provide sewage treatment to an area of Madison County newly annexed by Ridgeland that includes the White Oak Creek drainage basin, the Larue Creek drainage basin, the Hanging Moss Creek Tributaries drainage basin, and the Hanging Moss Creek drainage basin. The Agreement is structured in the same way as the Madison Contract.

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**Sewer Customers.** As of September 30, 2012, the Sewer System had 51,175 customers who delivered 789,281,000 cubic feet annually of wastewater to the City for treatment. Although residential customers accounted for approximately 88% of the System's sewer customers, residential customers delivered only approximately 48% of the total volume of wastewater treated by the System. The balance of the System's sewer customers and sales were primarily commercial.

#### **SEWER CUSTOMERS**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Total</b>
2007	46,763	6,003	52,766
2008	43,260	5,529	48,789
2009	43,106	5,491	48,597
2010	45,421	5,901	51,322
2011	46,047	6,035	52,082
2012	45,199	5,976	51,175

SOURCE: Department of Public Works, City of Jackson; May 2013.

#### **SEWER SYSTEM AVERAGE USAGE PER MONTH (Cubic Feet) (Year Ending September 30)**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Residential	31,669,462	34,370,508	32,134,404	33,959,606	37,232,016
Commercial	34,103,958	33,212,999	32,455,058	30,629,856	31,597,188
Average Total	65,773,419	67,583,587	64,589,462	64,589,462	68,829,204

SOURCE: Department of Public Works, City of Jackson; May 2013.

#### **AVERAGE RESIDENTIAL CONSUMPTION (Cubic Feet) (Bi-monthly Billing Cycle) (Year Ending September 30)**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Cubic Feet	1401	1493	1415	1576	1721
Average Billing	\$30.13	\$31.32	\$30.06	\$31.99	\$34.89

SOURCE: Department of Public Works, City of Jackson; May 2013.

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**Sewer Rates and Charges.** The Council is vested under applicable statutes with the exclusive power and authority to set sewer rates and, in setting such rates, shall not be subject to supervision or regulation by any state bureau, board, commission, or other agency and therefore requires no special franchise or certificate of authority in order to operate its System.

Under the City's present sewer rate ordinance, effective as of January 1, 2011, each customer is charged \$2.15 per 100 cubic feet of metered water consumption when the monthly water consumption is greater than the minimum usage amounts set forth in the following table for a given meter size. From October 8, 2004 to December 31, 2010, the rate was \$2.03/CCF. From October 13, 2001 to October 7, 2004, the rate was \$1.97/CCF, and from December 29, 1998 to October 13, 2001, it was \$1.47/CCF.

Customers outside the corporate City limits are charged the same rates as customers residing within the City limits.

#### **SEWER RATES AND CHARGES**

<b>Meter Size (Inches)</b>	<b>Minimum Usage Cubic Feet Per Month</b>	<b>Minimum Monthly Charge</b>
5/8	300 or less	\$ 6.45
1	670 or less	\$ 14.41
1 ½ or 2	1,510 or less	\$ 32.47
3 or larger	2,710 or less	\$ 58.27

SOURCE: Department of Public Works, City of Jackson; April 2013.

Notwithstanding the foregoing, in order to provide incentives for companies to establish new businesses within the City's corporate boundaries, the City offers new businesses a reduced volumetric sewer charge based on the amount of capital investment made and the number of employees employed by each such new business. The following table shows the amount of capital investment and number of employees required for a new business to achieve a specified percentage reduction in the volumetric sewer charge.

#### **DISCOUNTS FOR NEW BUSINESSES<sup>1</sup>**

<b>Minimum Capital Investment</b>	<b>Minimum Number of Employees</b>	<b>Percentage Reduction in Sewer Charge</b>
\$75 million	75	25%
50 million	50	20
25 million	25	15
10 million	25	10

<sup>1</sup>This discounting applies for any period of time up to a maximum period of 10 years. In addition, the City imposes a sewer service surcharge on wastewater discharges into the System which exceed certain biochemical oxygen demand limits or certain suspended solids limits

SOURCE: Department of Public Works, City of Jackson; April 2013.

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**Largest Customers.** The following table presents information concerning the largest customers of the Sewer System.

**LARGEST CUSTOMERS**  
**(October 1, 2010 - September 30, 2012)**

<u>CUSTOMER NAME</u>	<u>Annual Usage FY 2012 (Cubic Feet Billed)</u>	<u>Volumetric Sales</u>	<u>Percentage Total Annual Usage</u>
University of Mississippi Medical Center	46,907,908	\$1,008,520.02	6.0 %
Mississippi Baptist Hospital	12,381,644	266,205.35	2.0 %
Jackson State University	10,417,306	223,972.08	1.3%
Double G. Coating	10,119,500	217,569.25	1.3%
Par Holdings/Jackson Square Apts	8,525,806	183,304.83	1.1%
Methodist Medical Center	7,372,306	158,504.58	1.0 %
Veteran's Administrative Hospital	6,514,848	140,069.23	1.0 %
St. Dominic Hospital	5,695,283	122,448.58	1.0 %
State Capitol Commission	3,909,761	84,059.86	<1 %
Metro Center	3,266,000	70,219.00	<1 %
One Thousand One Hotel, LLC	3,081,197	66,245.74	<1 %
Griffin Industries	<u>2,590,580</u>	<u>55,697.47</u>	<u>&lt;1 %</u>
	120,782,139	\$2,596,815.99	15.3%

**Federal and State Sewerage Requirements.** Sewerage operations are regulated by the Clean Water Act and Mississippi Air and Water Pollution Control Law. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed in permits issued by the USEPA pursuant to the National Pollutant Discharge Elimination System (the "NPDES") program, a national program established by the Clean Water Act for issuing, revoking, monitoring, and enforcing wastewater discharge permits. The Clean Water Act authorizes the USEPA to delegate the USEPA's NPDES permit responsibilities to state or interstate agencies after certain prerequisites have been met by the relevant agencies. The USEPA has delegated its NPDES authority to the MDEQ, Bureau of Pollution Control (the "Bureau of Pollution Control").

NPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The Clean Water Act requires municipal wastewater treatment plants to meet secondary treatment effluent limitations (as defined in USEPA regulations) and failure to timely meet those limitations may result in certain statutory penalties. The Clean Water Act also requires that municipal plants meet any effluent limitations established by state or federal laws or regulations which are more stringent than secondary treatment effluent limitations. Under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards. For each such body of water, the state is to establish the maximum allowable daily load of certain pollutants identified by the USEPA. The Clean Water Act allows municipalities to apply for extensions of applicable deadlines for secondary or additional treatment.

The State's Bureau of Pollution Control permit board issues state wastewater discharge permits or orders which establish effluent limitations which may be different from the effluent limitations contained in NPDES permits for the same facilities.

## **FUTURE SYSTEM NEEDS**

In March 2013, the City entered into a Consent Decree with the USEPA and the Mississippi Commission on Environmental Quality (the "Consent Decree") which requires upgrades currently expected to cost \$400 million over the next seventeen and a half years. The parties to the Consent Decree have identified three priority projects that require repairs/improvements to the System: (1) repairs to the Savanna Street Plant, (2) repairs to the West Bank Interceptor and (3) repair and replacement to damaged collection lines. The City is required to submit a Financing & Cost Analysis Program by August 31, 2014. For more information about the Consent Decree, SEE "USEPA CONSENT DECREE" herein.

A comprehensive Water and Wastewater System Masterplan (the "1997 Masterplan") commissioned by the City was issued in September, 1997. The 1997 Masterplan addresses present and future needs of the City's System. The 1997 Masterplan indicated an aggregate of \$375,000,000 in capital improvements to the System would be necessary by 2012 to meet anticipated demand and compliance requirements under pertinent federal and State statutes, regulations and administrative orders, to include (i) \$180,000,000 in capital improvements necessary to ensure the adequacy of the City's water production, treatment, transmission and distribution facilities and (ii) \$195,000,000 in capital improvements to meet future wastewater requirements for the City's service area.

Since the issuance of the 1997 Masterplan, the City has underway or completed projects that have addressed the water production, treatment, transmission and some distribution improvements projects totaling approximately \$148,000,000. The City has also completed projects to upgrade the wastewater treatment facilities, identified defects in the collection system and rehabilitated or replaced sections of the collection system, totaling approximately \$76,000,000. These improvements were funded through revenue bonds, State revolving loans, federal grants and System operating revenues.

The City has selected Neel-Schaffer, Inc. to update the 1997 Master Plan for the water system. The update to the master plan has not been finalized and adopted by the City's governing authorities. At this time, the Public Works Department expects to present the Master Plan to the City Council for their consideration in September or October of 2013, which corresponds with FYE 2013 and the beginning of FYE 2014. The updated Master Plan will address the expected needs for the water system for the next 20 years. The updated master plan will assess improvements needed for transmission line replacement and upgrade, distribution line replacement and upgrade, water treatment plant upgrades, implementation of a water asset management program, and a targeted Capitol Complex Project. Currently, the City anticipates spending about \$50 million during the first five years of the updated master plan, primarily to upgrade and replace transmission and distribution lines, to implement a water asset management program. **THE INFORMATION INCLUDED IN THE TABLE "FORECASTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE RATIOS - PROJECTED CASH FLOW ANALYSIS" DOES NOT INCLUDE THE ADDITIONAL \$50 MILLION IN ADDITIONAL WATER ASSET CAPITAL COSTS NOR DOES IT INCLUDE THE ADDITIONAL WASTEWATER ASSET CAPITAL COSTS (OTHER THAN THE 2013 PROJECT) REQUIRED BY THE USEPA CONSENT DECREE.**

## **AGREED ORDERS: MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY; ENVIRONMENT PROTECTION AGENCY**

The Mississippi Commission on Environmental Quality ("MCEQ"), acting through the staff and Executive Director of the Mississippi Department of Environmental Quality ("MDEQ"), found that at various times from March 21, 2009 through August 24, 2009, the City experienced problems that violated certain provisions of its NPDES permit for its Savannah Street Waste Water Treatment Facility (the "SSWWTF") and its associated collection system. MCEQ further found that the City failed to timely submit applications for permit reissuance for certain of its biosolids land application sites. Without admitting or denying these findings, the City and MCEQ agreed to the terms and conditions of Agreed Order No. 5823-10. The City is currently subject to this agreed order with respect to the System.

Agreed Order 5823-10 dated September 10, 2010, and amended October 11, 2010, requires the City to pay a civil penalty in the amount of \$240,000 in four (4) equal installments of \$60,000 on October 15, 2010, February 15, 2012, May 15, 2012, and August 15, 2012. The City has made all of the required installment payments. The order also requires the City:

1. to submit for approval to MDEQ on or before August 31, 2010, a Sewer Overflow Response Plan ("SORP") establishing timely and effective methods and means of (i) responding to, cleaning up, and/or minimizing the impact of all sanitary sewer overflows; (ii) reporting the location, volume, cause, impact, and other pertinent information of all sanitary sewer overflows to the appropriate regulatory agencies; and (iii) notifying the potentially impacted public (which plan has been approved and implemented);
2. to submit for approval to MDEQ on or before August 31, 2010, a written maintenance plan for all pumps in the influent pump station at the "SSWWTF" (which has been approved);
3. to submit for approval to MDEQ on or before August 31, 2010, an engineering study on the City's sludge handling and disposal practices associated with the SSWWTF (which study has been approved);
4. to submit for approval to MDEQ on or before November 30, 2010, a Sludge and Solids Removal Plan that provides for the removal and proper disposal of excess, accumulated sludge/solids from the SSWWTF's storm diversion cells. This Plan was approved by MDEQ and a contractor is currently removing biosolids from the storm diversion cells. This project is on schedule to be completed by April 2014 as required by the Agreed Order. The City is in discussions with MDEQ to permit the removed biosolids, currently being stored onsite, for beneficial uses. Such permission would allow the City to cost-effectively dispose of the removed biosolids offsite by December 2017, as required by the Agreed Order; and
5. to submit for approval to MDEQ on or before November 30, 2010, a Sludge and Solids Removal Plan that provides for the removal and proper disposal of excess, accumulated sludge/solids from the SSWWTF's aeration basins and secondary clarifiers within the SSWWTF. The City successfully completed this approved plan.

Agreed Order No. 5823-10 also requires the City to cease application of biosolids on properties that do not have a current, valid permit under Section II of the Mississippi Nonhazardous Waste Management Regulations and on properties for which the City once held a solid waste management permit for such activities, but did not submit a reissuance application 180 days prior to expiration.

Nothing contained in Agreed Order No. 5823-10 limits the rights of MCEQ to take further enforcement action, including the assessment of monetary penalties, regarding the matters addressed therein in the event of the City's failure or inability to meet its obligations under this Agreed Order, unless a written amendment thereto is executed by the Executive Director of the MDEQ.

The City entered into Agreed Order No. 6005 11 with MCEQ with respect to the Presidential Hills Facility. Under the Agreed Order, the City paid a fine of Twenty-Two Thousand, Five Hundred Dollars (\$22,500.00) for exceeding certain effluent limits during intermittent periods from December 2009 through March 2012. Pursuant to the Agreed Order, the City also timely submitted to MCEQ (1) an engineering report explaining all viable options for returning the Presidential Hills Facility to compliance with its permit, (2) a cost analysis of these options, and (3) the City's selected option and the basis for that selection. The Agreed Order No. 6005 11 imposes interim effluent limits on the Presidential Hills Facility through May 31, 2014 consistent with the capabilities of the Presidential Hills Facility's existing treatment process. Under the Agreed Order No. 6005 11, the City has agreed to be in compliance with the existing permit at the Presidential Hills Facility by May 31, 2014. The Engineering Report with cost analysis of options and the City's selected option has been approved by MDEQ. The City's design engineer for the project has completed the design of the upgrades and construction of those upgrades recently began and are scheduled to be completed as required to meet the May 31, 2014 compliance date in this Agreed Order.

#### **USEPA CONSENT DECREE**

On March 1, 2013, the United States District Court for the Southern District of Mississippi entered a Consent Decree between the City of Jackson, the USEPA and the Mississippi Department of Environmental Quality ("MDEQ"). The Complaint filed on November 21, 2012 by the United States and Mississippi against the City of Jackson in the United States District Court for the Southern District of Mississippi in Case No. 3:12-cv-790, charged the City with violations of the federal Clean Water Act (CWA), permits issued under the National Pollution Discharge Elimination System ("NPDES") of the CWA, and the State of Mississippi Air and Pollution Control Law.

The Consent Decree resolves all of the claims in the complaint, and incorporates the Agreed Orders with MDEQ described above.

The Consent Decree requires the City to develop, submit, finalize and implement plans for the continued improvement of its Wastewater Collection and Transmission System (“WCTS”) and two of the City’s three wastewater treatment plants (“WWTPs”) and to eliminate unauthorized Sanitary Sewer Overflows (“SSOs”) and reporting violations thereof; and to minimize Prohibited Bypasses, in which the Savanna Street WWTP blended treated wastewater with wastewater that had not received primary and/or secondary treatment.

The Consent Decree requires the City to implement specific programs designed to ensure proper management, operation and maintenance of its WCTS. In order to address the problem of wet weather SSOs, the City will develop and implement a comprehensive sewer system assessment and rehabilitation program. The City will also develop and implement a comprehensive performance evaluation and composite correction program to reduce to the greatest extent feasible the bypasses at the Savanna Street WWTP.

The Consent Decree also requires the City to develop and implement numerous sewer system capacity, management, operations and maintenance programs, including a pump station operation and preventive maintenance program, a WWTP operation and maintenance program, and a water quality monitoring program.

The Consent Decree will require the City to implement its plans to upgrade the WCTS over a period of seventeen and one-half years, with a majority of the work being done in the first 11 years. The estimated cost to implement the Consent Decree is \$400 million. The City will pay a total of \$437,916.00 as a civil penalty for its violations, to be paid over a period of 19 months. The City has also agreed to spend \$875,000.00 on a supplemental environmental project to assist low-income homeowners by eliminating illicit stormwater connections and repairing defective private lateral sewer lines.

The Consent Decree is similar to agreements that the USEPA has reached with numerous municipalities across the United States, including Atlanta, Memphis, Knoxville, and Nashville.



**APPENDIX C**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR SEPTEMBER 30, 2012**

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# Comprehensive Annual Financial Report

## For the Year Ended September 30, 2012

Department of Administration  
Finance Division

Mayor Harvey Johnson, Jr.

### CITY OF JACKSON COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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INTRODUCTION SECTION

Department of Administration



200 South President Street  
Post Office Box 17  
Jackson, Mississippi 39203-0017

Harvey Johnson, Jr.  
Mayor of the City of Jackson

May 3, 2013

**Honorable Mayor, Members of the City Council, and  
Citizens of the City of Jackson, Mississippi:**

A requirement of Mississippi law is that local governments annually publish audited financial statements. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2012 for the City of Jackson, MS is submitted herewith.

An unqualified opinion on the financial statements of the City of Jackson, MS has been issued by Banks, Finley & White Co. for the year ended September 30, 2012. The Independent Auditor's Report is included in the front of the financial section of the CAFR. The City of Jackson is also required to have an audit performed in compliance with the Single Audit Act of 1996 regarding grants received from the federal government. The Single Audit report was issued by Banks, Finley & White Co.

The dedicated and professional staff of the Finance Division, Department of Administration, prepared this report in accordance with accounting principles generally accepted in the United States of America (GAAP). We maintain that the data is accurate in all material aspects and is presented in a manner designed to set forth fairly the financial activities of the various funds of the local government. The responsibility for the accuracy of the data and the fairness and completeness of the presentation, including any disclosures necessary to enable the reader to gain an understanding of the fiscal affairs of the City, is entrusted to the administration of the local government. We further assert that the internal controls implemented provide reasonable assurance that the financial statements are free of any material misstatements.

All of the governmental activities and business-type activities of the City of Jackson, MS, as well as the Jackson Redevelopment Authority (JRA) and the Capital City Convention Center Commission (component units of the city) are included in the 2012 CAFR. JRA and the Capital City Convention Center Commission are presented as a proprietary fund type within the CAFR because the City exercises significant oversight responsibility. The approval of JRA's administrative operating costs and appointments to its Board of Commissioners are authorized by the City's governing body. Additionally, JRA accounts for its separate funds and maintains revenues sufficient to meet their operating costs, debt service and system replacement and maintenance needs for their parking garages and other urban renewal projects. The Capital City Convention Center Commission is accountable as a component unit of the City because of its fiscal dependency on the City of Jackson.

Four Proprietary Funds, which provide a variety of services on a fee-for-services basis, are among those funds whose financial operations are included in the CAFR. These Proprietary

Funds are the Water/Sewage Disposal System, Madison Sewage Disposal System, Transportation, and Sanitation and Recycling.

Organizationally, the 2012 CAFR provides information in three major sections: Introductory, Financial, and Statistical. The Introductory Section encompasses the Letter of Transmittal, the Organizational Chart of the Executive Branch of the City of Jackson, MS, and a list of principal elected and appointed officials. The Financial Section consists of the Independent Accountants' Report, the Basic Financial Statements, Notes to the Financial Statements and the various individual fund and account group financial statements and schedules. Additionally, a narrative introduction, overview, and analysis are provided in the form of Management's Discussion and Analysis (MD&A). We recommend that the MD&A on pages 3-11 be carefully examined by the reader to provide a more concise picture of the financial position of the City.

**DESCRIPTION OF CITY OF JACKSON, MS**

**Historical Background**

The City of Jackson, MS was founded in 1821 at the site of a trading post that was situated on a "high and handsome bluff" on the west bank of the Pearl River, which is located in the central region of the state. It is said that the trading post was operated by a French-Canadian trader named Louis LeFleur, who gave the town its original name of LeFleur's Bluff. The Mississippi Legislature wanted the seat of government moved out of the Natchez area and into a more central location. Thomas Hinds, James Patton and William Lattimore were then commissioned to locate the ideal site for the state capital. Their report to the General Assembly was that LeFleur's Bluff had "beautiful and healthful surroundings, good water, abundant timber, navigable waters, and nearness to the Natchez trace." A legislative act dated November 28, 1821 authorized the location to be the permanent seat of government and that it would be named Jackson in honor of Major General Andrew Jackson who later would become the seventh president of the United States. A \$3,500 contract was let to build Mississippi's first capitol, a two-story brick structure 40 feet by 30 feet, where the opening session was held on December 23, 1822. A second capitol building, popularly known as the "Old Capitol," was completed in 1840 and remained in use until 1903. The building, restored in 1961, has become Mississippi's Historical Museum. The New Capitol building, a magnificent structure patterned after the National Capitol, was completed in 1903.

During the Civil War, the town was ravaged and burned three times by Union troops under the command of General William Tecumseh Sherman. The destruction prompted the unwelcome nickname of "Chimneyville." Although less than 8,000 people lived in Jackson at the turn of the century, its population began accelerating rapidly after 1900.

**Jackson Today**

Presently, Jackson has 173,514 citizens within its radius of 113 square miles. Since 1985, the City of Jackson, MS operates under the mayor-council form of government. Prior to 1985, the commission form of government, which included a mayor and two commissioners elected at-large, was in place. Currently, the municipal government is comprised of the mayor, who is elected at large, and seven council members, who are elected by ward. The mayor and council members, who have policy-making and legislative authority, serve four-year terms. The Mayor appoints, and the City Council approves, the Chief Administrative Officer, City Attorney, and

eight department heads. City leaders are committed to ensuring that the municipality has a healthy financial outlook while providing essential services.

A comprehensive range of municipal services including public safety, street maintenance, water, sewer, and sanitation services, social programs, recreation activities, cultural events and general administration are provided to Jackson's citizens. These services are provided in the context of the broad public policy initiatives as determined by the elected officials of Jackson, MS. Youth and Education, Crime Prevention, Public Safety, Neighborhood Enhancement, Economic Development, Changes in City Government, Quality of Life, and Infrastructure and Transportation were the policy initiatives for FY 2012.

The City of Jackson, MS is required to submit its municipal budget on an annual basis to the City Council for adoption on or before the fifteenth day of the last month in the fiscal year. A budget process, linking policy initiatives, services, and available resources, is utilized to develop the budget. As the primary financial planning and control document, the budget provides the foundation for City operations. The budget is crafted to include expenditures by fund: General, Special Revenue, Debt Service, Proprietary, Trust, and Capital; by department: Administration, General Government, Human & Cultural, Parks & Recreation, Police, Fire, Personnel, Public Works, and Planning; and by category: Personal Services, Supplies and Material, Other Services and Charges, and Capital Outlay. General Property Taxes, Licenses and Permits, Fines and Forfeitures, Intergovernmental, Admissions, Fees, Rentals, Interest, Other Revenues, and Operating Transfers are the categories that comprise the revenue budget. During the fiscal year, department heads may transfer resources within a department by following established guidelines. These transfers, along with other budget adjustments, are incorporated into Budget Revisions that must be approved by the City Council. The Executive Branch is afforded the opportunity to submit a maximum of three Budget Revisions to the City Council for approval within the fiscal year.

### ECONOMIC OUTLOOK

The City is the seat of government for the State of Mississippi and home to a diverse economy. In addition to governmental services, major industries located within the city limits or in close proximity include the Nissan auto plant and manufacturers of power, metal fabrication, airplane parts, and machine parts and engines. However due to the national economic downturn, the city, state, and industries alike have been impacted by the national recession. Jackson continues to be the site of the largest financial institutions in the state. Numerous healthcare facilities and health service agencies, including the state's only medical school provide employment to more than 30,090 professionals and staff.

As the population, educational, cultural, medical, and governmental center of the state, the Jackson metropolitan surrounding area has a relatively stable unemployment rate of 7.5 percent with an employed labor force of 250,330. This unemployment rate compares favorably to the state's overall unemployment rate of 9.1 percent. Over the previous years, the unemployment rate has ranged from a high of 8.2 percent to a low of 6.0 percent for 2012.

Jackson, MS, however, is highly dependent upon the public sector as an economic engine. While public sector employment is generally more stable than private sector employment, the spin-off businesses and entrepreneurial opportunities that are needed for sustained growth is not generated at the desired level. Thus, the economic development efforts must look toward business-government partnerships as a part of the solution. Towards that end, Jackson is poised to realize a number of developments of mixed use facilities in the immediate future.

The City has also begun to benefit from a variety of downtown revitalization efforts. These efforts include a recently renovated multi-modal transportation center, completion of a major portion of a parkway project to connect downtown to Jackson State University, and creation of an entertainment district in and around Farish Street, the oldest African American nationally designated historic district. Occupancy in the downtown area is at 85 percent and is expected to remain stable. The high percentage of college-educated residents who reside in Jackson is a positive trend that can further the City's efforts to becoming a dynamic urban center.

The total renovation and completion of the King Edwards Hotel (Hilton Garden) and Class A office space at the Pinnacle building along with the opening of the Standard Life Building as a mixed use facility has generated a resurgence of downtown.

Jackson property owners pay property taxes for county, city, and school totaling \$171.35 per \$1000 of assessed value. The assessment rate is 10 percent for residential property, 15 percent for other real property and 30 percent for personal property. There is no local income tax in Jackson.

### FINANCIAL OUTLOOK

The City's financial stability is evidenced by the general fund reserve, fund balance reserve policy, bond ratings and other fiscal determinants. An Unrestricted General Fund Reserve policy that is within range of the level cited by GFOA recommended practice has been adopted by the City Council. The City's unreserved fund balance amounted to 23 percent of the adopted General Fund operating revenues for FY 12.

The unassigned General Fund balance available for future appropriation is \$26,310,107 million, which includes \$8,675,153 million attributable to the City's General Fund reserve policy. An additional \$4,568,019 million is reserved for inventories and state tort claims.

The City remains an excellent place for investors with ratings of Aa2 on G.O. bonds and Aa3 on Revenue bonds by Moody's and AA- on G.O. bonds and A+ on Revenue bonds by Standard & Poor's.

The estimated ratio of net bonded debt to estimated assessed valuations and the amount of bonded debt per capita in FY 2012 are useful gauges of the City's debt position.

POPULATION:	173,514
BONDED DEBT PER CAPITA:	\$ 703.05
REAL & PERSONAL PROPERTY ASSESSED VALUE:	\$ 1,048,591,521
NET BONDED DEBT (G.O.):	\$ 131,691,624
RATIO OF DEBT TO ASSESSED VALUE:	12.36%

The following charts reflect activities within the Debt Service Fund and Proprietary Funds:

#### BONDS OUTSTANDING

Category	Amount Outstanding Sept. 30, 2012	Amount Outstanding Sept. 30, 2011
General Obligation	\$ 131,290	\$ 131,720
General Obligation Note	402	-
Tax Increment Limited Obligation	6,102	6,541
<b>Bonded Debt</b>	<b>\$ 137,794</b>	<b>\$ 138,261</b>
Revenue Bonds	154,430	148,325
Urban Renewal Bonds - Component Unit	9,865	10,953
<b>Total</b>	<b>\$ 302,089</b>	<b>\$ 297,539</b>

#### PROPRIETARY FUNDS – CHANGES IN NET ASSETS

Net Income (Loss)	2012	2011
Water/Sewage Disposal Fund	\$ (6,530)	\$ 7,562
Madison Sewage Disposal Fund	(36)	10
Transportation Fund	1,476	559
Sanitation and Recycling Fund	342	414
<b>Total Net Income</b>	<b>\$ (4,748)</b>	<b>\$ 8,545</b>

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi employer, cost-sharing pension plan and an agent multi employer pension plan. Substantially, the City of Jackson full-time employees participate in the multi employer cost-sharing pension plan. Benefit and contribution provisions are established by state law and may be amended only by the State of Mississippi Legislature. The employer and employees' contributions represented 14.26% and 9.00% of covered payroll, respectively.

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$8,137,831 and employee benefit costs were \$14,722,224 during fiscal year 2012. The City's General fund appropriated \$6,629,160 to the Employees' Group Benefit fund.

#### FINANCIAL POLICIES

There are several distinct policies that provide the framework for the financial operations of the City. One such policy is the commitment to conservatism by the Executive Branch in projecting its annual revenues. This policy provides a safeguard to drastic reductions in a given budget cycle in the event of under budgeted or unbudgeted costs. The City of Jackson, MS also has a policy to carefully allocate one time revenues such that operating expenses are not increased.

#### SELECT RECOGNITIONS

Recognized as one of the 10 best places to live in America for under \$40,000/year by U.S. News and World Report.

Selected as one of the top 100 Metro Economies in America by U.S. Conference of Mayors.

Recognized as one of 100 Best Communities for young people by American Promise Alliance and ING.

#### Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awards a Certificate of Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report (CAFR) that meets the GFOA standards. GFOA awarded a Certificate of Excellence to the City in 2011 for its CAFR. A Certificate of Achievement is valid for one year only. The City's management believes that its 2012 CAFR confirms to the Certificate of Achievement program requirement and therefore will submit it for review.



## FUTURE INITIATIVES

The Construction and development of a Convention Center Hotel remains a top priority for the City of Jackson. It is expected that many developers will respond to the Request for Proposals and once the hotel is developed will employ 300 persons within the hotel and restaurant.

Farish Street Entertainment District is being developed as a tourist destination that will have 14 restaurants and clubs in phase one. These venues will provide live music, food and opportunities for local talent to perform. The number of jobs is estimated at 600.

The 21 acre property, centrally located off of I-55, known as the Old Mississippi School for The Blind has been acquired and is the site for the District at Eastover Development which is proposed to include a 100,000 square foot office building, an 80-120 room hotel, a 45,000 square-foot grocer, a restaurant, 125,000 square feet of retail, 120,000 square feet of residential units, and a four screen movie theater.

The Landmark Health Care Facility development is nearing completion and will be a state of the art five story medical office complex with medical offices and retail outlets located on State Street.

Growth along the Mississippi Healthcare Corridor (Woodrow Wilson Drive) is expected in the coming years with University of Mississippi Medical Center having hired 1,800 employees over the last 18 months.

The Highway 80 initiative plans for a cooperative effort amongst many different groups. The City of Jackson has relocated 300 City employees to the Metro Center Mall to create an impetus for other businesses to locate within that area. The Jackson Redevelopment Authority has designated the Highway 80 Corridor as an Urban Renewal Area and has shown different sites to developers for future development.

The construction of the Iron Horse/Live Music Venue/Catering business will occupy an estimated 10,000 square feet, with the Mississippi Music Experience Museum in 4,000 square feet, and the Headquarters for the Mississippi Blues Trail in the remaining 1,000-2,000 square feet.

The development of JSU's proposed 50,000 seat Domed Stadium with the potential to redevelop the gateway from JSU to Downtown. This is a \$200 million dollar development.

The adaptive re-use of historic structures called "Capitol Lofts" will create 31 units of artist housing, community areas, and art gallery/studio space. This development is located across the street from the successful King Edward/Standard Life Mixed-Use Project and will further the revitalization of the western end of Downtown Jackson. Capitol Art Loft, LLC is a Joint Venture between HRI Properties and Black White Development.

The Midtown development foundation has created new infill housing and retail development. The project has created a new sense of community focusing on the arts as a means to energize the area. By partnering with Millsap's college, the continued growth of this community is promising.

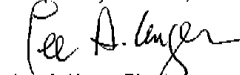
## ACKNOWLEDGMENTS

The staff of the Department of Administration, and specifically, the Finance Division, has my appreciation for their dedication and diligence in the preparation of this report. Other departments and divisions of the city have also contributed directly or indirectly to the report. We would like to express our appreciation to all who assisted in this effort.

We acknowledge the thorough, professional, and timely manner in which our independent auditors, Banks, Finley, White, & Co., conducted the audit.

Finally we acknowledge the Mayor and City Council members for their consistent support of the city's goal of excellence in all aspects of financial management. Their support is immensely appreciated.

Respectfully submitted,



Lee A. Unger, Director  
Department of Administration

Presented to

City of Jackson  
Mississippi

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



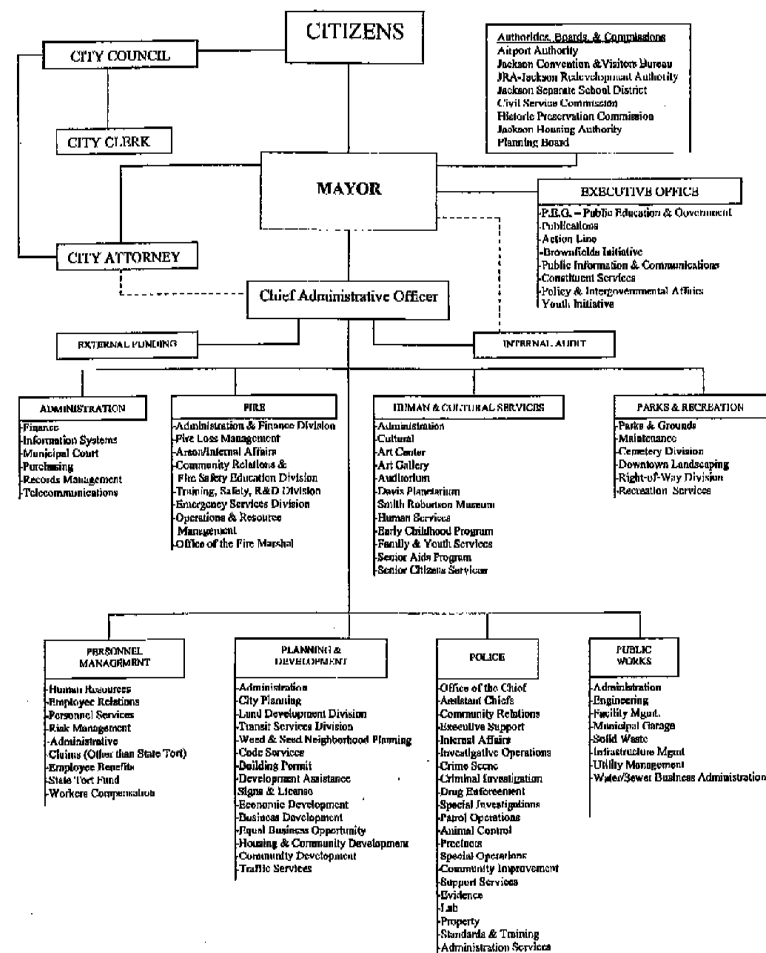
Christopher P. Moirrell

President

Jeffrey R. Evers

Executive Director

## CITY OF JACKSON ORGANIZATIONAL CHART



**CITY OF JACKSON  
MAYOR, CITY COUNCIL AND CITY OFFICIALS  
SEPTEMBER 30, 2012**

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**EXECUTIVE**

Harvey Johnson, Jr  
MAYOR

**LEGISLATIVE**

**CITY COUNCIL**

Quentin Whitwell  
Ward 1

Chokwe Lumumba  
Ward 2

Larita Stokes  
Ward 3

Frank Bluntson  
Ward 4

C-9 Charles Tillman  
Ward 5  
Vice-President of Council

Tony Yarber  
Ward 6  
President of Council

Margaret C. Barrett-Simon  
Ward 7

**EXECUTIVE BRANCH**

Scan Perkins  
Chief of Staff

Brenda Pree  
City Clerk

Chief of Police  
Fire Chief  
Director of Public Works  
Director of Planning and Development  
Director of Human and Cultural Services  
Director of Parks and Recreation  
Interim Director of Personnel Management  
Director of Administration  
Director of Action Line  
Director of Internal Audit  
City Attorney

Rebecca J. Coleman  
Raymond McNulty  
Dan Gaillet  
Bennie Hopkins  
Michael Raff  
A. C. Jimerson  
Denise McKay  
Lee A. Unger  
Andy Boone  
Norby Harris  
Pieter Teeuwissen



## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Harvey Johnson, Jr.  
and Honorable Members of the City Council  
City of Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Jackson, Mississippi (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City of Jackson, Mississippi, management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the City of Jackson, Mississippi, as follows: Jackson Redevelopment Authority and Capital City Convention Center Commission which statements reflect assets and revenues of 22.04 percent and 12.08 percent, respectively, of the business-type activities funds. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the respective financial statements referred to above present fairly, in all material respect, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jackson, Mississippi, as of September 30, 2012, and the respective changes in financial position, cash flows and, the respective budgetary comparison for the General Fund, the Federal Grant Special Revenue Fund, and the Capital Project Improvement fund, where applicable, 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 May 3, 2013 on our consideration of the City of Jackson, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government*

*Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison information on pages 3 through 11 and 81 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson, Mississippi's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital assets schedules and statistical section are presented for purposes of additional analysis and are not a required part of the 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 State, Local Governments, and Non-Profits Organizations*, and is also not a required part of the basic financial statements of the City of Jackson, Mississippi. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all materials respects in relations to the financial statements taken as a whole. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Banks, Finley, White & Co.*  
BANKS, FINLEY, WHITE & CO.

Jackson, Mississippi  
May 3, 2013

## CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Jackson, we offer readers of the City of Jackson's financial statements this narrative overview and analysis of the financial activities of the City of Jackson for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - viii of this report.

### Financial Highlights

- The assets of the City of Jackson exceeded its liabilities at the close of the most recent fiscal year by \$419 million (*net assets*). Of this amount, there is \$32 million in unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by (\$5.2) million.
- As of the close of the current fiscal year, the City of Jackson's governmental funds reported *combined* ending fund balances of \$49.7 million, a decrease of (\$6.8) million in comparison with the prior year. Approximately fifty-three (53) percent of this total amount is \$26.3 million (unassigned) and is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year unassigned fund balance for the general fund was \$26.3 million, or twenty-six (26) percent of total general fund expenditures.
- The City of Jackson's total debt increased by \$3.4 million (1.0 percent) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Jackson's basic financial statements. The City of Jackson'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 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 City of Jackson's finances, in a manner similar to a private-sector business.

The statement of *net assets* presents information on all of the City of Jackson'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 City of Jackson is improving or deteriorating.

The statement of *activities* presents information showing how the government'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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Jackson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Jackson include general government, public safety, public works, human & cultural services, employee benefits, and interest on long term debt. The business-type activities of the City of Jackson include water/sewer, transportation and sanitation.

The government-wide financial statements include the City of Jackson itself (known as the *primary government*), and a legally separate redevelopment authority and Capital City Convention Center Commission for which the City of Jackson is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government wide financial statements can be found on pages 12-13 of this report.

**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 City of Jackson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jackson can be divided into two categories: governmental funds and proprietary 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 near-term inflows and outflows of 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 a government's near-term financing requirements.

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 government's near-term 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.

The City of Jackson maintains sixteen (16) individual governmental funds. 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 the General Fund, Federal Grant Fund, Debt Service Fund, Improvement Fund, 1998 General Obligation Bond Fund, 2003 General Obligation Bond Fund, 2006 General Obligation Bond Fund, and 2009 General Obligation Bond Fund, all of which are considered to be major funds. Data from the other eight (8) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Jackson adopts an annual budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14-25 of this report.

**Proprietary funds.** The City of Jackson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Jackson uses enterprise funds to account for its Water/Sewage Disposal System Fund, Madison Sewage Disposal System Funds, Transportation Fund and Sanitation Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Jackson's various functions. The City of Jackson uses an Internal Service Fund to account for its Employee Group Health Benefit Fund. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewage Disposal System Fund and Sanitation Fund, both of which are considered to be major funds of the City of Jackson. Data from the other two (2) proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report. The Internal Service Fund is presented in the Proprietary Fund financial statements as governmental activities.

The basic proprietary fund financial statements can be found on pages 26-30 of this report.

**Fiduciary funds.** Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The function of the City's principal trust fund is discussed in Note 6.A.2. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The purpose of the City's Agency Funds is to collect and remit to the related organizations the proceeds of a special sales tax received from the State.

The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Notes to the financial statements.** The notes provide additional information that is essential to 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 33-80 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 City of Jackson's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 81 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major proprietary funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 82-102 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$419 million at the close of September 30, 2012.

By far the largest portion of the City of Jackson's net assets (89 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Jackson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Jackson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Jackson's Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 147,968	\$ 150,069	\$ 91,768	\$ 90,556	\$ 239,737	\$ 240,625
Capital assets	281,238	286,152	358,491	350,561	639,729	637,016
Total assets	429,206	436,221	450,260	441,117	879,466	877,901
Long-term liabilities outstanding	180,507	183,589	174,841	167,373	355,348	350,962
Other Liabilities	97,438	91,525	17,951	11,511	115,389	103,036
Total Liabilities	277,945	275,114	192,792	178,884	470,737	453,898
Net assets:						
Invested in capital assets, net of related debt	187,510	180,357	184,165	183,735	371,675	364,092
Restricted	15,041	17,468	-	-	15,041	17,468
Unrestricted	(41,240)	(36,100)	73,303	76,501	32,063	42,401
Total net assets	\$ 161,211	\$ 161,725	\$ 257,489	\$ 260,236	\$ 418,749	\$ 424,362

The City of Jackson's total net assets decreased by \$5.2 million during the current fiscal year.

**Governmental activities.** Governmental activities decreased the City of Jackson's net assets by \$5 million.

**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

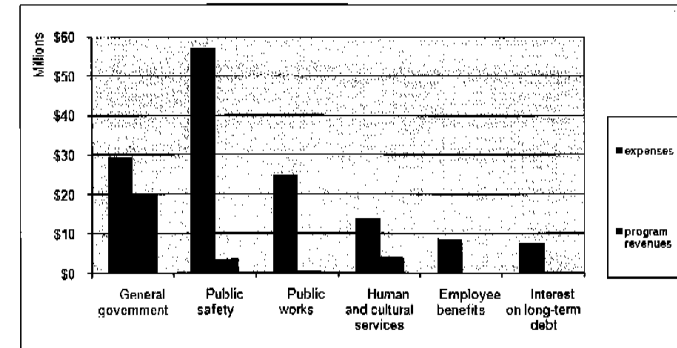
City of Jackson's Changes in Net Assets (amounts expressed in thousands)					
	Governmental Activities		Business-type Activities		Total
	2012	2011	2012	2011	2012 2011
<b>Revenues:</b>					
Program revenues:					
Charges for services	\$ 16,954	\$ 14,078	\$ 80,561	\$ 59,680	\$ 77,515 \$ 73,858
Operating grants and contributions	10,114	11,570	631	706	10,745 12,276
Capital grants and contributions	1,970	5,025	2,644	2,566	4,614 7,593
<b>General revenues:</b>					
Property taxes	74,856	68,108	-	-	74,856 68,108
Sales taxes	32,701	31,656	-	-	32,701 31,656
Franchise taxes	5,218	7,878	-	-	5,218 7,878
Other	843	630	501	1,841	1,344 2,671
<b>Total revenues</b>	<b>145,650</b>	<b>139,143</b>	<b>84,537</b>	<b>64,095</b>	<b>210,183 203,838</b>
<b>Expenses:</b>					
General government	28,456	29,312	-	-	28,456 29,312
Public safety	57,055	59,189	-	-	57,055 59,189
Public works	24,721	21,774	-	-	24,721 21,774
Human and cultural services	13,756	16,011	-	-	13,756 16,011
Employee benefits	8,685	8,625	-	-	8,685 8,625
Interest on long-term debt	7,448	5,864	-	-	7,448 5,864
Water/Sewer	-	-	55,347	41,785	55,347 41,785
Nonmajor	-	-	7,044	8,764	7,044 8,764
Sanitation	-	-	11,894	11,156	11,894 11,156
<b>Total expenses</b>	<b>141,121</b>	<b>140,752</b>	<b>74,285</b>	<b>61,715</b>	<b>215,406 202,467</b>
Increase in net assets before transfers	4,529	(1,609)	(9,748)	2,380	(5,213) 1,371
Transfers	(5,000)	(10,232)	5,000	5,364	- (4,868)
<b>Increase in net assets</b>	<b>(465)</b>	<b>(11,841)</b>	<b>(4,748)</b>	<b>8,544</b>	<b>(5,213) (3,287)</b>
Net assets - October 1, 2011	161,726	172,875	262,236	253,692	423,962 426,567
Prior year adjustment	-	692	-	-	- 692
<b>Net assets - September 30, 2012</b>	<b>\$ 161,261</b>	<b>\$ 161,728</b>	<b>\$ 257,488</b>	<b>\$ 262,236</b>	<b>\$ 418,749 \$ 423,962</b>

In FY 2007, the City issued \$65 million in General Obligation Bonds on behalf of the Capital City Convention Center Commission to construct the Convention Center. A special sales tax levy was established to pay the debt service for the bonds. The bonds couldn't be issued as revenue bonds because of the uncertainty of the sales tax collections; therefore, the bonds were issued as GO Bonds of the City with full, faith and credit of the City. The asset (the Convention Center facility) is the property of the Capital City Convention Commission and recorded on the books of the Commission, but the liability (the bonds to construct the Convention Center) is on the books of the City.

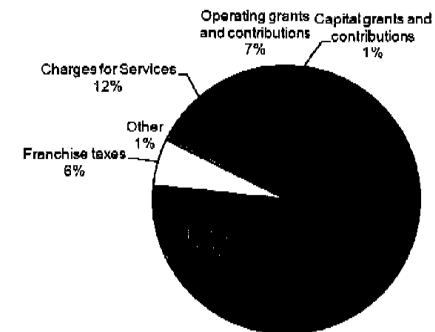
In prior years, the City had not presented the asset resulting from the 1997 contribution of bond proceeds to fund the actuarial accrued liability for the MRS plan. In 2007, pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the City calculated its net pension obligation. In adopting GASB Statement No. 27, the City has increased net assets – beginning of year in the government wide financial statements of governmental activities by \$25.6 million to recognize the net pension asset calculated under GASB Statement No. 27.

**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Expenses and Program Revenues – Governmental Activities**



**Revenues by source – Governmental Activities**



**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis of the Government's Funds**

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

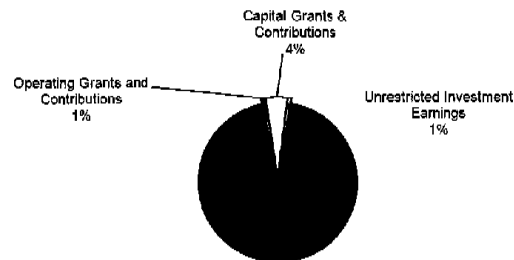
**Governmental funds.** The focus of the City of Jackson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Jackson's financing requirements. In particular, unreserved fund balance may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

**Business-type activities.** Business-type activities decreased the City of Jackson's net assets by (\$4.7) million. This decrease is primarily in the Water Sewer fund.

**Expenses and Program Revenues—Business—Type Activities**



**Revenues by Source- Business – Type Activities**



**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As of the end of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$49.7 million, a decrease of (\$6.8) million in comparison with the prior year. Fifty-three (53) percent of this total amount is \$26.3 million which is available for spending at the government's discretion (*unassigned*). The remainder of fund balance is as follows:

- **Nonspendable** - \$2,159,625 is designated for inventories.
- **Restricted** - \$658,112 is designated for public safety.
- **Committed** - \$4,789,276 is designated for state tort claims, capital outlay, and other restricted purposes.
- **Assigned** - \$48,733 is designated for cafeteria flexible spending.

The general fund is the chief operating fund of the City of Jackson. At the end of the current fiscal year, unassigned fund balance of the general fund was \$26.3 million, while total fund balance reached \$34 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

During the current fiscal year, the fund balance of the City of Jackson's general fund increased by \$839,246. The decrease in fund balance for the federal grant fund (\$47,241) is for a variety of restricted purposes. The debt service fund has a total fund balance increase of \$499,287 which is partially revenue from property taxes and the payment of debt. The decrease in fund balance for the improvement fund (\$5,444,475) is to liquidate contracts and purchase orders. The reduction in fund balance for the 1998 GO Bond (\$130,022) and the decrease in fund balance for the 2003 GO Bond (\$1,213,007) is the natural spend down of bond proceeds. The reduction in fund balance for the 2006 GO Bond (\$4,362) is for the construction of the Capital City Convention Center. The 2009 GO Bond had a fund balance decrease of (\$1,703,080) due to indebtedness incurred during the year.

The debt service fund has a total fund balance of \$2.3 million, all of which is reserved for the payment of debt service.

**Proprietary funds.** The City of Jackson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water/Sewage Disposal System Fund at the end of the year amounted to \$69 million. The decrease in net assets for the Water/Sewage Disposal System Fund was (\$6.5) million.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget expenditures were \$6.5 million increase and can be briefly summarized as follows:

- \$2.9 million increase in capital outlay
- \$.5 million decrease in contract services and charges
- \$2.9 million increase in personnel services
- \$.2 million increase in supplies and materials

Significant budgetary expenditure variances between the final amended budget and actual results are as follows:

- Actual personnel services for all city departments was \$6.6 million less than the final budget.
- Actual capital outlay for all city departments was \$1.2 million less than the final budget.
- Actual contractual services and charges throughout all city departments was \$5.1 million less than the final budget.
- Actual supplies and materials for all city departments was \$1.7 million less than the final budget.



**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Asset and Debt Administration**

**Capital assets.** The City of Jackson's investment in capital assets for its governmental and business type activities as of September 30, 2012, amounts to \$650 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the City of Jackson's investment in capital assets for the current fiscal year was 2% (a 1% increase for governmental activities and a 1% increase in business activities).

Major capital asset events during the current fiscal year included the following:

- The increase in total net assets was the continued expenditure of prior bond issue proceeds for expansion and replacement of infrastructure.

City of Jackson's Capital Assets (net of depreciation) (amounts expressed in thousands)					
	Governmental Activities		Business-type Activities		Total
	2012	2011	2012	2011	
Land	\$ 14,500	\$ 14,527	\$ 1,838	\$ 1,838	\$ 16,338
Building & systems	55,890	57,371	40,375	43,043	96,265
Machinery and equipment	11,965	11,886	16,373	16,022	28,338
Infrastructure	114,907	118,599	141,365	146,556	256,272
Construction in progress	93,866	84,079	158,540	143,108	252,526
<b>Total</b>	<b>\$ 291,238</b>	<b>\$ 286,452</b>	<b>\$ 358,491</b>	<b>\$ 350,564</b>	<b>\$ 649,729</b>

Additional information on the City of Jackson's capital assets can be found in Note 4 on pages 53-55 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Jackson had total bonded debt outstanding of \$292 million. Of this amount, \$137 million comprises debt backed by the full faith and credit of the City. The remainder of the City of Jackson's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Jackson's Outstanding Debt General Obligation and Revenue Bonds and Other Loans (amounts expressed in thousands)					
	Governmental Activities		Business-type Activities		Total
	2012	2011	2012	2011	
General obligation bonds	\$ 131,290	\$ 131,720	\$ -	\$ -	\$ 131,290
Revenue bonds	-	-	154,430	148,325	154,430
Tax increment bonds	6,102	6,541	-	-	6,102
Special obligation bonds	-	-	-	-	-
Loans, notes and leases	27,683	28,838	15,847	18,557	43,530
<b>Total</b>	<b>\$ 165,075</b>	<b>\$ 167,099</b>	<b>\$ 170,277</b>	<b>\$ 166,882</b>	<b>\$ 335,352</b>

The City of Jackson's total debt increased by \$3.4 million during the current fiscal year.

**CITY OF JACKSON, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The bond ratings services from Standard & Poor's and Moody's establish that bonds marketed by the City have favorable investment qualities. Presently, the city has the following ratings:

	Moody's	Standard & Poor's
Revenue	Aa3	A+
General Obligation Bonds	Aa2	AA-
Urban Renewal Revenue Bonds	Aa3	A

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent and 20 percent of its total assessed valuation. The current debt limitation for the City of Jackson under the 15% rule is \$100 million in excess of the City of Jackson's outstanding general obligation debt.

Additional information on the City of Jackson's long-term debt can be found in Note 4 on pages 58-68 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Major revenues sources are expected to remain basically at existing levels.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Jackson's budget for the 2013 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased \$1.5 million.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Jackson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Administration, Office of the Director, P.O. Box 17, Jackson, MS, 39205-0017.

BASIC FINANCIAL  
STATEMENTS

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City of Jackson  
Statement of Net Assets  
As of September 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Jackson Redevelopment Authority	Capital City Convention Center Commission
<b>ASSETS</b>					
Cash and cash equivalents	\$ 49,110,633	\$ 15,622,149	\$ 64,732,782	\$ 1,185,209	\$ 2,422,753
Accounts receivable, net	110,755	29,758,066	29,868,821	-	-
Other receivables	75,237,115	1,351,318	76,588,433	1,420,430	1,378,997
Intergovernmental receivable	7,358,546	663,377	8,021,923	-	-
Internal balances	2,928,944	(2,928,944)	-	-	-
Inventories	2,159,625	1,843,378	4,003,003	-	54,497
Prepaid Expenses	-	-	-	1,934	35,245
Net pension asset	15,785,086	-	15,785,086	-	-
Restricted assets:					
Cash and cash equivalents	-	41,226,329	41,226,329	319,237	1,525,801
Investments	-	2,000,000	2,000,000	-	500,000
Deferred charges	257,230	2,252,574	2,509,804	-	-
Capital assets:					
Land	14,500,351	1,837,999	16,338,350	4,538,425	5,792,683
Buildings	55,880,289	40,375,508	96,255,797	30,853,981	70,694,853
Automotive and equipment	11,964,028	16,373,296	28,337,324	149,462	4,502,351
Infrastructure	114,907,983	141,364,851	256,272,834	-	-
Construction in Progress	93,985,876	158,519,620	252,505,496	-	-
Property held for development	-	-	-	1,913,270	-
<b>Total assets</b>	<b>439,206,161</b>	<b>450,280,121</b>	<b>889,486,282</b>	<b>40,391,948</b>	<b>86,907,370</b>
<b>LIABILITIES</b>					
Liabilities:					
Accounts Payable	7,798,359	10,411,063	18,210,022	80,140	405,183
Accrued interest payable	731,959	598,095	1,289,154	145,577	-
Unearned revenue	67,832,034	-	67,832,934	-	242,749
Other liabilities	3,212,342	4,264,804	7,477,146	22,682	201,887
Noncurrent liabilities:					
Net other postemployment benefits	17,862,756	2,716,243	20,578,999	-	-
Due within one year	13,773,000	8,133,000	21,906,000	465,000	-
Due in more than one year	165,734,386	166,708,097	332,442,483	9,400,251	-
<b>Total liabilities</b>	<b>277,944,816</b>	<b>192,791,002</b>	<b>470,736,738</b>	<b>10,113,650</b>	<b>847,789</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	187,510,540	184,185,153	371,695,693	27,781,380	80,989,887
Restricted for:					
Debt service	2,331,343	-	2,331,343	8,510	-
Capital projects	9,985,238	-	9,985,238	219,486	-
Office purposes	2,408,394	-	2,408,394	-	-
Capital City Convention Center	315,627	-	315,627	-	2,025,891
Unrestricted	(41,289,817)	73,303,066	32,013,249	2,268,922	3,043,703
<b>Total net assets</b>	<b>\$ 161,261,325</b>	<b>\$ 257,489,219</b>	<b>\$ 418,749,544</b>	<b>\$ 30,278,298</b>	<b>\$ 86,959,481</b>

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

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City of Jackson  
Statement of Activities  
For the year ended September 30, 2012

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Operating		Capital		Primary Government			Component Unit
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	Jackson Redevelopment Authority Capital City Convention Center Commission
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 29,455,779	\$ 15,018,756	\$ 4,554,654	\$ -	\$ (9,882,369)	\$ -	\$ (9,882,369)	\$ -
Public safety	57,855,459	798,061	2,552,776	956,878	(52,747,744)	-	(52,747,744)	-
Public works	24,720,678	232,714	40,146	1,013,346	(23,414,572)	-	(23,414,572)	-
Human and cultural services	13,755,780	884,620	2,966,078	-	(9,905,082)	-	(9,905,082)	-
Employee benefits	8,684,681	-	-	-	(8,684,681)	-	(8,684,681)	-
Interest on long-term debt	7,448,173	-	-	-	(7,448,173)	-	(7,448,173)	-
Total governmental activities	141,120,550	16,954,151	10,113,654	1,970,124	(112,082,621)	-	(112,082,621)	-
Business-type activities:								
Water/Sewer	55,347,342	47,966,053	51,029	-	-	(7,330,260)	(7,330,260)	-
Transportation	6,970,599	588,629	480,000	2,731,398	-	(3,170,572)	(3,170,572)	-
Mudison Sewage	73,937	-	370	-	-	(73,567)	(73,567)	-
Sanitation	11,893,882	12,006,853	99,267	112,320	-	324,558	324,558	-
Total business-type activities	74,285,760	60,561,535	630,666	2,843,718	-	(10,249,841)	(10,249,841)	-
Total primary government	\$ 215,406,310	\$ 77,515,686	\$ 10,744,320	\$ 4,813,842	\$ (112,082,621)	\$ (10,249,841)	\$ (122,332,462)	\$ -
<b>Component units:</b>								
Jackson Redevelopment Authority	\$ 2,598,726	\$ 1,087,878	\$ 706,926	\$ 674,898	\$ -	\$ -	\$ -	\$ (129,052)
Capital City Convention Center Commission	9,838,774	2,382,869	150,000	-	-	-	-	(7,605,905)
Total component units	\$ 12,537,528	\$ 3,470,747	\$ 856,926	\$ 674,898	\$ -	\$ -	\$ -	\$ (7,605,905)
<b>General revenues:</b>								
Property taxes					74,855,502	-	74,855,502	-
Sales taxes					32,701,489	-	32,701,489	-
Franchise taxes					8,218,059	-	8,218,059	-
Unrestricted investment earnings					395,489	471,979	867,468	43,375
Gain (loss) on sale of capital assets					165,818	29,570	195,388	-
Miscellaneous					281,593	-	281,593	-
Transfers					(5,000,466)	5,000,466	-	-
Total general revenues and transfers					111,617,484	5,502,015	117,119,499	43,375
Change in net assets					(465,137)	(4,747,826)	(5,212,963)	(85,677)
Net assets - beginning					161,726,462	262,236,045	423,962,507	30,363,975
Net assets - ending					\$ 161,261,325	\$ 257,488,219	\$ 418,749,544	\$ 29,778,298

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

City of Jackson Balance Sheet Governmental Funds As of September 30, 2012									
	General Fund	Federal Grant	Debt Service	Improvement Fund	1998 GO Bond	2003 GO Bond	2006 GO Bond	2009 GO Bond	Total Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$29,547,092	\$ 1,571,943	\$ 2,497,375	\$ 2,268,334	\$ 365,223	\$ 4,456,119	\$ 315,627	\$ 4,559,584	\$ 48,750,653
Accounts receivable, net	-	-	-	-	-	55,403	-	-	55,403
Other receivable	61,496,803	13,501	3,552,024	-	-	-	-	-	73,163,453
Intergovernmental receivable	333,139	1,471,772	-	26,417	-	527,218	-	-	2,358,546
Deferred charges	-	-	-	549	-	-	-	-	549
Special assessment receivable	-	-	99,977	-	-	-	-	-	99,977
Due from other funds	3,142,444	-	-	-	-	-	-	-	3,142,444
Inventory	2,159,625	-	-	-	-	-	-	-	2,159,625
Total assets	\$96,679,103	\$ 3,057,216	\$ 6,149,376	\$ 2,295,300	\$ 365,223	\$ 5,038,740	\$ 315,627	\$ 4,559,584	\$ 129,730,650
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 2,153,188	\$ 221,129	\$ 166,032	\$ 266,050	\$ -	\$ -	\$ -	\$ 184,512	\$ 3,694,613
Contracts and Retainage Payable	227,340	703,814	-	256,447	-	1,845,485	-	134,201	3,208,324
Due to other funds	-	213,500	-	-	-	-	-	-	213,500
Deferred revenue	57,686,510	251,558	3,652,001	-	-	-	-	-	69,788,401
Other liabilities	2,646,212	1,270	-	380,984	-	-	-	-	3,212,342
Total liabilities	62,713,250	1,521,271	3,818,033	903,481	-	1,845,485	-	318,813	80,022,180
<b>Fund Balances:</b>									
Nonspendable	2,159,625	-	-	-	-	-	-	-	2,159,625
Restricted	658,112	1,535,945	2,331,343	-	-	-	-	-	4,703,045
Committed	4,789,276	-	-	1,391,819	365,223	3,193,255	315,627	4,240,771	16,481,960
Assigned	48,733	-	-	-	-	-	-	-	48,733
Unassigned	26,310,102	-	-	-	-	-	-	-	26,310,102
Total fund balances	33,965,953	1,535,945	2,331,343	1,391,819	365,223	3,193,255	315,627	4,240,771	49,703,470
Total liabilities and fund balances	\$96,679,103	\$ 3,057,216	\$ 6,149,376	\$ 2,295,300	\$ 365,223	\$ 5,038,740	\$ 315,627	\$ 4,559,584	\$ 129,730,650

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

**City of Jackson**  
**Reconciliation of Balance Sheet - Governmental Funds**  
**To the Statement of Net Assets**  
**September 30, 2012**

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Amount reported for governmental activities in the statement  
of net assets are different because:

Total fund balances - governmental funds	\$ 49,703,470
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	291,238,227
Net pension assets recorded in governmental activities that are not a financial resource and therefore are not reported in the governmental funds	15,785,086
Internal service fund is used to account for the group benefit plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	(620,714)
Receivable recognized on the full accrual basis for the government-wide statements but not on the fund statements	2,073,662
Revenues that were earned but unavailable to the city and recorded as unearned in the fund statements	1,925,467
Net other postemployment benefit recorded in governmental activities that are not a financial resource and therefore are not reported in the governmental funds	(17,862,756)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and loans payable, net of refunding gains, premium and discounts	(152,228,427)
Deferred bond issuance costs	257,230
Accrued interest on long-term debt	(731,059)
Capital leases	(17,057,853)
Compensated absences	(4,676,113)
Claims payable	(2,068,822)
Workers' Compensation Benefits	(4,476,073)
Net assets of governmental activities	\$ <u>161,261,325</u>

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

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City of Jackson  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2012

	General Fund	Federal Grant	Debt Service	Improvement Fund	1998 GO Bond	2003 GO Bond	2006 GO Bond	2009 GO Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>										
General property taxes	\$ 55,855,472	\$ -	\$ 3,927,626	\$ 1,032,534	\$ -	\$ -	\$ -	\$ -	\$ 9,071,576	\$ 69,887,208
Licenses and permits	2,676,422	-	-	-	-	-	-	-	-	2,676,422
Intergovernmental	36,865,806	11,157,449	107,236	52,718	-	945,897	-	-	592,020	49,721,126
Fines and forfeitures	4,165,519	-	-	-	-	-	-	-	-	4,165,519
Special assessments	-	-	5,736	-	-	-	-	-	-	5,736
Admissions, fees, rentals and concessions	3,385,094	-	-	-	-	-	-	-	306,723	3,691,817
Interest	211,363	7,642	27,600	29,497	3,565	36,006	2,638	45,199	31,879	396,489
Other	12,334,824	300,750	3,825,936	18,450	-	-	-	-	80,379	16,560,339
Total revenues	115,495,200	11,465,841	7,894,134	1,133,299	3,565	981,903	2,638	45,199	10,083,577	147,104,356
<b>EXPENDITURES</b>										
<b>Current:</b>										
General government	26,978,493	2,290,850	-	-	-	-	-	-	-	29,269,343
Public safety	56,629,238	343,801	-	-	-	-	-	-	61,869	57,034,928
Public works	12,293,412	1,670,921	-	6,495,227	133,587	2,194,910	7,000	1,748,279	154,747	24,698,083
Planning and Development	-	3,733,093	-	80,048	-	-	-	-	-	3,813,141
Human and Cultural services	4,130,221	3,820,054	-	-	-	-	-	-	398,537	8,348,812
Employee benefits	1,752,802	-	-	-	-	-	-	-	6,931,879	8,684,681
<b>Debt Service:</b>										
Principal	-	-	872,868	-	-	-	-	-	-	872,868
Interest and service charges	-	46,550	6,528,755	-	-	-	-	-	-	6,575,305
<b>Capital outlay:</b>										
Public works	-	4,289	-	-	-	-	-	127,534	59,375	191,198
Public safety	-	438,745	-	2,499	-	-	-	-	91,270	532,514
Human and Cultural services	-	77,005	-	-	-	-	-	-	5,837,120	5,904,125
Total expenditures	101,784,136	12,445,308	7,401,625	6,577,774	133,587	2,194,910	7,000	1,875,813	13,524,797	145,944,998
Excess (deficiency) of revenues over (under) expenditures	13,711,014	(979,467)	492,511	(5,444,475)	(130,022)	(1,213,007)	(4,362)	(1,830,614)	(3,442,220)	1,159,358
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	879	932,222	6,756	-	-	-	-	127,534	3,745,689	4,813,080
Transfers out	(16,073,593)	-	-	-	-	-	-	-	(368,933)	(16,442,526)
Proceeds from capitalized leases	3,035,128	-	-	-	-	-	-	-	63,448	3,098,576
Proceeds of long term debt	-	-	-	-	-	-	-	-	401,624	401,624
Sale of capital assets	165,818	-	-	-	-	-	-	-	-	165,818
Total other financing sources (uses)	(12,871,768)	932,222	6,756	-	-	-	-	127,534	3,841,828	(7,963,428)
Net change in fund balances	839,246	(47,245)	499,267	(5,444,475)	(130,022)	(1,213,007)	(4,362)	(1,703,080)	399,608	(6,804,070)
Fund balances at beginning of year	33,126,607	1,583,190	1,832,076	6,836,294	495,245	4,406,262	319,989	5,943,851	1,964,026	56,507,540
Fund balances at end of year	\$ 33,965,853	\$ 1,535,945	\$ 2,331,343	\$ 1,391,819	\$ 365,223	\$ 3,193,255	\$ 315,627	\$ 4,240,771	\$ 2,363,634	\$ 49,703,470

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

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**City of Jackson**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2012**

**City of Jackson**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2012**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds \$ (6,804,070)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period 4,786,502

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items 1,752,713

Activities from debt related transactions  
 New capital lease proceeds reported in the fund statements (3,098,576)  
 Retirement of prior leases 4,114,393  
 Note proceeds recorded in the fund statements (401,624)  
 Amortization of deferred bond issuance cost (17,142)

Decrease in net pension asset reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds 1,584,286

Increase in net other postemployment benefits liability reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds (1,333,960)

Expenses reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds 676,864

Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements 1,875,963

Internal service fund net activity not reported on the governmental fund statement (600,486)

Change in the net assets of governmental activities \$ (465,137)

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

	Budget Amount		Actual Amounts	Variance with Final Budget-positive(negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 33,882,391	\$ 33,882,391	\$ 32,540,953	\$ (1,341,438)
Current realty taxes				
Current personal taxes	13,493,089	13,493,089	13,919,000	419,911
Ad valorem taxes on automobiles	6,220,575	6,220,575	6,613,362	392,787
Delinquent taxes	450,000	450,000	1,659,810	1,209,810
Delinquent personal taxes	50,000	50,000	94,372	44,372
Interest on current taxes	-	-	39	39
Interest on delinquent taxes	540,000	540,000	913,021	373,021
Community improvement	177,000	177,000	114,915	(62,085)
Total general property taxes	54,819,055	54,819,055	55,855,172	1,036,417
<b>Licenses and permits</b>				
Privilege licenses	400,000	400,000	445,745	45,745
Building permits	177,967	177,967	742,271	(56,000)
Air conditioning and duct permits	60,000	60,000	48,163	(11,837)
Plumbing permits	50,000	50,000	51,659	1,659
Electric permits	150,000	150,000	163,606	13,606
Care permits	70,000	70,000	47,980	(22,020)
Historic preservation application	1,000	1,000	968	(32)
Dance hall and other recreational fees	7,500	7,500	5,854	(1,646)
Landfill charges	1,006,819	1,006,819	1,030,363	23,684
Taxable license fees	2,000	2,000	1,243	(757)
Sign permits	40,400	40,400	44,658	4,258
Zoning permits	25,000	25,000	25,735	735
Combustible and flammable liquid permits	5,425	5,425	7,950	2,525
Fireworks Display Permit	200	200	300	100
Aircraft registration	5,000	5,000	2,391	(2,609)
Transit Merchants-Peddlers License	5,000	5,000	4,500	(500)
Bourling, Lodging-Licenses	-	-	780	780
Adult entertainment and License	30,000	30,000	20,018	(9,982)
Special event fee	4,000	4,000	14,314	10,314
Maintenance fees	6,000	6,000	7,320	1,320
Tire inspection permit	6,000	6,000	7,150	1,150
Annual vehicle inspection	4,500	4,500	3,312	(1,188)
Total licenses and permits	2,656,811	2,656,811	2,676,422	19,611

**City of Jackson  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended September 30, 2012**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>positive(negative)</u>
Revenue (Continued):				
Intergovernmental Revenues:				
State Grants and Shared Revenues:				
Alcohol permits	\$ 262,000	\$ 262,000	\$ 267,650	\$ 5,650
Gasoline Tax	31,146	31,146	30,062	(1,084)
MDIU - Solid Waste	-	-	2,131,716	2,131,716
Municipal revolving fund	95,633	95,633	86,870	(8,763)
State reimb training academy	-	-	230,401	230,401
State fire protection	859,721	859,721	904,238	44,517
Sales tax	30,631,728	31,183,932	29,154,689	(2,029,243)
Bus & truck privilege tax	497,694	497,694	543,775	46,081
Wireless radio communication program	173,037	173,037	194,138	21,101
Homes/lead exemption	1,163,951	1,163,951	1,530,791	366,840
Total state grants shared revenues	33,714,910	34,267,114	35,074,330	807,216
Federal and State Grants and Shared Revenues:				
HTDA Grant	20,000	20,000	11,036	(8,964)
COPS- Universal Hire	-	3,059,050	746,209	(2,310,841)
JCVB grant	-	-	10,030	10,030
MDIU Summer Youth reimbursement	35,000	35,000	25,976	(9,024)
MDIU Tater Pick Up	12,168	12,168	14,631	2,463
FEMA/EMMA Disaster	-	31,500	83,200	51,700
Other police grants	116,135	116,135	60,891	(55,244)
Total federal and state shared revenues	183,303	3,273,853	953,943	(2,319,910)
County Revenues:				
Pro rata road tax	460,000	460,000	586,809	126,809
Hinds County 911 Funds	-	250,724	250,724	-
Total county revenue	460,000	710,724	837,533	126,809
Total intergovernmental revenues	34,358,213	38,251,691	36,865,806	(1,385,885)
Fines and Forfeitures:				
Court & misdemeanor fines	1,100,000	1,100,000	901,746	(198,254)
Vehicle parking fines	150,000	150,000	137,439	(12,561)
Moving traffic violations	1,400,000	1,400,000	1,483,712	83,712
City court costs	25,000	25,000	18,040	(6,960)
Rad check fee and Warrant fee	177,400	177,400	182,115	4,715
Animal control citations	2,200	2,200	1,569	(631)
Municipal court computer	22,000	22,000	23,116	1,116
Municipal court drivers impo fee	40,000	40,000	45,635	5,635
Expungement fee	6,000	6,000	6,255	255
Jackson collection fee	100,000	100,000	125,933	25,933
Miscellaneous Court Docket fee	145,000	145,000	160,100	15,100
Dropped charge fee	6,000	6,000	4,550	(1,450)
Cash bond - clearing account	55,000	55,000	73,580	(31,420)
Restraintment fee	20,000	20,000	25,025	5,025
Daily storage fee-vehicle	25,000	25,000	31,138	6,138
Administrative fee - del cases	375,000	375,000	408,470	33,470
Contempt fee	132,000	132,000	119,786	(5,786)
Computerized Crime prevention	25,000	25,000	27,346	2,346
Municipal Court Enhancement fee	-	168,237	225,279	57,042
Jackson Enhancement fee	-	-	112,500	112,500
Wrecker fees	75,000	75,000	84,185	9,185
Total fines and forfeitures	3,880,900	4,048,837	4,165,519	116,682

**City of Jackson  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended September 30, 2012**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>positive(negative)</u>
Revenues (Continued):				
Admissions, Fees, Rentals and Concessions:				
Parking meters	\$ 160,000	\$ 160,000	\$ 192,641	\$ 32,641
Municipal Auditorium:				
Rentals	102,000	102,000	39,858	(62,142)
Concessions	2,200	2,200	1,123	(1,077)
Local record fee	5,000	5,000	5,032	32
Pistol Range rent	1,000	1,000	3,003	2,003
Outdoor advertising	12,000	12,000	10,972	(1,028)
Fire Water flow test fee	2,500	2,500	1,200	(1,300)
Fire Reports	9,500	9,500	10,339	839
Accident report fee	100,000	100,000	87,175	(12,825)
Background check fee	12,500	12,275	16,112	3,837
Bail bondsman applicant photo	200	200	210	10
Bail bondsman mug shot fee	300	300	15	(285)
Bail bondsman ID card	700	700	520	(180)
Fingerprinting	16,000	16,000	18,460	2,460
Verification of records	30,000	30,000	26,707	(3,293)
Fire sprinkler plans review	4,075	4,075	5,885	1,820
Rents & Royalties	11,000	11,000	11,090	90
Art Gallery Donations	-	-	1,660	1,660
Telecommunication Franchise Agreement	267,000	267,000	452,459	185,459
Towers Rentals	2,295,906	2,422,378	2,447,082	24,704
Arts Center:				
Admissions, rents and royalties	5,100	5,100	1,835	(3,265)
Community room rent	10,000	10,000	4,115	(5,885)
Concessions	250	250	555	305
Planetarium:				
Admissions, Discovery Shop, etc.	47,000	47,000	39,443	(7,557)
Senior Centers Reservation Fee	3,600	3,600	4,654	1,054
Special Program - CMPDD rant	-	-	2,674	2,674
Smith Robertson Museum:				
Gift shop	750	750	-	(750)
Donations	4,400	4,400	603	(3,797)
Admissions, rental	5,500	5,500	362	(5,138)
Total admissions and rentals	3,208,481	3,234,728	3,385,794	151,066
Interest:				
Earned on investments	174,880	174,880	211,363	36,483
Earned on accounts	1,207	1,207	-	(1,207)
Total interest earned	176,087	176,087	211,363	35,276



**City of Jackson**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2012**

	<b>Budget Amount</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget-positive(negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues (Continued):</b>				
<b>Other Revenues:</b>				
Public utility	\$ 4,610,814	\$ 4,140,768	\$ 4,140,768	\$ -
Franchise cable television	1,621,000	1,621,000	1,651,709	28,709
Water/Sewer franchise fee	830,597	830,597	830,597	-
Nuclear power plant	1,617,573	1,617,573	1,594,985	(22,588)
Sale of cemetery lots	-	-	400	400
Small animal control	3,000	3,000	5,739	2,739
Police-sale of weapons	3,000	3,000	17	(2,983)
Parking fee-City employees	7,000	7,000	11,960	4,960
Police	111,251	490,748	479,537	(11,211)
Public Safety Communications	30,000	30,000	8,320	(21,680)
Indirect cost	2,608,590	2,608,590	2,525,645	(82,945)
Street index books	1,000	1,000	-	(1,000)
Downtown Jackson Partners	155,874	155,874	158,601	2,727
Plumbing exam	-	-	75	75
Electrical exam	100	100	100	-
Penalty on demo/grass/woods	6,500	16,968	56,780	39,812
Casualties-openings/closings	25,000	25,000	10,225	(14,775)
Performance contract rebate	-	-	129	129
Site plan review planning	15,000	15,000	13,980	(1,020)
Construction plan review	3,500	3,500	200	(3,300)
Building & Permit fees	100,000	100,000	105,215	5,215
Cafeteria plan-flexible spending	150,000	150,000	149,953	(47)
Administrative fee-payroll deductions	12,000	12,000	13,809	1,809
Sale of maps, plans, and specifications	3,500	3,500	4,266	766
Traffic	14,873	15,351	479	(14,872)
Legal/City Clerk/Finance and Management	11,000	11,000	8,775	(2,225)
Fire Museum donations	1,000	1,508	598	(910)
Fire-Arson/Internal Affairs donations	-	808	2,809	2,001
Fire Department	202,700	3,300	1,801	(1,399)
Grants & Donations	75,000	248,585	231,774	(16,811)
U D Badge fee-city employee	500	500	795	295
Abstract fees	4,000	4,000	7,095	3,095
Settlement of insurance claim	75,000	75,000	80,607	5,607
Proceeds from assets and forfeitures	82,903	82,903	48,427	(34,476)
P E G Revenue	188,394	188,394	166,734	(21,660)
Other	-	17,028	21,025	8,897
<b>Total other revenues</b>	<b>12,572,669</b>	<b>12,481,495</b>	<b>12,334,824</b>	<b>(146,671)</b>
<b>Total revenues</b>	<b>111,671,216</b>	<b>115,668,704</b>	<b>115,495,290</b>	<b>(173,514)</b>

**City of Jackson**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2012**

	<b>Budget Amount</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget-positive(negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
<b>Current Operations:</b>				
<b>General Government</b>				
Administration and intra governmental				
Personnel services	\$ 12,160,215	\$ 10,898,900	\$ 9,982,867	\$ 916,033
Supplies	1,493,806	2,128,559	905,179	1,223,380
Other services and charges	9,192,974	9,319,685	5,844,805	3,475,080
Capital outlay	2,050,702	4,351,386	3,794,203	857,183
<b>Total Department of Administration</b>	<b>24,897,497</b>	<b>26,698,530</b>	<b>20,226,254</b>	<b>6,472,276</b>
<b>Personnel</b>				
Personnel services	808,365	811,757	639,165	172,592
Supplies	12,561	14,756	7,694	7,062
Other services and charges	99,431	108,356	88,920	19,436
Capital Outlay	734	3,639	2,205	1,434
<b>Total Department of Personnel</b>	<b>921,091</b>	<b>938,508</b>	<b>737,984</b>	<b>200,524</b>
<b>Planning</b>				
Personnel services	2,382,800	2,447,312	2,208,219	239,091
Supplies	103,572	115,993	92,826	23,167
Other services and charges	4,347,764	4,254,017	3,710,208	543,809
Capital Outlay	3,870	4,227	3,002	1,225
<b>Total Department of Planning</b>	<b>6,838,006</b>	<b>6,821,549</b>	<b>6,014,255</b>	<b>807,294</b>
<b>Total General Government</b>	<b>32,656,594</b>	<b>34,458,587</b>	<b>26,978,493</b>	<b>7,480,094</b>
<b>Department of Human and Cultural Services</b>				
<b>Health and Welfare</b>				
Personnel supplies	1,201,911	1,191,594	1,128,371	63,221
Supplies	25,100	34,411	28,217	6,194
Other services and charges	634,786	683,482	634,868	48,614
Capital outlay	264,615	271,877	271,872	5
<b>Total Health and Welfare</b>	<b>2,126,412</b>	<b>2,181,364</b>	<b>2,063,328</b>	<b>118,036</b>
<b>Culture and Recreation</b>				
Personnel services	614,562	551,757	523,583	28,174
Supplies	82,426	144,715	114,603	30,112
Other services and charges	1,448,406	1,497,823	1,421,006	76,817
Capital outlay	2,155	10,291	7,701	2,590
<b>Total Culture and Recreation</b>	<b>2,147,549</b>	<b>2,204,586</b>	<b>2,066,893</b>	<b>137,693</b>
<b>Total Department of Human and Cultural Services</b>	<b>4,273,961</b>	<b>4,385,950</b>	<b>4,130,221</b>	<b>255,729</b>
<b>Department of Public Safety</b>				
Personnel services	46,191,824	50,074,810	45,215,600	4,859,210
Supplies	3,137,969	3,485,061	3,337,804	148,157
Other services and charges	3,688,707	3,754,682	3,337,830	417,652
Capital outlay	4,487,390	4,941,297	4,738,824	202,473
<b>Total Department of Public Safety</b>	<b>57,515,890</b>	<b>62,256,750</b>	<b>56,629,258</b>	<b>5,627,492</b>

City of Jackson  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended September 30, 2012

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget - positive(negative)
Expenditures (Continued):				
Department of Public Works				
Personnel services	\$ 7,089,972	\$ 7,382,676	\$ 7,044,555	\$ 338,121
Supplies	1,756,188	1,896,860	1,656,629	240,231
Other services and charges	3,378,379	2,853,602	2,305,056	548,546
Capital outlay	1,279,733	1,430,812	1,287,172	143,640
Total Department of Public Works	13,704,272	13,563,950	12,293,412	1,270,538
Current Operations:				
Employee Benefits				
Supplies	65,000	65,000	65,000	-
Other services and charges	1,887,729	1,859,422	1,687,802	171,620
Total Employee Benefits	1,952,729	1,924,422	1,752,802	171,620
Total expenditures	116,403,446	116,589,889	101,784,186	14,805,503
Excess(deficiency) of revenues over expenditures	1,568,470	(920,985)	13,711,014	14,631,999
Other Financing Sources(Uses)				
Transfers in	-	609	879	(180)
Transfers out	(15,999,557)	(15,999,557)	(16,073,593)	74,036
Proceeds from long term debt	2,813,289	2,957,179	3,035,128	(77,949)
Sale of capital assets	192,050	198,120	165,818	32,302
Total other financing sources(uses)	(12,994,218)	(12,843,559)	(12,871,768)	28,209
Net change in fund balance	(11,425,748)	(13,764,544)	839,246	14,660,208
Fund balances at beginning of year	33,126,607	33,126,607	33,126,607	-
Fund balances at end of year	\$ 21,700,859	\$ 19,362,063	\$ 33,965,853	\$ 14,603,790

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

City of Jackson  
Federal Grants Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	Budget Amount			Variance with
	Original	Final	Actuals Amounts	Final Budget - positive(negative)
<b>REVENUES</b>				
Intergovernmental	\$22,088,893	\$ 24,273,007	\$ 11,157,449	\$ (13,115,558)
Interest	-	-	7,642	7,642
Other	-	-	300,750	300,750
Total revenues	22,088,893	24,273,007	11,465,841	(12,807,166)
<b>EXPENDITURES</b>				
Current Operations:				
Personnel Services	4,712,437	4,500,447	3,833,042	667,405
Supplies	823,078	864,189	725,463	138,726
Other Services and Charges	16,931,272	18,270,919	7,318,015	10,952,904
Capital Outlay	613,985	2,191,890	522,238	1,669,652
Debt Service:				
Interest and service charges	-	-	46,550	(46,550)
Total expenditures	23,080,772	25,827,445	12,445,308	13,382,137
Excess (deficiency) of revenues over expenditures	(991,879)	(1,554,438)	(979,467)	(574,971)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General Fund	929,529	957,754	932,222	(25,532)
Total other financing sources (uses)	929,529	957,754	932,222	(25,532)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(62,350)	(596,684)	(47,245)	549,439
Fund balances at beginning of year	1,583,190	1,583,190	1,583,190	-
Fund balances at end of year	\$ 1,520,840	\$ 986,506	\$ 1,535,945	\$ 549,439

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

**City of Jackson  
Improvement Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 950,000	\$ 1,032,535	\$ 1,032,534	\$ (1)
Intergovernmental Revenue	1,667,270	2,244,770	52,718	(2,192,052)
Interest	-	-	29,597	29,597
Other revenues	-	18,450	18,450	-
Total revenues	<u>2,617,270</u>	<u>3,295,755</u>	<u>1,133,299</u>	<u>(2,162,456)</u>
<b>EXPENDITURES</b>				
Current Operations				
Other Services and Charges	8,550,824	10,924,212	6,575,275	4,348,937
Capital Outlay	-	16,725	2,499	14,226
Total expenditures	<u>8,550,824</u>	<u>10,940,937</u>	<u>6,577,774</u>	<u>4,363,163</u>
Deficiency of revenues over (under) expenditures	<u>(5,933,554)</u>	<u>(7,645,182)</u>	<u>(5,444,475)</u>	<u>(2,200,707)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Proceeds from long term debt	3,398,518	3,398,518	-	3,398,518
Total other financing sources and uses	<u>3,398,518</u>	<u>3,398,518</u>	<u>-</u>	<u>3,398,518</u>
Net change in fund balances	<u>(2,535,036)</u>	<u>(4,246,664)</u>	<u>(5,444,475)</u>	<u>1,197,811</u>
Fund balances at beginning of year	<u>6,836,294</u>	<u>6,836,294</u>	<u>6,836,294</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,301,258</u>	<u>\$ 2,589,630</u>	<u>\$ 1,391,819</u>	<u>\$ 1,197,811</u>

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

**City of Jackson  
Statement of Net Assets  
Proprietary Funds  
As of September 30, 2012**

	<u>Water/Sewage Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 13,339,743	\$ 2,215,889	\$ 66,517	\$ 15,622,149	\$ 359,980
Accounts receivable, less allowances	23,859,370	5,898,696	-	29,758,066	75,352
Intergovernmental receivables	-	-	663,877	663,877	-
Other receivables	1,351,318	-	-	1,351,318	-
Restricted Assets					
Cash and cash equivalents	14,559,571	-	-	14,559,571	-
Inventories	<u>1,843,378</u>	<u>-</u>	<u>-</u>	<u>1,843,378</u>	<u>-</u>
Total Current Assets	<u>54,953,380</u>	<u>8,114,585</u>	<u>730,394</u>	<u>63,798,359</u>	<u>435,332</u>
Noncurrent Assets:					
Restricted Assets					
Cash and cash equivalents	26,666,738	-	-	26,666,738	-
Investments	2,000,000	-	-	2,000,000	-
Deferred charges - bond costs, net of amortization	<u>2,252,574</u>	<u>-</u>	<u>-</u>	<u>2,252,574</u>	<u>-</u>
Total Noncurrent Assets	<u>30,919,332</u>	<u>-</u>	<u>-</u>	<u>30,919,332</u>	<u>-</u>
Capital Assets:					
Property, plant and equipment, at cost					
Land	1,387,999	-	450,000	1,837,999	-
Buildings	117,830,080	57,301	187,901	118,075,284	-
Water plant, distribution system and equipment	258,742,877	-	943,632	259,686,509	-
Automotive and other equipment	<u>14,100,832</u>	<u>2,477,899</u>	<u>10,559,245</u>	<u>27,137,976</u>	<u>-</u>
	392,061,788	2,535,200	12,140,780	406,737,768	-
Less: accumulated depreciation	<u>(199,424,729)</u>	<u>(1,653,640)</u>	<u>(5,707,645)</u>	<u>(206,786,014)</u>	<u>-</u>
	192,637,059	881,560	6,433,135	199,951,754	-
Construction in Progress	<u>156,234,777</u>	<u>-</u>	<u>2,304,843</u>	<u>158,539,620</u>	<u>-</u>
Net property, plant and equipment	<u>348,871,836</u>	<u>881,560</u>	<u>8,737,978</u>	<u>358,491,374</u>	<u>-</u>
Total Assets	<u>\$ 434,744,548</u>	<u>\$ 8,996,145</u>	<u>\$ 9,468,372</u>	<u>\$ 453,209,065</u>	<u>\$ 435,332</u>

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

**City of Jackson  
Statement of Net Assets  
Proprietary Funds  
As of September 30, 2012**

	<b>Water/Sewage Disposal System</b>	<b>Sanitation</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Fund</b>
<b>Liabilities and Fund Equity</b>					
Current Liabilities Payable from Unrestricted Assets:					
Accounts/claims payable	\$ 5,321,805	\$ 850,521	\$ 276,187	\$ 6,448,513	\$ 408,512
Due to other funds	-	-	2,928,944	2,928,944	-
Compensated absences	334,757	52,164	8,723	395,644	-
Retainage payable	3,814,406	-	45,446	3,859,852	-
Customer deposits	4,264,804	-	-	4,264,804	-
Other	103,298	-	-	103,298	-
Current portion of Long-Term Debt:					
Lease obligations	460,643	373,514	212,094	996,251	-
State Department of Environmental Quality	1,586,105	-	-	1,586,105	-
Total Current Liabilities Payable from Unrestricted Assets	<u>15,885,818</u>	<u>1,226,199</u>	<u>3,471,394</u>	<u>20,583,411</u>	<u>408,512</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds	5,155,000	-	-	5,155,000	-
Accrued interest payable	558,095	-	-	558,095	-
Total Current Liabilities Payable from Restricted Assets	<u>5,713,095</u>	<u>-</u>	<u>-</u>	<u>5,713,095</u>	<u>-</u>
Total Current Liabilities	<u>21,598,913</u>	<u>1,226,199</u>	<u>3,471,394</u>	<u>26,296,506</u>	<u>408,512</u>
Post Employment Benefits accrual	2,375,562	294,643	46,038	2,716,243	-
Long Term Debt					
(less amounts classified as current liabilities):					
Compensated absences	120,715	18,518	-	139,233	-
Revenue bonds	153,506,486	-	-	153,506,486	-
(net of unamortized discount/premium)					
Lease obligations	1,137,436	420,396	513,499	2,071,331	-
State Department of Environmental Quality	10,991,047	-	-	10,991,047	-
Total Long Term Debt	<u>165,755,684</u>	<u>438,914</u>	<u>513,499</u>	<u>166,708,097</u>	<u>-</u>
Total Liabilities	<u>189,730,159</u>	<u>1,959,756</u>	<u>4,030,931</u>	<u>195,720,846</u>	<u>408,512</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	176,035,118	137,650	8,012,385	184,185,153	-
Unrestricted	68,979,271	6,898,739	(2,574,944)	73,303,066	26,820
Total Net Assets	<u>245,014,389</u>	<u>7,036,389</u>	<u>5,437,441</u>	<u>257,488,219</u>	<u>26,820</u>
<b>Total liabilities and net assets</b>	<u>\$ 434,744,548</u>	<u>\$ 8,996,145</u>	<u>\$ 9,468,372</u>	<u>\$ 453,209,065</u>	<u>\$ 435,332</u>

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

**City of Jackson  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2012**

	<b>Water/Sewage Disposal System</b>	<b>Sanitation</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Operating Revenues:</b>					
Sales to customers	\$ 47,966,053	\$ 12,006,853	\$ 588,629	\$ 60,561,535	\$ -
Contributions	-	-	-	-	4,808,132
Contributions - City Match	-	-	-	-	2,966,485
Other revenues	51,029	99,267	480,370	630,666	363,214
Total Operating Revenues	<u>48,017,082</u>	<u>12,106,120</u>	<u>1,068,999</u>	<u>61,192,201</u>	<u>8,137,831</u>
<b>Operating Expenses:</b>					
Personnel services	10,645,418	1,371,422	276,334	12,293,174	-
Supplies	5,159,810	349,911	821,857	6,331,578	-
Other services and charges	17,560,729	9,890,833	5,172,127	32,623,689	14,722,224
Depreciation	8,782,498	281,716	774,218	9,838,432	-
Total operating expenses	<u>42,148,455</u>	<u>11,893,882</u>	<u>7,044,536</u>	<u>61,086,873</u>	<u>14,722,224</u>
Operating income (loss)	<u>5,868,627</u>	<u>212,238</u>	<u>(5,975,537)</u>	<u>105,328</u>	<u>(6,584,393)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	461,524	10,408	47	471,979	2,281
Interest and service charges on long-term debt and capitalized lease obligations	(11,937,083)	-	-	(11,937,083)	-
Gain (loss) on sale of capital assets	15,090	7,000	7,480	29,570	-
Amortization of bond issuance cost	(1,261,804)	-	-	(1,261,804)	-
Total nonoperating revenues (expenses)	<u>(12,722,273)</u>	<u>17,408</u>	<u>7,527</u>	<u>(12,697,338)</u>	<u>2,281</u>
Income (loss) before contributions and transfers	<u>(6,853,646)</u>	<u>229,646</u>	<u>(5,968,010)</u>	<u>(12,592,010)</u>	<u>(6,582,112)</u>
Capital contributions from grants	-	112,320	2,731,398	2,843,718	-
<b>Transfers In:</b>					
General Fund	-	-	4,638,988	4,638,988	6,629,160
Enterprise Fund	-	-	37,870	37,870	-
Capital Projects Fund	361,478	-	-	361,478	-
<b>Transfers Out:</b>					
Enterprise Fund	(37,870)	-	-	(37,870)	-
Total Transfers In (Out)	<u>323,608</u>	<u>-</u>	<u>4,676,858</u>	<u>5,000,466</u>	<u>6,629,160</u>
Change in Net Assets	<u>(6,530,038)</u>	<u>341,966</u>	<u>1,440,246</u>	<u>(4,747,826)</u>	<u>47,048</u>
<b>Total net assets - beginning</b>	<u>251,544,427</u>	<u>6,694,423</u>	<u>3,997,195</u>	<u>262,236,045</u>	<u>(20,228)</u>
<b>Total net assets - ending</b>	<u>\$ 245,014,389</u>	<u>\$ 7,036,389</u>	<u>\$ 5,437,441</u>	<u>\$ 257,488,219</u>	<u>\$ 26,820</u>

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

City of Jackson  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2012

	Water/Sewer Disposal System	Sanitation	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 43,344,101	\$ 11,077,512	\$ 588,629	\$ 55,010,242	\$ 7,774,617
Receipts from other revenue	51,039	99,267	820,721	970,517	342,699
Payments to suppliers	(16,949,631)	(9,597,847)	(6,625,729)	(33,173,207)	(14,610,032)
Payments to employees	(10,217,615)	(1,082,105)	(228,125)	(11,527,845)	-
Net Cash provided by (used for) Operating Activities	16,227,884	496,827	(5,445,004)	11,279,707	(6,492,716)
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in	361,478	-	4,676,858	5,038,336	6,629,160
Transfers Out	(37,870)	-	-	(37,870)	-
Net cash provided by noncapital financing activities	323,608	-	4,676,858	5,000,466	6,629,160
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	(15,962,687)	(4,453)	(1,799,004)	(17,766,144)	-
Proceeds from sale of capital assets	15,090	7,000	7,480	29,570	-
Proceeds from capital debt	84,095,166	620,000	74,660	84,789,826	-
Principal paid on capital debt	(79,091,504)	(284,733)	(218,489)	(79,594,726)	-
Proceeds from capital contributions	-	112,320	2,731,398	2,843,718	-
Proceeds from capital debt - premium and discount	(6,762,193)	-	-	(6,762,193)	-
Interest paid on capital debt	(3,727,342)	-	-	(3,727,342)	-
Net cash provided by (used for) capital and related financing activities	(21,433,470)	450,134	796,045	(20,187,291)	-
<b>Cash Flow Provided by (Used for) Investing Activities:</b>					
Interest on investments	461,524	10,408	47	471,979	2,281
Net Cash provided by investing activities	461,524	10,408	47	471,979	2,281
Net increase (decrease) in cash and cash equivalents	(4,120,454)	957,369	27,946	(3,435,139)	138,725
Cash and cash equivalents at beginning of year	58,986,526	1,258,520	38,571	60,283,617	221,255
Cash and cash equivalents at end of year	\$ 54,866,072	\$ 2,215,889	\$ 66,517	\$ 56,848,478	\$ 359,980

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

City of Jackson  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2012

	Water/Sewer Disposal System	Sanitation	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>					
Operating income (loss)	\$ 5,868,627	\$ 212,238	\$ (5,975,537)	\$ 105,328	\$ (6,584,393)
Depreciation Expense	8,782,498	281,716	774,218	9,838,432	-
(Increase) decrease in accounts receivable, net	(3,562,791)	(929,341)	-	(4,492,132)	(20,516)
(Increase) decrease in inventories	563,952	-	-	563,952	-
(Increase) decrease in other receivable	(1,059,161)	-	339,851	(719,310)	-
(Increase) decrease in deferred charges	(19,656)	-	-	(19,656)	-
Increase (decrease) in accounts payable and retainage	5,588,351	937,540	(585,707)	5,940,184	112,193
Increase (decrease) in accrued interest payable	(52,340)	-	-	(52,340)	-
Increase (decrease) in compensated absences	(6,556)	(5,326)	2,171	(9,711)	-
Increase (decrease) in customer deposits	193,149	-	-	193,149	-
Increase (decrease) in other liabilities	(68,189)	-	-	(68,189)	-
Total adjustments	10,359,257	284,589	530,533	11,174,379	91,677
Net cash provided by (used for) operating activities	\$ 16,227,884	\$ 496,827	\$ (5,445,004)	\$ 11,279,707	\$ (6,492,716)
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Borrowing under capital lease	\$ 1,398,946	\$ 620,000	\$ 74,660		
Recap of cash and cash equivalents:					
Cash and cash equivalents	\$ 13,339,743	\$ 2,215,889	\$ 66,517	\$ 15,622,149	\$ 359,980
Restricted cash and cash equivalents	41,226,329	-	-	41,226,329	-
	\$ 54,566,072	\$ 2,215,889	\$ 66,517	\$ 56,848,478	\$ 359,980

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

**CITY OF JACKSON  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2012**

	<u>Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 396,987	\$ 21,379
Investment at fair value:		
Certificate of deposit	<u>32,270</u>	<u>-</u>
Total assets	<u>\$ 429,257</u>	<u>\$ 21,379</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Payables to others	\$ -	\$ 21,379
Total liabilities	<u>-</u>	<u>\$ 21,379</u>
Net Assets:		
Held in trust	<u>429,257</u>	
Total net assets	<u>429,257</u>	
Total liabilities and net assets	<u>\$ 429,257</u>	

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

**CITY OF JACKSON  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Trust Funds</u>
<b>Additions:</b>	
Interest	\$ 3,002
Other additions	<u>209,274</u>
Total additions	<u>\$ 212,276</u>
<b>Deductions:</b>	
General government	
Trust funds	\$ <u>127,976</u>
Total deductions	<u>127,976</u>
Change in Net Assets	84,300
Net assets at beginning of year	<u>344,957</u>
Net assets at end of year	<u>\$ 429,257</u>

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

NOTES TO THE  
FINANCIAL STATEMENTS

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**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 1 – Summary of Significant Accounting Policies**

**A. REPORTING ENTITY**

The City of Jackson, Mississippi (the City) is incorporated under the Laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at large and seven part-time Council members (City Council) elected from wards. The City's major operations include police and fire protection, parks and recreation, public works, public transit system, urban development and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City is discussed below.

In evaluating the City as a reporting entity, management has addressed potential component units for which the City may or may not be financially accountable and as such, be included within the City's financial statements. The component units discussed below are included because of the significance of their operational or financial relationships with the City.

**Discretely Presented Component Unit**

Using the criteria above, management has determined that the Jackson Redevelopment Authority (JRA) and the Capital City Convention Center Commission should be reported as discretely presented component units of the City. The discretely presented component units are reported in separate columns in the government-wide statements to emphasize they are legally separate from the primary government. The following is a summary of the City's discretely presented component units.

The Jackson Redevelopment Authority (JRA) was established in 1968 under Section 43 35-1 through 235 of the Mississippi Code of 1942, as annotated. In 1970, JRA became the Parking Authority for the City under the same statute. The Mayor of the City makes appointments to a seven-member Board of Commissioners for staggered five-year terms to oversee the operations of JRA. Members may be removed from office for inefficiency, neglect of duty or misconduct in office. The City Council appropriates the administrative operating budget and must review and approve any amendments or budgetary adjustments. The City Council is responsible for designation of those urban renewal projects undertaken by JRA. The City makes annual contributions necessary to pay a portion of JRA's urban renewal bonds and has agreed to make payment of substantially all of the outstanding bonds. JRA operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for JRA may be obtained at its administrative office located at 218 South President Street, Jackson, Mississippi 39201.

The Capital City Convention Center Commission, a non-profit corporation, was authorized to be created by House Bill 1832 during the 2004 Regular Session of the Mississippi State Legislature. The entity is governed by nine commissioners. The Mayor of the City appoints hotel/motel members for initial terms of one and three years, respectively, restaurant members for initial terms of two and four years, respectively. The Mayor appoints two members representing the business community for initial terms of one and five years, respectively. The Mayor appoints two members at large for initial terms of two and three years, respectively. One member is appointed by the Governor of Mississippi for an initial term of four years.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**A. REPORTING ENTITY (Continued):**

The City issued \$65,000,000 of General Obligation Bonds for the development of the proposed Convention Center. The Capital City Convention Center Commission has jurisdiction and authority over all matters relating to the acquisition, construction, furnishing, equipping, erection, operation, maintenance, and promotion of a convention center. The Commission submits its budget and certain other planned actions to the City for comment prior to initiation. The Commission operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for the Capital City Convention Center Commission may be obtained at P. O. Box 3563, Jackson, Mississippi 39207.

**Related Organizations**

The following four agencies are non-profit corporations established within the City of Jackson. The Mayor appoints the board members of each respective agency as confirmed by the City Council. Each agency is fiscally independent from the City of Jackson, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City of Jackson is not obligated in any manner for the debt issues of those agencies. Financial statements for these agencies can be obtained at the following addresses:

Airport Authority 100 International Drive Jackson, MS 39208	Jackson Housing Authority 2747 Livingston Road Jackson, MS 39213
Jackson Public School District 662 South President Street Jackson, MS 39201	Metro Jackson Convention & Visitors Bureau 921 North President Street Jackson, MS 39202

**Joint Ventures**

The Jackson/Hinds Library System (the System) operates under a joint agreement between the City and Hinds County and is funded equally by the City and the County. The joint agreement was effective October 1, 1986. All buildings used by the System within the City of Jackson are owned and maintained by the City and, as such, have been included in the capital assets of governmental activities. The Jackson/Hinds Library System's financial statements may be obtained by writing to 300 North State Street, Jackson, MS 39201.

**B. BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE AND FUND LEVEL STATEMENTS**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water/sewer, sanitation, and public transit services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.



**Note 1 – Summary of Significant Accounting Policies (Continued):**

**B. BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE AND FUND LEVEL STATEMENTS (Continued):**

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect cost. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the changes in the City's net assets resulting from the current year's activities. Separate financial statements are provided for governmental funds and proprietary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Proprietary Funds and of the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for Proprietary Funds and Internal Service Funds include the cost of sales and services, direct administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds are used to report resources in a purely custodial capacity (assets equal liabilities). So, agency funds cannot be said to have a measurement focus, however, they do use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued):**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major government funds:

*General Fund* - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

*Federal Grant Fund* - This fund is used to account for proceeds of various federal grant programs.

*Debt Service Fund* - This fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than debt of the Enterprise Funds). Bond ordinances require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

*Improvement Fund* - This fund is used to account for revenues that are legally restricted for improvements to City facilities.

*1998 GO Bond Fund* - This fund is used to account for proceeds of general obligation bonds of \$35,000,000 issued to finance certain projects including storm drainage systems, construction of a youth detention center, and repairing buildings.

*2003 GO Bond Fund* - This fund is used to account for proceeds of general obligation bonds of \$20,000,000 issued to finance certain projects including storm drainage systems, repairing and the construction of municipal buildings, infrastructures, and other related improvements.

*2006 GO Bond Fund* - This fund is used to account for proceeds of general obligation bonds of \$65,000,000 issued to finance the acquisition, construction, equipping, and furnishing of a convention center in the City to be known as the Capital City Convention Center and other authorized costs.

*2009 GO Bond Fund* - This fund is used to account for proceeds of general obligation bonds of \$26,210,000 issued to pay the costs of constructing, improving and paving streets, sidewalks, driveways, parkways and public parking facilities.

The City reports the following major proprietary funds:

*Water/Sewage Disposal System Fund* - This fund accounts for activities associated with the provision of water, sewerage and water pollution control services to individuals, organizations and other governmental units within and around the City.

*Sanitation Fund* - This fund accounts for activities associated with the City's sanitation and recycling service.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued):**

Additionally, the City reports the following fund types:

*Internal Service Fund* is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**Fiduciary Funds:**

*Fiduciary Funds* are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The City has three trust funds, the Unemployment Compensation Revolving Fund, the Charitable Trust Fire and Police Fund, and the Mausoleum Trust Fund. The function of the City's principal employee benefit trust fund, the Unemployment Compensation Revolving Fund, is discussed in NOTE 6.A.2. The function of the Charitable Trust Fire and Police Fund is to account for contributions from the public sector which is held in trust for fire and police allowable claims. The function of the Mausoleum Trust Fund is to maintain and upkeep the Henry Mausoleum.

The purpose of the City's Agency Funds is to collect and remit to the related organizations the property taxes collected and proceeds of a special sales tax received from the State. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**1. Cash and Cash Equivalents**

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date generally within 90 days of the date acquired by the City. Collateral as further discussed in Note 4.A, is pledged by the various financial institutions to secure City funds.

**2. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**3. Investments**

Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the City of Jackson, in consultation with its investment advisors and custodial bank, has determined the fair values.

**4. Restricted Assets**

Certain proceeds of the City's Proprietary Fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and trust accounts and their use is limited by applicable bond covenants. Restricted amounts in governmental activities include amounts set aside by law for state tort claims and amounts accumulated for general obligation bond debt service.

**5. Inventories**

Inventories are priced at cost using the weighted average method. Inventories are accounted for using the consumption method and are not charged out until used. Inventories consist of major stores of materials and supplies held at central locations. The user departments and other funds of the City are charged for the cost value of the items, as they are withdrawn from inventory.

**6. Capital Assets**

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. The City's classes of capital assets and their capitalization levels are: land – cost or fair market value, buildings – \$50,000, land improvements – \$25,000, machinery and equipment – \$1,000, infrastructure – \$100,000, and construction in progress – based on the project's class. The cost of normal maintenance and repair that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures within governmental activities are not capitalized.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**6. Capital Assets (Continued):**

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Land improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from the sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

**7. Compensated Absences**

The City accrues accumulated unpaid personal leave and associated employee-related cost when earned (or estimated to be earned) by employees up to 240 hours. For the Proprietary Funds and the government-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentation. The compensated absences liability is liquidated by the following funds: general fund, special revenue, transportation, sanitation & water/sewer.

**8. Bond Discounts, Bond Premiums and Issuance Costs**

In the governmental funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable. Issuance costs are recorded as other assets.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**9. Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near fair market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**10. Revenues**

Substantially all governmental fund revenues are accrued. Property taxes are recognized at the levy date. All property taxes are billed, collected and recognized as revenue within the same period for which they are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**11. Expenditures**

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

**12. Reserves and Designations**

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure. City has a municipal bond debt service reserve insurance policy for the proprietary funds in lieu of cash. Amounts reserved for state tort claims represent amounts required by state law to be segregated for these purposes. The unreserved designated fund balance of the Capital Projects Funds is appropriated for expenditures in future years.

**13. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**14. Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level (City Council) of decision making authority which includes the city charter, ordinances and resolutions prior to the end of the fiscal year. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (city charter, ordinance and resolution) it employed previously to commit those amounts.

Assigned - This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the City Council, Mayor or their designee as established in the City's Fund Balance Policy.

Unassigned - This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**15. Fund Balance/Net Asset Policy**

The City has adopted a fund balance / net assets policy that is tailored to the needs of the City to ensure against unanticipated events that would adversely affect the financial condition of the City and will not jeopardize the continuation of necessary public services. This policy will ensure the City maintains adequate fund balance / net assets and reserves in the City's various operating funds to provide the capacity to: (1) provide sufficient cash flow for daily financial needs, (2) secure and maintain investment grade bond ratings, (3) offset significant economic downturns and revenue shortfalls, and (4) provide funds for unforeseen expenditures related to emergencies.

The City will maintain reservations of Fund Balance / Net Assets in the General Fund and Proprietary funds of the City. The City shall retain the minimum requirement for each fund listed below.

General Fund - There shall be a reservation (unassigned) of fund balance equal to 7.5% of the adopted General Fund operating revenues. For the purposes of the calculation, the current fiscal year budget shall be the budget as originally adopted by resolution on or before September 15<sup>th</sup> for the subsequent fiscal year. The reserve shall be in addition to all other reserves or designations of the fund balance, including but not limited to reserves for encumbrances, donations, advances to other funds, designations for compensated absences, and insurance.

Enterprise Fund - The City maintains a Sanitation Fund, Water and Sewer Fund, and Transportation Fund. Under the Water Sewer Bond Ordinance, the following Fund Balance/Reserves are required: 1/12 of O&M budget for Operation & Maintenance; 1/12 of actual debt service; 2/12 of O&M budget for Contingent Fund; and, Maximum of \$100,000 for Depreciation Fund.

The total Required Fund Balance/Reserve for 2012 is \$11,884,931 and this amount is on deposit at September 30, 2012.

Replenishment of Reserve Deficits - If, at the end of any fiscal year, the actual amount of unassigned fund balance or unassigned net assets falls below the required fund levels set forth herein, the Mayor shall prepare and submit a plan for expenditure or expense reductions and / or revenue increases to the City Council. As a part of the annual budget review, the City Council shall review and, if necessary, amend the plan submitted by the Mayor for restoring the amounts of unassigned fund balance or unassigned net assets to the required levels.

**16. Pension Expenses**

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in NOTE 6.F.

**17. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

CITY OF JACKSON  
Notes to Financial Statements  
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**Note 1 – Summary of Significant Accounting Policies (Continued):**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**18. New Accounting Pronouncements**

During the fiscal year 2012 the City implemented the following GASB pronouncements:

In June 2011, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2011. In conjunction with the 2012 fiscal year audit, a review was made relating to the requirements of this statement. As a result of this review, this Statement had no significant impact on the City's financial statements.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This Statement enhances comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this statement are effective for periods beginning after June 15, 2011. In conjunction with the 2012 fiscal year audit, a review was made relating to the requirements of this Statement. As a result of this review, this statement had no significant impact on the City's financial statements.

The City will adopt the following new accounting pronouncements in future years:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements (SCAs). It improves financial reporting by establishing recognition, measurement and SCA disclosure requirements for both transferors and governmental operators. The requirements of Statement 60 are effective for periods beginning after December 15, 2011. This Statement will not have a significant impact on the City.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This Statement includes amendments to GASB Statement No. 14 and GASB Statement No. 34 that better address user needs and reporting entity issues that arose after the issuance of those Statements. Statement 61 modifies requirements for inclusion of component units, amends the criteria for reporting components and clarifies the reporting of equity interests in legally separate organizations. The provisions of this Statement are effective for periods beginning after June 15, 2012. Early application is encouraged. This Statement will not have a significant impact on the City.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates generally accepted accounting principles for state and local governments issued from all sources that do not conflict with, or contradict GASB pronouncements, into one. This Statement supersedes GASB Statement No. 20 and eliminates the election in paragraph 7 of Statement No. 20 that allowed enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with GASB pronouncements. The requirements of this Statement are effective for periods beginning after December 15, 2011. Early application is encouraged. This Statement will not have a significant impact on the City.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 1 – Summary of Significant Accounting Policies (Continued):**

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**18. New Accounting Pronouncements (Continued):**

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement calls for deferred outflows of resources to be reported separately from assets, and for deferred inflows of resources to be reported separately from liabilities. The net difference between these elements are described as net position, rather than as net assets. The requirements of this Statement are effective for periods that ends December 31, 2012. This Statement will not have a significant impact on how the City reports its net position.

In April 2012, GASB issued Statement No. 65, *Elements of Financial Statements*. This Statement specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of this Statement are effective for periods beginning after December 15, 2012. This Statement will not have a significant impact on the City.

In April 2012, GASB issued Statement No. 66, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This Statement amends Statement No. 10 by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The requirements of this Statement are effective for periods beginning after December 15, 2012. This Statement will not have a significant impact on the City.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 2 – Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$180,982 difference are as follows (in thousands):

Bonds payable	\$ 148,217
Less: Deferred charge on refunding (to be amortized as interest expense)	1,066
Less: Issuance premium	3,437
Less: Issuance discount (to be amortized as interest expense)	(491)
Deferred bond issuance cost	(257)
Accrued interest payable	731
Capital leases payable	17,058
Claims and judgments	2,069
Compensated absences	4,676
Workers' Compensation Benefits	4,478
	<u>          </u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 180,982</u>

Another element of that reconciliation explains that "Internal service funds are used to account for the group benefit plan. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this (\$ 26) difference are as follows (in thousands):

Net assets of the internal service funds	(\$ 26)
	<u>          </u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$ 26)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 2 – Reconciliation of government-wide and fund financial statements (Continued):**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued):**

reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$4,786 difference are as follows (in thousands):

Capital outlay	\$ 10,539
Depreciation expense	<u>(5,753)</u>
	<u>          </u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 4,786</u>

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,211 difference are as follows (in thousands):

Principal repayments:	
General obligation debt	430
Limited obligation debt	439
Other debt	<u>342</u>
	<u>          </u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,211</u>

Another element of that reconciliation states that "The activities from debt related transactions include new capital lease proceeds reported in the fund statements and retirement of prior lease." The details of this (\$1,015) difference are as follows (in thousands):

Debt issued or incurred:	
Capital lease financing	\$ 3,099
Principal repayments:	
Payment on capital lease	<u>(4,114)</u>
	<u>          </u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$ 1,015)</u>

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 2 – Reconciliation of government-wide and fund financial statements  
(Continued):**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities  
(Continued):**

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$125) difference are as follows (in thousands):

Compensated absences	(\$ 258)
Workers' compensation benefits	(457)
Claims and judgments	1
Accrued interest	31
Amortization of bond premium	415
Amortization of bond discounts	(28)
Amortization of issuance costs	155
Amortization of deferred costs	17

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities

(\$ 125)

Another element of that reconciliation states that "Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements." The details of this (\$1,870) difference are as follows (in thousands):

Property taxes receivable	(\$1,876)
Special assessments receivable	6

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities

(\$1,870)

Another element of that reconciliation states that "Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this (\$ 601) difference are as follows (in thousands):

Change in net assets of the internal service funds	<u>(\$ 601)</u>
----------------------------------------------------	-----------------

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities

(\$ 601)

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 3 – Stewardship, Compliance and Accountability**

**A. BUDGETARY INFORMATION**

The City follows these procedures in establishing budgetary data reflected in the financial statements.

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division of the Department of Administration by June 1 each year.
3. The Finance Division of the Department of Administration reviews the expenditure budgets, and the necessary revisions are communicated to department directors.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared by July 1, and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
6. The budget is formally amended in September each year or any time that budget revisions through funds reallocation are necessary or a budget deficit is indicated.
7. The City prepares annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds (with the exception of the 1986 Industrial Park, the 1992 Special Assessment and the 1996 Metro Station Funds), Enterprise Funds, Internal Service Fund and Trust Funds (with the exception of the Charitable Trust Fire and Police Fund). Budgets for the Enterprise Funds are prepared on a GAAP basis but exclude depreciation and bad debt expense and include debt retirement payments. The General Fund, Debt Service Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund and Trust Funds are prepared in accordance with GAAP. Budget and actual comparisons are presented in the accompanying financial statements for all governmental type funds for which a budget is adopted.

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- a. Revenues are reviewed at least quarterly, and the projections are adjusted if warranted. These adjustments to expected revenues, if material, can precipitate adjustments to the expenditure budget.
- b. Adjustments to transfer approved expenditure budgets from one department to another or to transfer from one category to another within a department must be approved by the City Council.
- c. All new appropriations must be approved by the City Council and are normally submitted by the Mayor's Office.

The legal level of control for all budgets adopted is at the category level by funds with the exception of the General Fund, which is appropriated at the category level by department. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 3 – Stewardship, Compliance and Accountability (Continued):**

**A. BUDGETARY INFORMATION (Continued):**

The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. The Finance Division of the Department of Administration advises the Mayor whenever a requested expenditure will exceed budgeted amounts. The City Council may approve expenditures in excess of budgeted amounts in various funds or departments as appropriate, as long as total annual expenditures do not exceed available resources. Adjustments in expenditure rates, if necessary, are implemented by the City Council as required, so that the total expenditures and resources will remain in balance throughout the year.

8. Budgeted expenditure or expense amounts as originally adopted were amended by the City Council in September 2012 as provided by law, as follows (in thousands):

	Originally Adopted Budget	Budget as Amended	Increase (Decrease)
General Fund	\$ 125,076	\$ 133,308	\$ 8,232
Special Revenue Funds	46,297	53,482	7,185
Debt Service Fund	14,597	14,973	376
Capital Projects Funds	19,349	29,036	9,687
Enterprise Funds	263,760	325,478	61,718
Internal Service Fund	13,063	14,768	1,705
	<u>\$ 482,142</u>	<u>\$ 571,045</u>	<u>\$ 88,903</u>

9. Unexpended appropriations lapse at year end in all funds.

**B. DEFICIT FUND EQUITY**

The City has no deficit fund equity by individual fund as of September 30, 2012.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds**

**A. DEPOSITS AND INVESTMENTS**

**1. Policies and Practices**

The collateral for public entities' deposits in financial institutions are now 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, Mississippi 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 Depositary Insurance Corporation (FDIC).

**2. Deposits – Primary government**

At year end, the carrying amount of the City's deposits was \$105,959,111 and the bank balances totaled \$95,574,760. Of the bank balances, \$250,000 was insured by federal deposit insurance and \$95,324,760 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

**3. Investments – Primary Government**

As of September 30, 2012, the City had investments consisting of U.S. Agencies at a total fair value of \$2,000,000 with a total Portfolio Weighted Average maturity of less than one year.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to losses from rising interest rates, the City's investment policy limits investment maturities in its portfolio to no more than 12 months for U.S. Treasury obligations for all investments except bond funds. With respect to bond funds, the City can invest in obligations of U.S. federal agencies for no more than 18 months.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possessions of an outside party. Consistent with the City's investment policy, all investments above are held by a counterparty and are not insured but are backed by the U. S. government.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- Money market mutual funds where portfolios consist entirely of U. S. governmental and/or federal agency securities
- Bonds or direct obligations of the:
  - United States of America
  - State of Mississippi
  - County or Municipality of Mississippi
  - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.



**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**A. DEPOSITS AND INVESTMENTS (Continued):**

**4. Cash and Investments - Component Units**

The component unit's policy is to invest available funds in the following types of investments: 1) direct obligations of the U. S. of America, including such instruments as treasury bills, treasury notes and treasury bonds; 2) obligations of U. S. Government agencies that are deliverable on the Federal Reserve System; 3) Repurchase agreements in U. S. Government securities made with dealers that report to and are regulated by the Federal Reserve Bank; 4) deposits with financial institutions which are insured or are fully collateralized by qualifying securities.

The collateral for public entities' 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, Mississippi 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 Deposit Insurance Corporation (FDIC). As of September 30, 2012, all of the component unit's cash deposits in excess of the amounts covered by the FDIC were covered under the collateral pool administered by the State Treasurer.

Investments are reflected at cost, which approximates fair value. These investments were uninsured, unregistered, and held by the counterparty brokerage firm. At September 30, 2012, investments of the component unit consisted of the following (in thousands):

Capital City Convention Center Commission  
Certificate of deposit:  
Unrestricted \$ 500

**B. RECEIVABLES**

Receivables at September 30, 2012, for the primary government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	General	Debt Service	Water and Sewer	Sanitation	Improvement	Federal Grant	2003 GO Bond	Nonmajor and Other Funds	Total
Receivables:									
Accounts receivable	\$ -	\$ -	\$ 23,859	\$ 5,899	\$ -	\$ -	\$ 55	\$ -	\$ 29,813
Intergovernmental	333	-	-	-	26	1,472	527	864	3,022
Other	61,497	3,652	1,351	-	-	14	-	8,101	74,615
Gross receivables	\$61,830	\$ 3,652	\$ 25,210	\$ 5,899	\$ 26	\$ 1,486	\$ 582	\$ 8,765	\$ 107,450

Receivables of Water and Sewer are reported net of uncollectible amounts.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**B. RECEIVABLES (Continued):**

**1. Property taxes**

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds, Rankin and Madison Counties bill and collect the real, personal and auto ad valorem taxes for the City of Jackson, Jackson Municipal Separate School District and the Jackson/Hinds Library System. Automobile taxes are remitted monthly and real and personal taxes are remitted on a weekly basis to the City of Jackson. Hinds County remits directly to the Jackson Municipal Separate School District taxes collected for all school funds except the Bond and Interest Fund in accordance with State law. Hinds County also remits to the City a pro rata share of road and bridge taxes collected by the County.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due on February 1 and one-fourth each on May 1 and August 1.

Tax millage levies for 2011 were collected in the current fiscal year and statutory maximum millage rates were as follows:

Fund	Levy (in mills)	Purpose	Maximum
General Fund	45.68	General	None
Parks and Recreation Fund	2.00	Recreation	2.00 mills
Debt Service Fund	3.20	Debt retirement	None
Disability and Relief Fund	5.75	Retirement	None
Total City of Jackson	56.63		
Jackson/Hinds Library System	1.40	Public library	None
Jackson Municipal Separate School District:			
District Supplement Levy	62.66	Public schools	None
Special Debt Retirement Levy	2.20	public schools	None
Special Debt Retirement Bond	3.57	Public schools	None
Special Debt Retirement	6.56	Public schools	None
	74.99		
Total mills	133.02		

The City levies an assessment for the Landscape Improvement fund which consists of nine cents of the gross square footage of land and building of property owners located in the downtown development district.

The City is permitted to levy taxes based on a percentage of up to 100% of fair value of property at the millage indicated above. At the present time, the City levies taxes based on 10% of fair value for homeowner-occupied real property, 15% of fair value for all other real and personal property, and 30% of fair value for all motor vehicles and property owned by public service corporations. The City may levy taxes as necessary to meet bonded debt retirement. Limitations are imposed on the amount of bonded debt that may be issued based upon assessed valuation of properties.

Annual tax increases for all purposes except payment of general obligation bonds and interest are limited by State law to 10% of the preceding year's receipts plus new construction.

**CITY OF JACKSON**  
**Notes to Financial Statements**  
**September 30, 2012**

**Note 4 – Detailed notes on all funds (Continued):**

**B. RECEIVABLES (Continued):**

**1. Property taxes (Continued):**

The State levies a 7% sales tax on retail sales and remits 18.5% of collections to the City monthly. Intergovernmental revenue of the General Fund includes \$29,154,689 of sales tax revenue.

In accordance with the Local and Private Act, since January 1, 2005 the City has levied, assessed and is collecting: (a) tax of 1% of the gross proceeds of sales of restaurants and of sales of food and beverages in the hotels and motels, within the City; (b) a tax of 3% of the gross proceeds of sales of hotel and motel rooms and lodging within the City; and (c) a tax of 3% of gross proceeds of sales at the Convention Center by caterers. The tax is primarily to be used for debt service payments on bonds issued for the construction of a convention center.

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 1,754,182
Delinquent property taxes receivable (debt service fund)	913,021
Special assessments not yet due (debt service fund)	99,977
Current year tax assessments (all funds)	66,609,663
Grant drawdowns prior to meeting all eligibility requirements	381,558
Total unearned revenue for governmental funds	<u>\$ 69,758,401</u>

**C. CHANGES IN CAPITAL ASSETS**

1. Primary government capital asset activity for the year ended September 30, 2012, was as follows (thousands):

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 14,526	\$ -	\$ 26	\$ 14,500
Construction in progress	84,079	9,907	-	93,986
Total capital assets not being depreciated	98,605	9,907	26	108,496
Capital assets being depreciated:				
Buildings	81,480	-	-	81,480
Infrastructure	214,246	-	-	214,246
Automotive and equipment	69,981	2,024	2,166	70,639
Total capital assets being depreciated	365,707	2,824	2,166	366,365
Less accumulated depreciation for:				
Buildings	(24,109)	(1,491)	-	(25,600)
Infrastructure	(95,656)	(3,682)	-	(99,338)
Automotive and equipment	(58,095)	(2,746)	2,166	(58,675)
Total accumulated depreciation	(177,860)	(7,919)	2,166	(183,613)
Total capital assets being depreciated, net	187,847	(5,095)	-	182,752
Total governmental activities capital assets, net	\$ 286,452	\$ 4,812	\$ 26	\$ 291,238

**CITY OF JACKSON**  
**Notes to Financial Statements**  
**September 30, 2012**

**Note 4 – Detailed notes on all funds (Continued):**

**C. CHANGES IN CAPITAL ASSETS (Continued):**

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,838	\$ -	\$ -	\$ 1,838
Construction in progress	143,102	15,437	-	158,539
Total capital assets not being depreciated	144,940	15,437	-	160,377
Capital assets being depreciated:				
Buildings	118,028	47	-	118,075
Infrastructure	259,686	-	-	259,686
Automotive and equipment	25,937	2,282	1,081	27,138
Total capital assets being depreciated	403,651	2,329	1,081	404,899
Less accumulated depreciation for:				
Buildings	(74,084)	(2,715)	-	(76,799)
Infrastructure	(113,128)	(5,193)	-	(118,321)
Automotive and equipment	(9,916)	(1,930)	1,081	(10,765)
Total accumulated depreciation	(198,028)	(9,838)	1,081	(206,785)
Total capital assets being depreciated, net	205,623	(7,509)	-	198,114
Total business-type activities capital assets, net	\$ 350,563	\$ 7,928	\$ -	\$ 358,491

2. Depreciation expense was charged to functions of the primary government as follows (in thousands):

<b>Governmental Activities:</b>	
General government	\$ 1,585
Public Works	2,534
Human & Cultural	1,425
Public Safety	2,375
Total depreciation expense – governmental activities	<u>\$ 7,919</u>
<b>Business-Type Activities:</b>	
Water/Sewer	\$ 8,782
Sanitation	282
Madison Sewage	12
Transportation	762
Total depreciation expense business-type activities	<u>\$ 9,838</u>

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**C. CHANGES IN CAPITAL ASSETS (Continued):**

3. Construction work in progress at September 30, 2012 for the governmental activities of the primary government is composed of the following:

Project	Spent-to-date	Remaining Commitment
Improvement Fund	\$ 13,578,710	\$ 52,000
Community Development Block Grant	1,904,820	72,647
1982 Industrial Park Bond	49,893	-
1998 G O Public Improvement Construction Bond	18,957,891	100,736
2003 G O Public Improvement Construction Bond	24,371,062	10,581,399
2007 Tax Increment Limited Obligation Bond	2,077,735	-
2008 G O Street Construction Bond	20,094,100	1,044,818
2009 American Recovery Reinvestment Act	3,329,525	1,455,996
2012 G O Capital Project	40,826	9,500
Thalia Mara Hall	309,842	41,038
Economic Development Initiative –		
Economic Development	3,629,356	259,637
Traffic – Repair and Replacement	2,098,068	280,420
Drainage – Repair and Replacement	903,224	41,860
Resurfacing – Repair and Replacement	2,219,064	104,814
Parks – Repair and Replacement	341,662	12,335
<b>Total</b>	<b>\$ 93,985,876</b>	<b>\$ 14,057,260</b>

4. Construction work in progress at September 30, 2012 for primary government enterprise funds is composed of the following:

Project	Spent-to-date	Remaining Commitment
Water/Sewer Construction Fund	<u>\$158,539,620</u>	<u>\$24,850,622</u>
<b>Total</b>	<b><u>\$158,539,620</u></b>	<b><u>\$24,850,622</u></b>

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**C. CHANGES IN CAPITAL ASSETS (Continued)**

5. A summary of changes in capital assets for component units is as follows (in thousands):

Activity for the Jackson Redevelopment Authority for the year ended September 30, 2012, was as follows:

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,538	\$ -	\$ -	\$ 4,538
Construction in progress	136	-	136	-
Property held for development	<u>1,846</u>	<u>67</u>	<u>-</u>	<u>1,913</u>
Total capital assets not being depreciated	<u>6,520</u>	<u>67</u>	<u>136</u>	<u>6,451</u>
Other capital assets:				
Land improvements	29	-	-	29
Buildings	49,979	1,444	-	51,423
Equipment and furniture	<u>1,292</u>	<u>160</u>	<u>-</u>	<u>1,442</u>
Total other capital assets	<u>51,300</u>	<u>1,604</u>	<u>-</u>	<u>52,894</u>
Less accumulated depreciation for:				
Land improvements	(29)	-	-	(29)
Buildings	(19,321)	(1,238)	-	(20,559)
Equipment and furniture	<u>(1,288)</u>	<u>(4)</u>	<u>-</u>	<u>(1,292)</u>
Total capital assets being depreciated	<u>(20,638)</u>	<u>(1,242)</u>	<u>-</u>	<u>(21,880)</u>
Total other capital assets, net	<u>30,662</u>	<u>352</u>	<u>-</u>	<u>31,014</u>
Total capital assets, net	<u>\$ 37,182</u>	<u>\$ 419</u>	<u>\$ 136</u>	<u>\$ 37,465</u>

Depreciation expense was charged to activities as follows (in thousands):

Urban renewal projects	\$ 794
Rehabilitation loan services	1
Parking facilities	<u>447</u>
<b>Total</b>	<b><u>\$ 1,242</u></b>

Activity for the Capital City Convention Center Commission for the year ended September 30, 2012, was as follows (in thousands):

	Balance September 30, 2011	Additions	Deletions	Transfers	Balance September 30, 2012
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 5,792	\$ -	\$ -	\$ -	\$ 5,792
Building and improvements	79,959	3	-	-	79,962
Equipment	4,476	27	-	-	4,503
	90,227	30	-	-	90,257
Less accumulated depreciation	<u>(6,784)</u>	<u>(2,483)</u>	<u>-</u>	<u>-</u>	<u>(9,267)</u>
Total capital assets, net	<u>\$ 83,443</u>	<u>\$ (2,453)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,990</u>

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

Individual fund interfund receivable and payable balances as of September 30, 2012 follows (in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 3,142	\$ -
Federal Grant	-	214
Nonmajor Proprietary Funds	-	2,928
Total	<u>\$ 3,142</u>	<u>\$ 3,142</u>

Summary of transfer in/transfer out within primary government (in thousands):

	Transfer In	Transfer Out
General Fund	\$ 1	\$ 16,074
Debt Service Fund	7	-
Proprietary Fund	361	38
Federal Grant Fund	932	-
2006 G O Bond	128	-
Nonmajor Governmental Funds	3,746	360
Internal Service Fund	6,629	-
Nonmajor Proprietary Funds	<u>4,677</u>	<u>-</u>
Total	<u>\$ 16,481</u>	<u>\$ 16,481</u>

Interfund transfers at September 30, 2012 consist of the following (in thousands):

\$ 7	From Capital Project Nonmajor Fund (2008 Tax Increment Financing Revenue Bond) to the Debt Service Fund for debt service payment.
36	From Proprietary Funds (Water Sewer) to Nonmajor Proprietary (Madison) to subsidize operations.
361	From the Nonmajor Governmental Fund (2012 G O Note) to the Proprietary Fund (Water Sewer) to subsidize operations.
128	From the Major Governmental Fund (2006 G O Bond) to the Debt Service Fund for debt service payment.
932	From the General Fund to the Nonmajor Governmental Fund (Federal Grant Funds) to subsidize operations.
3,746	From the General Fund to the Nonmajor Governmental Funds (Parks and Recreation) to subsidize operations.
6,629	From the General Fund to the Internal Service Fund to subsidize operations.
4,639	From the General Fund to the Nonmajor Proprietary Funds (Transportation) to subsidize operations.
<u>1</u>	From the Proprietary Funds (Sanitation) to the General Fund to subsidize operations.
<u>\$ 16,481</u>	

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**E. CAPITAL LEASES:**

The City leases property with varying terms and options. Most leases contain a clause that states that the lease shall terminate in the event that no funds or insufficient funds are appropriated. However, if renewal is reasonably assured, leases are considered noncancellable leases for financial reporting purposes.

The City has financed through lease agreements the acquisition of the data processing division computer system, word-processing systems for the legal division, computerized records management system and a computer-aided dispatch system for the fire and police departments, and various copying and duplicating equipment. In addition, tractors have been acquired for both the Water Maintenance and the Engineering Maintenance divisions; golf carts have been acquired for the City's golf courses and riding lawn mowers have been acquired for park maintenance. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception. Future minimum lease payments under operating leases are disclosed in the following note. At September 30, 2012, there were assets under capital lease totaling \$20,786,427 for machinery and equipment. Future minimum lease payments for capital leases are disclosed in Note 4.G.B.

The City has reported the proceeds of capital leases related to its Proprietary Funds as inflows of cash since the City receives cash advances from the lessors and purchases the related assets.

**F. OPERATING LEASES:**

The City is obligated under certain noncancellable leases for land and buildings with terms remaining more than one year that are classified as operating leases. Operating leases do not give rise to property rights; therefore, the results of the lease agreements are not reflected in the City's account groups. Total lease expenditures for the rental of all land and buildings under operating leases for the year ended September 30, 2012, amounted to \$510,313. The following is a schedule by years of future minimum lease payments required under the noncancellable land and building operating leases as of September 30, 2012, (in thousands of dollars):

Fiscal Year	Amount
2013	\$ 188
2014	188
2015	188
2016	123
2017 and thereafter	<u>2,675</u>
Total	<u>\$ 3,362</u>

The total rental expenditures for all operating leases of the City for the year ended September 30, 2012 totaled to \$1,287,207. There were no subleases or contingent rentals associated with the operating leases.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT:**

**1. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are to be repaid from proprietary revenues.

The City issued \$20 million of general obligation bonds in January 2003 to provide funds for the costs of: (A) erecting, repairing, improving, and equipping municipal buildings; (B) improving streets; (C) traffic signals; (D) drainage improvements.

On August 4, 2005, the City issued \$20,960,000 in General Obligation Refunding Bonds with an average interest rate of 4.26 percent to advance refund \$20,710,000 of outstanding General Obligation Bonds, Series 1998 with an average interest rate of 5.05. The net proceeds of \$21,904,662 (after payment of \$343,777 in underwriting fees, insurance and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the General Obligation Bonds, Series 1998. As a result, the General Obligation Bonds, Series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. A portion (\$7,490,000) of the General Obligation Bonds, Series 1998 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,401,036. This difference is being charged to operations through the year 2017. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$816,595 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$861,719.

On November 8, 2006, the City issued \$65,000,000 in General Obligation Bonds to provide funds (a) to purchase the City Bond to provide funds to the City in order to finance the acquisition, construction, equipping, and furnishing of a convention center in the City to be known as the Capital City Convention Center and for other authorized purposes under the Act (the "Construction Project"), and (b) to pay the Costs of Issuance of the Series 2006 Bonds and the City Bond, including the cost of the premium for the Bond Insurance Policy.

On January 1, 2009 the City issued \$26,210,000 General Obligation Street Resurfacing Bond. The Bonds are being issued to provide funds to (a) purchase the City Bond to provide funds to the City to pay the costs of constructing, improving and paving streets, sidewalks, driveways, parkways, walkways and public parking facilities, and purchasing land therefore; and constructing bridges and culverts and (b) pay the Costs of Issuance of the Bonds and the City Bond.

On September 1, 2010 the City issued \$23,665,000 in General Obligation Refunding Bonds Series A & B. The bonds were issued to provide funds to the City in order to refund, defease and/or restructure certain outstanding maturities on the \$5,490,000 General Obligation Refunding Bond, Series 1998, the \$35,000,000 General Obligation Bonds, Series 1998, the \$20,000,000 General Obligation Bonds, Series 2003, the \$20,960,000 General Obligation Refunding Bonds, Series 2005, the \$5,155,000 General Obligation Refunding Bonds, Series 2008, and the \$26,210,000 General Obligation Bonds, Series 2009, and to pay the costs of issuance.

On April 1, 2012 the City issued \$11,500,000 in General Obligation Note, Series 2012. The note was issued to provide (a) erecting municipal buildings; (b) establishing sanitary, storm, drainage or sewage and repairing, improving and extending the same; (c) constructing bridges; and (d) constructing, improving or paving streets, sidewalks, driveways, parkways, walkways or public parking facilities and purchasing land.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (CONTINUED):**

The average interest rate on the 2010 General Obligation Refunding Bond is 4.17%. The net proceeds of \$26,128,292 resulted in an economic loss to the City in the amount of (\$2,116,562). The 1998 General Obligation Bond \$5,490,000, the 1998 General Obligation Bond \$35,000,000, and the 2008 General Obligation Bond \$5,155,000 are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net assets. A portion of the 2003 General Obligation Bond \$20,000,000, 2005 General Refunding Bond \$20,960,000, and the 2009 General Obligation Bond \$26,210,000 were not refunded.

At September 30, 2012, the City had \$7,550,000 of general obligation bonds considered to be defeased and outstanding.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 with principal maturing annually and interest due at various semi-annual dates. General obligation bonds currently outstanding at September 30, 2012, were as follows (in thousands):

	Date of Obligation	Interest Rate	Final Maturity Date	Issued	Outstanding
<u>General Obligation Bonds:</u>					
MS Development Bank GO Bonds, Series 2003	01/05/03	2.00-5.25%	03/01/23	20,000	\$ 12,385
General Obligation Bonds, Refunding 2005	08/04/05	3.00-5.00%	10/01/17	20,960	9,615
General Obligation Bonds, Series 2006	11/06/06	3.60-5.00%	03/01/36	65,000	64,570
General Obligation Bonds, Series 2009	01/01/09	4.00-5.80%	01/01/24	26,210	21,045
General Obligation Refunding Series 2010A	09/01/10	3.00-5.00%	08/01/24	16,655	16,655
General Obligation Refunding Series 2010B	08/01/10	4.370	09/01/24	7,010	7,010
Total General Obligation Bonds					<u>\$ 131,290</u>
<u>General Obligation Notes:</u>					
General Obligation Notes Payable Series 2012	04/01/12	1.71	09/01/24	402	\$ 402
Total General Obligation Notes					<u>\$ 402</u>

**2. Revenue Bonds**

On October 22, 2004, the City issued \$78,085,000 of Water/Sewer System Revenue and Revenue Refunding Bonds with an average interest rate of 4.53 percent to provide construction funding of \$57,985,452 and to advance refund \$5,030,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 6.38 percent and to advance refund \$5,895,000 of outstanding Water/Sewer System Revenue Bonds, Series 2002 with an average interest rate of 3.71. The net proceeds of \$11,567,152 (after payment of \$210,259 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portions of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

As a result, the portion of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$642,152. This difference is being charged to operations through the year 2034.

The City completed the advance refunding to reduce its total debt service payments over the next 8 years by \$9,212,277 which resulted in an economic gain (difference between the present values of the old debt and the new debt service payments) of \$209,734.

On August 4, 2005, the City issued \$27,180,000 in Water/Sewer System Revenue Refunding Bonds with an average interest rate of 4.32 percent to advance refund \$25,800,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 5.21. The net proceeds of \$2,758,429 (after payment of \$496,236 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the Water/Sewer System Revenue Bonds, Series 1999. As a result, the Water/Sewer System Revenue Bonds, Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund. A portion (\$5,085,000) of the Water/Sewer System Revenue Bonds, Series 1999 was not refunded. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,785,028. This difference is being charged to operations through the year 2024. The City completed the advance refunding to reduce its total debt service payments over the next 19 years by \$1,057,504 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,383,192.

On September 1, 2011, the City issued \$46,720,000 and \$2,565,000 in Water/Sewer System Revenue Refunding Bonds to advance refund \$42,355,000 of outstanding Water/Sewer System Revenue Bonds, Series 2002, \$1,140,000 of outstanding Water/Sewer Revenue Refunding, Series 2004, and \$2,790,000 of outstanding Water/Sewer Revenue Refunding, Series 2005. The purpose for issuing the Tax-Exempt Bonds is (a) to fund the 2011A Purchase Account, in order to provide funds for the purchase of the Tax-Exempt City Bond (which amounts are to provide financing for the refunding, defeasance and/or restructuring of a portion of the Prior Bonds pursuant to the Act), (b) to pay the premium for the Bond Insurance Policy and the Surety Bond for the Tax-Exempt Bonds, and (c) to fund the 2011A Bond Issuance Expense Account to pay the Costs of Issuance in connection with the Tax-Exempt Bonds and the Tax-Exempt City Bond. The purpose for issuing the Taxable Bonds is (a) to fund the 2011B Purchase Account, in order to provide funds for the purchase of the Taxable City Bond (which amounts are to provide financing for the refunding and/or restructuring of a portion of the Prior Bonds pursuant to the Act), (b) to pay the premium for the Bond Insurance Policy and the Surety Bond for the Taxable Bonds, and (c) to fund the 2011B Bond Issuance Expense Account to pay the Costs of Issuance in connection with the Taxable Bonds and the Taxable City Bond. The City completed the advance refunding to reduce its debt service payments over the next 23 years by \$3,838,070 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$144,146.

On September 1, 2012, the City issued \$63,045,000 and \$19,180,000 in Water/Sewer Revenue Refunding Bonds to advance refund \$76,120,000 of outstanding Water/Sewer System Revenue Refunding, Series 2004. The purpose for issuing the Tax-Exempt Bonds is (a) amount will provide financing for the refunding, defeasance and/or restructuring of the Series 2004 Bonds and the 2004 City Bonds, (b) as to the Taxable Bonds, to purchase the Taxable City Bond, which amount will provide financing for the refunding, defeasance and/or restructuring of the Series 2004 Bonds and 2004 City Bonds, (c) to pay premium for the Surety Bond and the Policy and (d) to fund the costs of issuance in connection with the Series 2012 Bonds and the Series 2012 City Bonds. The City completed the advance refunding to reduce its debt service payments over the next 22 years by \$3,067,182 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$3,062,988.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

Revenue bonds outstanding, at September 30, 2012, were as follows (in thousands):

Revenue Bonds:	Date of Obligation	Interest Rate	Final Maturity Date	Issued	Outstanding
Enterprise Funds:					
Water/Sewer Revenue Refunding 2005	07/01/05	3.00-5.00%	09/01/24	27,180	\$ 22,920
Water/Sewer Revenue Refunding 2011A	09/01/11	2.50-5.00%	09/01/34	46,720	46,720
Water/Sewer Revenue Refunding 2011B	09/01/11	4.070-5.40%	09/01/34	2,565	2,565
Water/Sewer Revenue Refunding 2012A	09/01/12	3.50-5.00%	09/01/34	63,045	63,045
Water/Sewer Revenue Refunding 2012B	09/01/12	1.00-2.375%	09/01/20	19,180	19,180
					<u>\$ 154,430</u>

At September 30, 2012, the City had \$115,670,000 of revenue bonds considered to be defeased and outstanding.

**3. Tax Increment Limited Obligation Bonds**

The City issued \$2.270 million of tax increment limited obligation bonds in December 2007 to provide funds for the costs of constructing certain infrastructure improvements, site development and or site preparation in connection with the development and construction of a redevelopment project located within the City. The City entered into an Interlocal Cooperation Agreement with Hinds County, Mississippi, to provide the pledge of certain ad valorem tax revenues for the payment of the principal and interest on the bonds. As a result, the bonds are not a general obligation of the City. Limited obligation bonds outstanding at September 30, 2012, are as follows (in thousands):

Limited Obligation Bonds:	Date of Obligation	Interest Rate	Final Maturity Date	Issued	Outstanding
General Long-Term Debt:					
Tax Increment Financing Bonds, 2007	12/28/2007	4.47%	3/1/2020	2,270	\$ 1,690
Tax Increment Financing Bonds, 2009	4/23/2009	4.20%	4/1/2024	407	352
Tax Increment Financing Bonds, 2009	6/16/2009	3.83%	7/1/2015	375	198
Tax Increment Financing Bonds, 2009	6/19/2009	4.75%	7/1/2022	1,600	1,323
Tax Increment Financing Bonds, 2010	12/30/2010	- %	7/1/2022	2,800	<u>2,538</u>
Total Limited Obligation Bonds					<u>\$ 6,102</u>

**4. Section 108 Loan**

On July 1, 2008, the City entered into a loan guaranty assistance in an amount not to exceed the \$10,000,000 under Section 108 of the Housing and Community Development Act of 1974 for the purpose of providing assistance for the Capital City Center Revitalization Project and for development of a revolving business loan program. Under the Contract for Loan Guarantee Assistance between the City and HUD, HUD authorized the City to loan up to \$10,000,000 under the 108 Program to TCI MS Investment, Inc. for special economic development activities under 24 CFR 570.703(i)(1) and 570.203(b) and, in particular, for "site assembly" costs for the Revitalization Project. Upon repayment of the TCI Loan, the City is authorized to use funds under the 108 program for the Business Loan Pool.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

The Revitalization Project is to consist of development of two (2) hotels, commercial and retail space, a parking garage and residential facilities to help revitalize the City's CBD while providing job creation for persons of low and moderate income through construction activities and then through the new businesses opened as part of the Revitalization Project. The Business Loan Pool is to be used to provide loan to for-profit and non-profit businesses and organizations which meet the eligibility requirements of 24 CFR 570.703, the national objective requirements of 570.208 and, if applicable, the public benefit standards of 570.209(b).

As required by the Guaranty Agreement, the City also entered into an agreement with Regions Bank to serve as custodian of original loan and security documents for the loan to TCI.

**5. Jackson Redevelopment Authority**

**Urban Renewal Bonds and Notes**

Urban renewal bonds and notes are issued to provide funds for various rehabilitation projects at September 30, 2012, were as follows (in thousands):

	Date of Obligation	Interest Rate	Final Maturity Date	Issued	Outstanding
<b>Urban Renewal Bonds:</b>					
<b>Enterprise Funds:</b>					
Urban Renewal Central Business District, 1998 A	09/01/98	4.50 6.375%	09/01/23	2,825	\$ 115
Urban Renewal Bond, Series, 2011-A	06/01/11	3.25%	06/01/31	7,105	7,015
Urban Renewal Bond, Series, 2011-B	06/01/11	5.15%	06/01/23	2,745	<u>2,735</u>
Total Urban Renewal Bonds and Notes					<u>\$ 9,865</u>

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

6. A summary of long-term debt transactions for the primary government and for the component unit for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds and loans payable:					
General obligation bonds	\$ 131,720	\$ -	\$ 420	\$ 131,200	\$ 2,900
Limited obligation bonds	6,541	-	439	6,102	467
General Obligation Note	-	402	-	402	-
State revolving loan MDA	430	-	47	383	41
Miss. Development Bank Loan	3,335	-	295	3,040	294
Section 108 Loan	7,000	-	-	7,000	-
Less deferred amounts:					
For issuance discount	(519)	-	(28)	(491)	-
On refunding	1,221	-	155	1,066	-
For issuance premium	<u>3,852</u>	<u>-</u>	<u>415</u>	<u>3,437</u>	<u>-</u>
Total bonds payable	153,580	402	1,753	152,229	3,992
Capital leases	18,073	3,099	4,114	17,058	4,938
Claims and judgments	2,068	561	560	2,069	560
Workers' Compensation Benefits	4,933	1,230	1,687	4,476	1,940
Compensated absences	<u>4,935</u>	<u>2,037</u>	<u>2,296</u>	<u>4,676</u>	<u>2,845</u>
	30,009	6,827	8,657	28,279	10,981
Total Governmental Activity	\$ 183,589	\$ 7,329	\$ 10,410	\$ 180,508	\$ 13,773
<b>Business-type activities:</b>					
Bonds and loans payable:					
Revenue bonds	\$ 148,325	\$ 82,225	\$ 76,120	\$ 154,430	\$ 5,155
Less deferred amounts:					
For issuance discount	(2,522)	131	(1,819)	(572)	-
For issuance premiums	3,477	4,135	1,757	5,855	-
On refunding	<u>991</u>	<u>1,281</u>	<u>3,326</u>	<u>(1,054)</u>	<u>-</u>
Total bonds payable	150,271	87,772	79,384	158,659	5,155
Capital leases	2,758	2,084	1,783	3,059	996
State Revolving Loan (DFC)	13,788	471	1,692	12,567	1,586
Compensated absences	<u>545</u>	<u>321</u>	<u>331</u>	<u>535</u>	<u>396</u>
	17,102	2,896	3,806	16,182	2,978
Total Business-type activities	\$ 167,373	\$ 90,668	\$ 83,180	\$ 174,841	\$ 6,139
<b>Component Unit – Jackson Redevelopment Authority</b>					
Urban Renewal bonds	\$ 11,120	\$ -	\$ 1,105	\$ 10,015	\$ 465
Less deferred amounts:					
On refunding	<u>(167)</u>	<u>-</u>	<u>17</u>	<u>(150)</u>	<u>-</u>
Total Component Unit	\$ 10,953	\$ -	\$ 1,088	\$ 9,865	\$ 465
Total Long-Term Debt	\$ 381,915	\$ 97,997	\$ 94,668	\$ 365,214	\$ 22,371

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

7. The City's legal debt margin for the issuance of general obligation bonds was \$101,746,803 at September 30, 2012.

**8. Annual Maturities Requirements**

The annual requirements to amortize all long-term debts outstanding, net of unamortized bond discount of \$449,374 for the component unit as of September 30, 2012, including interest, by source of retirement are as follows (in thousands):

**Debt Service Fund (Special Tax Levy)**

Fiscal Year	General Obligation Bonds		Total
	Interest	Principal	
2013	\$ 6,232	\$ 2,890	\$ 9,122
2014	6,142	5,610	11,752
2015	5,923	5,955	11,878
2016	5,630	6,330	11,960
2017	5,318	4,025	9,343
2018 – 2022	21,276	38,665	59,941
2023 – 2027	11,706	28,585	40,291
2028 – 2032	7,489	18,585	26,074
2033 – 2037	<u>2,157</u>	<u>20,645</u>	<u>22,802</u>
Total	<u>\$ 71,873</u>	<u>\$ 131,290</u>	<u>\$ 203,163</u>

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

Fiscal Year	Limited Obligation Bonds		Total
	Interest	Principal	
2013	\$ 256	\$ 467	\$ 9,845
2014	255	488	12,495
2015	243	518	12,630
2016	229	476	12,665
2017	273	502	10,118
2018 – 2022	412	2,300	62,653
2023 – 2027	203	797	41,291
2028 – 2032	-	551	26,628
2033 – 2037	-	-	22,802
2038 – 2042	-	-	-
Total	<u>\$ 1,871</u>	<u>\$ 6,102</u>	<u>\$ 211,136</u>

**General Fund (General Fund Revenues)**

Fiscal Year	Obligation Under Capital Leases		Total
	Interest	Principal	
2013	\$ 475	\$ 4,936	\$ 5,411
2014	361	3,841	4,202
2015	277	2,566	2,843
2016	216	1,154	1,370
2017	179	791	970
2018 – 2022	634	2,134	2,768
2023 – 2027	166	1,636	1,802
2028 – 2032	-	-	-
Total	<u>\$ 2,308</u>	<u>\$ 17,068</u>	<u>\$ 19,366</u>



CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

**Enterprise Funds - Water/Sewage Disposal System Fund (Water/Sewer Revenue)**

Revenue Bonds		
Fiscal Year	Interest	Principal
2013	\$ 6,270	\$ 5,155
2014	6,133	5,605
2015	5,985	5,750
2016	5,810	5,930
2017	5,614	6,125
2018 – 2022	24,744	33,935
2023 – 2027	16,917	34,975
2028 – 2032	8,339	39,040
2033 – 2037	<u>964</u>	<u>17,915</u>
Total	<u>\$ 80,776</u>	<u>\$ 154,430</u>

Obligations Under  
Capital Lease

Fiscal Year	Interest	Principal
2013	\$ 47	\$ 1,198
2014	29	800
2015	15	869
2016	4	142
2017	-	-
2018 – 2022	-	-
Total	<u>\$ 95</u>	<u>\$ 3,069</u>

State Revolving Loan			
Fiscal Year	Interest	Principal	Total
2013	\$ 374	\$ 1,757	\$ 14,801
2014	307	1,825	14,759
2015	245	1,316	14,180
2016	202	1,083	13,171
2017	165	1,081	12,985
2018 – 2022	378	4,462	63,519
2023 – 2027	63	1,036	52,991
2028 – 2032	1	18	47,398
2033 – 2037	-	-	<u>18,879</u>
Total	<u>\$ 1,735</u>	<u>\$ 12,578</u>	<u>\$ 252,683</u>

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

**Jackson Redevelopment Authority (Urban Renewal Project Revenues)**

Jackson Redevelopment Authority Notes Payable, Urban Renewal Notes and Bonds			
Fiscal Year	Interest	Principal	Total
2013	\$ 434	\$ 465	\$ 899
2014	416	485	901
2015	399	440	839
2016	382	460	842
2017	365	470	835
2018 – 2022	1,435	3,245	4,680
2023 – 2027	775	2,375	3,150
2028 – 2032	<u>239</u>	<u>2,075</u>	<u>2,314</u>
	4,445	10,015	14,460
Unamortized refunding cost and discounts	-	(150)	(150)
Total	<u>\$ 4,445</u>	<u>\$ 9,865</u>	<u>\$ 14,310</u>

The City has unconditionally and irrevocably agreed to grant and contribute to the Jackson Redevelopment Authority from the General Fund of the City sums sufficient to pay the principal of and interest on the bonds issued by the Jackson Redevelopment Authority for urban renewal purposes, as the same shall mature and become due. Principal and interest maturities for 2012 were paid by contributions from the General Fund of \$708,926.

There are a number of requirements contained in various revenue bond ordinances. The City is in compliance with all significant requirements.

**9. Annual Maturities Requirements**

The annual requirements to amortize all debt outstanding for the City and the component unit as of September 30, 2012, including interest of \$449,374 for the component unit are as follows (in thousands):

Fiscal Year	City of Jackson	Jackson Redevelopment Authority
2013	\$ 30,057	\$ 899
2014	31,456	901
2015	29,662	839
2016	27,208	842
2017	24,073	835
2018 and thereafter	<u>340,731</u>	<u>10,144</u>
Total	<u>\$ 483,187</u>	<u>\$ 14,460</u>

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 4 – Detailed notes on all funds (Continued):**

**G. LONG-TERM DEBT (Continued):**

**10. Interest Rate Swap**

On March 31, 2004, the City and the Mississippi Development Bank (collectively "the City") executed a confirmation with RFPC, LLC (a subsidiary of Rice Financial Products Company) (the "2004 Swap Counterparty"), in connection with the execution of an Interest Rate Swap Agreement (the "2004 Swap Agreement") in order to reduce the debt service costs associated with certain outstanding obligations of the City. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project) issued to fund certain water and sewer improvements for the City. The notional amount of the swap is \$49,105,000. The City received a savings pre-payment of \$287,315 from the 2004 Swap Counterparty.

Under the 2004 Swap Agreement the City receives a fixed rate from the 2004 Swap Counterparty, and in return pays a fixed rate less an Adjustment Factor. The Adjustment Factor exposes the City to changes in the ratio between the tax-exempt BMA Index and LIBOR. Payments on the swap are exchanged semiannually. The swap became effective on April 1, 2005 and will terminate on April 1, 2024. An early termination of the swap transaction may result in the City making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2012, the fair value of the transaction was a net liability of \$2,600,201 for the City, which is not recorded, in the financial statements. In fiscal year 2011, the City refunded the Water/Sewer System Revenue Bonds, Series 2002.

**Risks Associated with the 2004 Swap Agreement**

**Credit Risk** – The City's swap relies on the performance of the 2004 Swap Counterparty. The City is exposed to the risk that the 2004 Swap Counterparty is unable to fulfill its obligations to the City. The obligations of the 2004 Swap Counterparty to the City are guaranteed by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively.

**Basis Risk** – The City pays fixed rates on the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project).

**Interest Rate Risk** – The City is exposed to changes in relationships between tax-exempt and taxable interest rates that may be affected by changes in the marginal tax rate, the elimination of tax preferences or other major changes to current tax law including, but not limited to, implementation of a flat tax or value-added tax.

**Termination Risk** – The 2004 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the City to significant termination risk. If the 2004 Swap Counterparty fails to meet its obligations to the City, these obligations will be met by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively. If the third party guarantor suffers a loss of creditworthiness, the 2004 Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available or if the City fails to meet its obligations to the 2004 Swap Counterparty, the termination provisions in the 2004 Swap Agreement will apply. The City may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to April 1, 2024 and that fair market value is negative.

**Note 5 – GASB 54 Fund Balance Presentation – Classification Total**

The City adopted GASB Statement 54 during the year ended September 30, 2012 as such, fund balance of the governmental funds are classified by specific purpose as follows:

	General Fund	Federal Grant	Debt Service	Improvement Fund	1998 GO Bond	2005 GO Bond	2006 GO Bond	2009 GO Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>										
<b>NONSPENDABLE:</b>										
General government	\$ 2,159,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,159,625
<b>RESTRICTED:</b>										
General government	-	81,023	-	-	-	-	-	-	169,769	250,813
Public safety	634,113	41,600	-	-	-	-	-	-	7,451	709,492
Public works	-	\$41,585	-	-	-	-	-	-	-	\$81,585
Health and Cultural services	-	829,439	-	-	-	-	-	-	414	829,852
Debt service reserve	-	-	3,331,343	-	-	-	-	-	-	3,331,343
<b>COMMITTED TO:</b>										
General government	3,617,003	-	-	15,333	-	-	-	-	-	3,632,335
Public safety	1,172,273	-	-	-	-	-	-	-	-	1,172,273
Public works	-	-	-	1,376,487	363,225	3,193,255	315,627	4,240,771	-	9,491,365
Health and Cultural services	-	-	-	-	-	-	-	-	2,134,692	2,134,692
Employee benefits	-	-	-	-	-	-	-	-	51,297	51,297
<b>ASSIGNED TO:</b>										
General government	48,733	-	-	-	-	-	-	-	-	48,733
<b>UNASSIGNED:</b>										
General government	26,275,852	-	-	-	-	-	-	-	-	26,275,852
Public safety	34,235	-	-	-	-	-	-	-	-	34,235
<b>Total fund balances</b>	<b>\$33,965,833</b>	<b>\$ 1,535,945</b>	<b>\$ 3,331,343</b>	<b>\$ 1,391,819</b>	<b>\$ 363,225</b>	<b>\$3,193,255</b>	<b>\$ 315,627</b>	<b>\$ 4,240,771</b>	<b>\$ 2,360,694</b>	<b>\$ 49,703,470</b>

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 6 – Other Information**

**A. RISK MANAGEMENT**

**1. Workers Compensation Benefits**

The City maintains a self-funded workers compensation plan accounted for in the General Fund. Commercial insurance is obtained to protect the City from excess losses greater than \$1,000,000 per individual claim for police and fire employees. Commercial insurance is obtained to protect the City from excess losses greater than \$400,000 per individual claim for all other employees. Benefits paid to employees during fiscal year 2012 were \$1,687,802.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and includes provisions for estimated claims adjustment expenses.

**2. Unemployment Benefits**

The City also maintains an Unemployment Compensation Revolving Fund (Employee Benefit Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2012, the required amounts were funded. Claims totaled \$127,976 during fiscal year 2012. Estimates of the liability for unpaid claims are based on patterns of claims payments.

**3. Group Benefits**

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employer medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$8,137,831 and employee benefit costs were \$14,722,224 during fiscal year 2012. Claims incurred but not reported at September 30, 2012, in the Employees' Group Benefit Fund are provided for in the fund balance of that fund based primarily upon an actuary's estimate.

**4. Tort Liability**

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Jackson may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and/or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivision to purchase liability insurance or to self insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

**CITY OF JACKSON**  
Notes to Financial Statements  
September 30, 2012

**Note 6 – Other Information (Continued):**

**A. RISK MANAGEMENT (Continued):**

**4. Tort Liability (Continued):**

The City of Jackson is in compliance by using method number three as indicated above. The 2012 fiscal year budget had the monies necessary to establish the reserve fund at the required funding level. Estimates of the liability for unpaid claims are actuarially determined.

For the past three years, the settlement amount for claims against the City has not exceeded the amount of insurance coverage maintained by the City.

The following table provides a reconciliation of changes in the liabilities for claims for years ended September 30, 2012 and 2011:

	Employee Benefit Fund	Tort Claims	Unemployment Benefits Fund	Workers' Compensation Benefits
2012:				
Beginning Balance	\$ 284,190	\$ 2,067,197	\$ -	\$ 4,933,746
Current Year Claims/Changes in Estimates	14,722,224	561,529	127,976	1,230,129
Claims Payments	14,595,180	559,904	127,976	1,687,802
Ending Balance	\$ 411,234	\$ 2,068,822	\$ -	\$ 4,476,073
2011:				
Beginning Balance	\$ 360,791	\$ 2,788,833	\$ -	\$ 5,108,260
Current Year Claims/Changes in Estimates	13,515,614	882,328	135,755	1,643,914
Claims Payments	13,582,215	1,603,904	135,755	1,818,428
Ending Balance	\$ 284,190	\$ 2,067,197	\$ -	\$ 4,933,746

**5. Other Risks**

The City of Jackson is exposed to various other risks of loss related to theft of, damage to and destructions of assets; errors and omissions; and natural disasters. The City purchases commercial insurance policy covering employee dishonesty up to \$100,000 per employee with a \$1,000 deductible. The City carries casualty insurance in the amount of \$300,000,000 with a \$5,000 deductible to protect against damage to property caused by natural disaster or other casualties. Amounts of settlements have not exceeded insurance coverage in the past three years.

**B. COMMITMENTS**

During fiscal year 1993, the City entered into a revolving loan agreement with the Department of Environmental Quality (DEQ) for loans to the Jackson Water/Sewage Disposal System Fund. The City has pledged sales tax reimbursements from the State of Mississippi to repay the DEQ loans. The outstanding balance of the revolving loans at September 30, 2012, was \$12,577,152.

**CITY OF JACKSON**  
**Notes to Financial Statements**  
**September 30, 2012**

**Note 6 – Other Information (Continued):**

**C. SUBSEQUENT EVENT**

On February 28, 2013, the City of Jackson issued General Obligation Refunding Bonds, Series 2013 (Capital City Convention Center Project) of sixty-four nine hundred forty million dollars (\$64,940,000) for the purpose of refunding the General Obligation Bonds, Series 2006.

On March 25, 2013, the City of Jackson governing body adopted a resolution declaring its intention to either issue and sell general obligation bonds of the City or enter into a loan in an amount not to exceed Twelve Million Dollars (\$12,000,000), all for the purpose of providing financing for the City infrastructure projects which will result in a substantial public benefit to the citizens of the City.

On March 29, 2013, the City of Jackson refinanced existing energy performance leases for interest rate savings.

On April 16, 2013, the City of Jackson governing body adopted a resolution declaring its intention to issue Water and Sewer Revenue bonds of the City in an amount not to exceed ninety million dollars (\$90,000,000), all for the purpose of providing financing for the City combined water and sewer system which will result in a substantial public benefit to the citizens of the City.

Subsequent events have been evaluated through May 3, 2013, which represents the date the comprehensive annual financial report were available to be issued. Subsequent events after that date have not been evaluated.

**D. CONTINGENT LIABILITIES:**

**Litigation**

The City is defendant in a number of legal actions seeking actual and punitive damages. Contingencies totalling \$947,000 for which it is probable a loss has been incurred and are subject to reasonable estimation are recognized in the financial statements in the governmental funds. The City is vigorously defending all matters of litigation and believes there will be no material adverse financial effect.

The City of Jackson is the subject of an enforcement action by the United States Environmental Protection Agency. The City shall pay the sum of \$437,916 as a civil penalty to be paid in four (4) installments of \$109,479. The City shall pay to the United States Environmental Protection Agency sixty percent (60%) and forty percent (40%) to the Mississippi Department of Environmental Quality of each installment of the civil penalty plus any interest due. This civil penalty is for violations of the Clean Water Act.

Over the last two years, the City of Jackson has been unable to obtain a viable financing plan for the Capital City Revitalization Project. Subsequent to September 30, 2012, the City began negotiating a deed in lieu of foreclosure for the land that is securing the loan under the section 108 loan. As a result, an amendment to the City's Consolidated Plan was not necessary. Upon receipt of the deed in lieu of foreclosure and the acquisition of all other lands necessary for the convention center project, Jackson Redevelopment Authority (JRA) will issue an RFP for a new hotel developer.

**E. JOINT VENTURES**

The following provides the summary financial information of the Jackson/Hinds Library System as of September 30, 2012 (in thousands):

<u>Jackson/Hinds Library System</u>	
Total assets	\$ 1,432
Total liabilities	\$ 222
Total fund equity	\$ 1,210
Total revenues	\$ 4,301 (1)
Total expenditures	\$ 4,252
Net increase (decrease) in fund balance	\$ 49
Total debt	\$ —

(1) The percentage share of the joint venture applicable to the City of Jackson is fifty percent (50%).

**CITY OF JACKSON**  
**Notes to Financial Statements**  
**September 30, 2012**

**Note 6 – Other Information (Continued):**

**F. EMPLOYEES' RETIREMENT SYSTEM:**

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

**Public Employees' Retirement System**

**1. Plan Description and Provisions**

Substantially all City of Jackson full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee 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 Section 21-29-201 of the Mississippi Code of 1942 as annotated, 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 information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**2. Description of Funding Policy**

PERS members are required to contribute 9.00% of their annual covered salary and the City of Jackson is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

**Annual Pension Cost.** For 2012, the City's annual pension cost of \$7,079,036 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2012, actuarial valuation using the entry age actuarial cost method. PERS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2012 was 22 years.

**Three-Year Trend Information for PERS**  
(Dollar amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage Of APC Contributed
9/30/10	7,977	100%
9/30/11	9,628	100%
9/30/12	7,079	100%

**Note 6 – Other Information (Continued):**

**F. EMPLOYEES' RETIREMENT SYSTEM (Continued):**

**Disability and Relief- Municipal Retirement Systems Pension Plan**

**1. Plan Description**

The City of Jackson contributes to the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. The City's uniformed police officers and firefighters employed prior to April 1, 1976, participate in MRS. Firefighters and police officers employed subsequent to April 1, 1976, are members of the Public Employees' Retirement System of the State as previously described. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Legislation may be amended only by the State of Mississippi Legislature. At September 30, 2012, the date of the most recent actuarial verification, there were 2 participating municipal employees and 654 retired participants and beneficiaries currently receiving benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**2. Basis of Accounting**

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed. Investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates market or fair value. For individual investments where no readily ascertainable market value exists, the Public Employees' Retirement System, in consultation with their investment advisors and custodial bank, has determined the fair values.

**3. Funding Status and Progress**

The actuarial accrued liability is a measure intended to (i) help users assess the plan's funding status on a going-concern basis, and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. For the years ending September 30, 1994, and prior, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995, actuarial valuation, the actuarial value of assets will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the system's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

As of September 30, 2012, the most recent actuarial valuation date, the plan was 48.8% funded. The actuarial accrued liability for benefits was \$124 million and the actuarial value of assets was \$60.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$63.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$42,000, and the ratio of the UAAL to the covered payroll was 151.186%.

**Note 6 – Other Information (Continued):**

**F. EMPLOYEES' RETIREMENT SYSTEM (continued):**

**4. Annual Pension Cost and Net Pension Asset**

The net pension obligation or asset represents the cumulative difference since the effective date of the statement between City's annual pension cost calculated pursuant to GASB 27 and the employer's contribution to the plan, including the pension liability or asset at transition. For purposes of transition, funding deficiencies which occurred prior to October 1, 1987 are not required to be considered but to do so is acceptable. However, information on fiscal years prior to October 1, 1987 is not available although considerable funding deficiencies occurred to that point. As a result of the transition rules under GASB Statement No. 27, the net pension obligation is considerably less than if the calculation were made considering all applicable years of the plan. Consequently, although the City has an unfunded actuarial accrued liability of \$63,498 as of September 30, 2012, the City has recorded a net pension asset of \$15,785 in the accompanying government wide statements in the governmental activities.

The City's annual pension cost and net pension asset for the current year calculated pursuant to GASB 27 is as follows (in thousands):

Annual required pension contribution	\$ (6,126)
Interest on net pension asset	1,136
Adjustments to annual required contribution	(1,392)
Annual pension cost	(6,382)
Contributions made	7,966
Decrease in net pension asset	1,584
Net pension asset beginning of year	14,201
Net pension asset end of year	\$ 15,785

As the result of the issuance of \$49,790 of general obligation bonds in 1997, the City's contribution to the plan has been limited since that date to matching contributions on employee withholdings. Since 2001, the City's unfunded actuarial accrued liability related to MRS has grown considerably and the annual required contribution for fiscal 2012 is projected to be approximately \$6,126. The City's plans are to continue the present contribution level to the plan through fiscal 2012. At that point the 1997 general obligation bonds will have been retired and tax mileage presently used for bond payments amounting to approximately \$6.0 million will be diverted toward making annual contributions to the plan. Projections of cash flow for the plan indicate contributions of approximately \$ 6.9 million in 2012 and growing to approximately \$9.8 million through 2021 will be necessary to meet the City's obligations under the plan. To account for the receipt of revenues, property tax levies, and payments of bond principal and interest related to the bonds issued to provide reductions in the accrued actual liability related to pensions of retired and disabled police and fireman, all contributions are paid from in the Disability and Relief Fund (Non-Major Fund).

In 1997, the City issued \$49,790,000 of General Obligation Bonds and contributed the proceeds to the MRS plan to provide for a similar reduction in the unfunded actuarial accrued liability. As a result of this contribution, the City has not recognized a net pension obligation (NPO) in its financial statements.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 6 – Other Information (Continued):**

**F. EMPLOYEES' RETIREMENT SYSTEM (continued):**

**4. Annual Pension Cost and Net Pension Asset (Continued):**

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the system (but not used for funding purposes) as of September 30, 2012. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% to 6.0% per year compounded annually, attributable to inflation and seniority/merit. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded liability is being amortized over a closed 30 year period with 22 years remaining as of September 30, 2012. At September 30, 2012, the unfunded actuarial accrued liability was determined as follows:

<u>Actuarial Accrued Liability</u>	<u>(In Thousands)</u>
Retirees and beneficiaries currently receiving benefits	\$123,689
Active members	321
Vested terminated members not yet receiving benefits	—
Total actuarial accrued liability	124,010
Actuarial Value of Assets	<u>60,512</u>
Unfunded actuarial accrued liability	\$ 63,498

During the year ended September 30, 2012 the plan experienced an estimated net change of \$(3,452) in the Actuarial Accrued Liability.

**5. Funding Policy**

The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The funding policy for MRS provides for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. In developing the annual required contribution shown below, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on an open basis as a level dollar amount over a period of 40 years. The City's active MRS members contribute ten percent of their base salaries to the plan. This difference has historically resulted in the actual contribution being less than the annual required contribution.

**6. Annual Pension Cost**

During the year ended September 30, 2012, contributions totaling approximately \$7,973,753 (\$7,967,824 employer and \$9,756 employee) were made in accordance with contribution requirements determined by the actuarial valuation of the system as of September 30, 2011. The employer contributions consisted of approximately \$11,840 for normal cost and administrative expenses and \$7,955,964 for amortization of the unfunded actuarial accrued liability. In addition to the above contributions, the City has levied a special tax for the retirement of bonds issued to provide funding for City's pension obligation for the year ended September 30, 2012.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 6 – Other Information (Continued):**

**F. EMPLOYEES' RETIREMENT SYSTEM (continued):**

**7. Contributions Required and Contributions Made:**

**Three-Year Trend Information for MRS**  
(In Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Asset (NPO)</u>
9/30/10	(5,865)	97.8%	13,662
9/30/11	(6,081)	108.3%	14,201
9/30/12	(6,382)	124.8%	15,785

**G. OTHER POSTEMPLOYMENT BENEFITS**

Effective for the 2009 fiscal year, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and required supplementary information. This Statement requires recognition of the cost of other postemployment benefits during the periods when employees render their services and disclosure about actuarially accrued liabilities related to past services and the status and progress of funding the benefits. The requirements of GASB statement No. 45 were implemented prospectively beginning October 1, 2007.

**Plan Description**

The City's OPEB plan provides post employment healthcare coverage, including dental benefits to eligible individuals. Eligible individuals include all regular, full-time employees of the City, as well as permanent part-time employees who work at least 20 hours per week, and their spouses and dependent children. Employees must have earned at least 25 years of service with the City in order to be eligible for retiree healthcare coverage. Coverage continues at the election of the retiree until age 65. Retirees must pay the required monthly premium for either single or family coverage, as applicable. As of September 30, 2012, 156 retirees are eligible to receive benefits under the plan. The plan was established under authority of the City Council and may be amended or abolished by council action.

**Annual OPEB cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the actuarial valuation performed by an outside actuary consultant. The following table shows the components of the government's annual OPEB cost for the year and the amount actually contributed to the plan during the year:

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 6 – Other Information (Continued):**

**G. OTHER POSTEMPLOYMENT BENEFITS (Continued):**

	Governmental Activities	Business-type Activities	Total OPEB Plan
Annual Required Contribution	\$6,681,933	\$1,016,067	\$7,698,000
Interest on net OPEB obligation	506,049	76,951	583,000
Adjustment to ARC	(1,161,396)	(176,604)	(1,338,000)
Annual OPEB cost (expense)	6,026,586	916,414	6,943,000
Less: Contributions made	(1,591,928)	(242,072)	(1,834,000)
Increase in net OPEB obligation	4,434,658	674,342	5,109,000
Net OPEB obligation beginning	13,428,098	2,041,902	15,470,000
Net OPEB obligation end of year	\$17,862,756	\$2,716,244	\$20,579,000

**Trend Information for OPEB Plan:**

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/10	\$5,214,000	27%	10,924,000
9/30/11	\$5,253,000	13%	15,470,000
9/30/12	\$6,979,000	27%	20,579,000

**Funding status and funding progress:**

The City funds the plan on a pay-as-you-go basis. As of September 30, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$45,498,000 with no valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same amount. The covered payroll was not available and the ratio of the UAAL to the covered payroll was N/A. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and actual results are compared with past expectations and new estimates are made about the future.

Although, the actuarial accrued liability for the OPEB plan has increased, the City has not provided funding for the plan.

CITY OF JACKSON  
Notes to Financial Statements  
September 30, 2012

**Note 6 – Other Information (Continued):**

**G. OTHER POSTEMPLOYMENT BENEFITS (Continued):**

**Actuarial methods and assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2012 actuarial valuation, the projected unit credit method was used. It is amortized as a level percent of payroll over a 15 year open period and a level-dollar payment. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate trend rate of 6 percent after ten years. Both rates include a 2.75 percent inflation assumption. Currently there are no assets set aside that are legally held exclusively for OPEB.

CITY OF JACKSON  
Required Supplementary Information  
Employees' Retirement Systems  
Schedule of Funding Progress  
September 30, 2012

**DISABILITY AND RELIEF - MUNICIPAL RETIREMENT SYSTEMS PENSION PLAN**

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b-a)/c]
9/30/2010	70,753	131,163	60,410	53.9	93	64,957.0
9/30/2011	65,786	127,461	61,675	51.6	99	62,298.0
9/30/2012	60,512	124,010	63,498	48.8	42	151,185.7

**SCHEDULE OF FUNDING PROGRESS  
for the OPEB PLAN**

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b-a)/c]
10/1/2009	-	36,875	36,875	0.00%	66,782	55.2
10/1/2010	-	36,875	36,875	0.00%	66,782	55.2
5/1/2012	-	45,498	45,498	0.00%	Not available	N/A



## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

#### **Parks and Recreation Fund**

To account for the operation and maintenance of all City-owned parks. Financing is provided by a 2-Mill annual property tax levy, admissions, fees and concessions. Appropriations are made from General Fund sources to the extent that such tax levy and other revenues are not sufficient to finance expenditures.

#### **State Grant Fund**

To account for proceeds of state grants or loans other than those grants or loans for Enterprise Fund or Capital Projects Fund items.

#### **Disability and Relief Fund**

To account for the receipt of revenues, principally tax levies, and payments of bond principal and interest related to bonds issued to provide reductions in the accrued actual liability related to pensions of retired and disabled police and fireman employed prior to April 1, 1976.

### **Capital Projects Funds**

#### **Industrial Park Bond Fund, 1982-A**

To account for proceeds of general obligation bonds of \$3,000,000 to establish an industrial park.

#### **2009 Tax Increment Financing Revenue Bond**

To account for bond proceeds issued to finance the costs of infrastructure improvements to the River Hills project.

#### **2009 Tax Increment Financing Revenue Bond**

To account for bond proceeds issued to finance the costs of infrastructure improvements to the Paul Moak project.

#### **2009 Tax Increment Financing Revenue Bond**

To account for bond proceeds issued to finance the costs of infrastructure improvements to the Fondren project.

#### **2012 General Obligation Note 2012**

To account for proceeds of general obligation note of \$11,500,000 providing updates to City facilities and rehabilitation of sewer line projects.

City of Jackson  
Combining Balance Sheet  
Nonmajor Governmental Funds  
As of September 30, 2012

	Special Revenue			
	Parks and Recreation	State Grant	Disability and Relief	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,331,156	\$ 131,564	\$ 669,959	\$ 3,132,679
Other Receivable	2,336,396	51,112	5,713,617	8,101,125
Total Current Asset	<u>\$ 4,667,552</u>	<u>\$ 182,676</u>	<u>\$ 6,383,576</u>	<u>\$ 11,233,804</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 24,369	\$ -	\$ 618,662	\$ 643,031
Contracts Payable	-	41,037	-	41,037
Unearned Revenue	2,324,715	-	5,713,617	8,038,332
Other Liabilities	183,776	-	-	183,776
Total liabilities	<u>2,532,860</u>	<u>41,037</u>	<u>6,332,279</u>	<u>8,906,176</u>
<b>FUND BALANCES</b>				
Restricted	-	141,639	-	141,639
Committed	2,134,692	-	51,297	2,185,989
Total Fund Balance	<u>2,134,692</u>	<u>141,639</u>	<u>51,297</u>	<u>2,327,628</u>
Total Liabilities and Fund balances	<u>\$ 4,667,552</u>	<u>\$ 182,676</u>	<u>\$ 6,383,576</u>	<u>\$ 11,233,804</u>

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

Capital Projects						Total Nonmajor Governmental Funds
1982 Industrial Park Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	2012 GO Note	Total	
\$ 36,163	\$ 231	\$ 160	\$ 123	\$ -	\$ 36,677	\$ 3,169,356
-	-	-	-	-	-	8,101,125
<u>\$ 36,163</u>	<u>\$ 231</u>	<u>\$ 160</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 36,677</u>	<u>\$ 11,270,481</u>
\$ -	\$ -	\$ -	\$ -	\$ 671	671	\$ 643,702
-	-	-	-	-	-	41,037
-	-	-	-	-	-	8,038,332
-	-	-	-	-	-	183,776
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>671</u>	<u>671</u>	<u>8,906,847</u>
36,163	231	160	123	(671)	36,006	177,645
-	-	-	-	-	-	2,185,989
<u>36,163</u>	<u>231</u>	<u>160</u>	<u>123</u>	<u>(671)</u>	<u>36,006</u>	<u>2,363,634</u>
<u>\$ 36,163</u>	<u>\$ 231</u>	<u>\$ 160</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 36,677</u>	<u>\$ 11,270,481</u>

**City of Jackson**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the year ended September 30, 2012**

	Special Revenue			
	Parks and Recreation	State Grant	Disability and Relief	Total
<b>REVENUES</b>				
General property taxes	\$ 2,337,765	\$ -	\$ 6,733,811	\$ 9,071,576
Intergovernmental	123,058	276,272	192,690	592,020
Admissions, fees, rentals and concessions	306,723	-	-	306,723
Interest	21,028	361	10,183	31,572
Other	75,000	-	80,379	155,379
Total revenues	<u>2,863,574</u>	<u>276,633</u>	<u>6,942,063</u>	<u>10,082,270</u>
<b>EXPENDITURES</b>				
Current Operations:				
Personnel Services	4,025,378	-	-	4,025,378
Supplies	764,724	-	-	764,724
Other Services and Charges	1,096,392	185,514	6,931,879	8,213,785
Capital Outlay	389,513	91,270	-	480,783
Total expenditures	<u>6,276,007</u>	<u>276,784</u>	<u>6,931,879</u>	<u>13,484,670</u>
Excess (deficiency) of revenues over expenditures	<u>(3,412,433)</u>	<u>(151)</u>	<u>10,184</u>	<u>(3,402,400)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
General Fund	3,745,689	-	-	3,745,689
Proceeds of long term debt	63,448	-	-	63,448
Transfers out:				
Debt Service Fund	-	-	-	-
Total other financing sources	<u>3,809,137</u>	<u>-</u>	<u>-</u>	<u>3,809,137</u>
Net change in fund balances	<u>396,704</u>	<u>(151)</u>	<u>10,184</u>	<u>406,737</u>
Fund balances at beginning of year	<u>1,737,988</u>	<u>141,790</u>	<u>41,113</u>	<u>1,920,891</u>
Fund balances at end of year	<u>\$ 2,134,692</u>	<u>\$ 141,639</u>	<u>\$ 51,297</u>	<u>\$ 2,327,628</u>

	Capital Projects					Total Nonmajor Governmental Funds
	1982 Industrial Park Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	2012 GO Note	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,071,576
-	-	-	-	-	-	592,020
-	-	-	-	-	-	306,723
298	-	-	-	-	9	31,879
-	-	-	-	-	-	80,379
298	-	-	-	-	9	307
-	-	-	-	-	-	10,082,577
-	-	-	-	-	-	4,025,378
-	-	-	-	-	-	764,724
-	-	-	-	40,127	40,127	8,253,912
-	-	-	-	-	-	480,783
-	-	-	-	40,127	40,127	13,524,997
298	-	-	-	-	(40,118)	(39,820)
-	-	-	-	-	-	3,745,689
-	-	-	-	40,146	40,146	103,594
-	-	-	(6,756)	-	(6,756)	(6,756)
-	-	-	(6,756)	39,447	32,691	3,841,828
298	-	-	(6,756)	(671)	(7,129)	399,608
35,865	231	160	6,879	-	43,135	1,964,026
\$ 36,163	\$ 231	\$ 160	\$ 123	\$ (671)	\$ 36,006	\$ 2,363,634

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

City of Jackson  
Parks and Recreation Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	Budget Amount		Actual Amounts	Variance with Final Budget - positive(negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 2,318,979	\$ 2,318,979	\$ 2,337,660	\$ 18,681
Intergovernmental	-	-	123,058	123,058
Admissions, fees, rentals and concessions	529,800	529,800	306,828	(222,972)
Interest	-	-	21,028	21,028
Other	-	185,000	75,000	(110,000)
Total revenues	<u>2,848,779</u>	<u>3,033,779</u>	<u>2,863,574</u>	<u>(170,205)</u>
<b>EXPENDITURES</b>				
Current Operations:				
Personnel Services	4,594,898	4,694,613	4,025,378	669,235
Supplies	1,014,305	1,089,272	764,724	324,548
Other Services and Charges	1,395,936	1,494,942	1,096,392	398,550
Capital Outlay	394,934	495,250	389,513	105,737
Total expenditures	<u>7,400,073</u>	<u>7,774,077</u>	<u>6,276,007</u>	<u>1,498,070</u>
Excess (deficiency) of revenues over expenditures	<u>(1,551,294)</u>	<u>(4,740,298)</u>	<u>(3,412,433)</u>	<u>1,327,865</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General Fund	3,772,194	3,745,689	3,745,689	-
Process from long term debt	128,000	128,000	63,448	(64,552)
Total other financing sources (uses)	<u>3,900,194</u>	<u>3,873,689</u>	<u>3,809,137</u>	<u>(64,552)</u>
Net change in fund balances	(651,100)	(866,609)	396,704	1,263,313
Fund balances at beginning of year	<u>1,737,988</u>	<u>1,737,988</u>	<u>1,737,988</u>	-
Fund balances at end of year	<u>\$ 1,086,888</u>	<u>\$ 871,379</u>	<u>\$ 2,134,692</u>	<u>\$ 1,263,313</u>

City of Jackson  
State Grants Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	Budget Amount		Actual Amount	Variance with Final Budget - positive(negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 403,893	\$ 638,008	\$ 276,272	(361,736)
Interest	-	-	361	361
Total revenues	<u>403,893</u>	<u>638,008</u>	<u>276,633</u>	<u>(361,375)</u>
<b>EXPENDITURES</b>				
Current Operations:				
Personnel Services	102	14,600	-	14,600
Supplies	250	-	-	-
Other Services and Charges	387,606	455,692	185,514	270,178
Capital Outlay	15,935	169,756	91,270	78,486
Total expenditures	<u>403,893</u>	<u>640,048</u>	<u>276,784</u>	<u>363,264</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2,040)</u>	<u>(151)</u>	<u>1,889</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(2,040)	(151)	1,889
Fund balances at beginning of year	<u>141,790</u>	<u>141,790</u>	<u>141,790</u>	-
Fund balances at end of year	<u>\$ 141,790</u>	<u>\$ 139,750</u>	<u>\$ 141,639</u>	<u>\$ 1,889</u>

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City of Jackson  
Disability and Relief Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	Budget Amount		Actual Amount	Variance with Final Budget - positive(negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 6,652,578	\$ 6,652,578	\$ 6,733,510	\$ 80,932
Intergovernmental	190,392	190,392	192,690	2,298
Admissions, fees, rentals and concessions	-	-	301	301
Interest	-	-	10,183	10,183
Other	18,072	18,072	5,379	(12,693)
Total revenues	<u>6,861,042</u>	<u>6,861,042</u>	<u>6,942,063</u>	<u>81,021</u>
<b>EXPENDITURES</b>				
Current Operations:				
Other Services and Charges	6,861,042	8,299,275	6,931,879	1,367,396
Total expenditures	<u>6,861,042</u>	<u>8,299,275</u>	<u>6,931,879</u>	<u>1,367,396</u>
Excess (deficiency) of revenues over expenditures		<u>(1,438,233)</u>	<u>10,184</u>	<u>(1,448,417)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(1,438,233)	10,184	(1,448,417)
Fund balances at beginning of year	<u>41,113</u>	<u>41,113</u>	<u>41,113</u>	<u>-</u>
Fund balances at end of year	<u>\$ 41,113</u>	<u>\$ (1,397,120)</u>	<u>\$ 51,297</u>	<u>\$ (1,448,417)</u>

City of Jackson  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
General property taxes				
Current realty taxes	\$ 2,378,922	\$ 2,386,802	\$ 2,403,001	\$ 16,199
Current personal taxes	901,435	918,075	992,699	74,624
Delinquent taxes	75,000	75,000	134,197	59,197
Automobile ad valorem taxes	360,785	360,785	397,729	36,944
Homestead exemption	180,901	180,901	107,236	(73,665)
Interest	1,000	7,965	27,600	19,635
Special assessments	-	-	5,736	5,736
Other revenues	3,468,710	3,822,020	3,825,936	3,216
Total revenues	<u>7,386,753</u>	<u>7,751,548</u>	<u>7,894,134</u>	<u>142,586</u>
<b>EXPENDITURES</b>				
General obligation bonds				
Principal	500,325	872,869	872,868	1
Interest	6,871,387	6,537,347	6,513,948	23,399
Bank service charge	14,041	16,675	14,807	1,868
Total expenditures	<u>7,385,753</u>	<u>7,426,891</u>	<u>7,401,623</u>	<u>25,268</u>
Deficiency of revenues over (under) expenditures	<u>1,000</u>	<u>324,657</u>	<u>492,511</u>	<u>(167,854)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	6,757	6,756	(1)
Total other financing sources (uses)	<u>-</u>	<u>6,757</u>	<u>6,756</u>	<u>(1)</u>
Net change in fund balances	1,000	331,414	499,267	(167,853)
Fund balances at beginning of year	<u>1,832,076</u>	<u>1,832,076</u>	<u>1,832,076</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,833,076</u>	<u>\$ 2,163,490</u>	<u>\$ 2,331,343</u>	<u>\$ (167,853)</u>

City of Jackson  
1982 Industrial Park Bond Capital Project Funds  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 298	\$ 298
Total revenues	-	-	298	298
<b>EXPENDITURES</b>				
Current Operations:				
Other Services and Charges	35,720	35,720		35,720
Total expenditures	35,720	35,720	-	35,720
Deficiency of revenues over (under) expenditures	(35,720)	(35,720)	298	36,018
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources (uses)	-	-		
Net change in fund balances	(35,720)	(35,720)	298	36,018
Fund balances at beginning of year	35,865	35,865	35,865	
Fund balances at end of year	\$ 145	\$ 145	\$ 36,163	\$ 36,018

City of Jackson  
1998 GO Bond Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	-	-	3,565	3,565
Total revenues	-	-	3,565	3,565
<b>EXPENDITURES</b>				
Current Operations				
Supplies	15,468	9,119	3,890	5,229
Other services and charges	545,509	542,451	129,697	412,754
Total expenditures	560,977	551,570	133,587	417,983
Deficiency of revenues over (under) expenditure	(560,977)	(551,570)	(130,022)	421,548
Net change in fund balances	(560,977)	(551,570)	(130,022)	421,548
Fund balances at beginning of year	495,245	495,245	495,245	-
Fund balances at end of year	\$ (65,732)	\$ (56,325)	\$ 365,223	\$ 421,548

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

City of Jackson  
2003 GO Public Improvement Bond Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 6,917,943	\$16,906,900	\$ 945,897	\$ (15,961,003)
Interest	8,653	8,653	36,006	27,353
Total revenues	6,926,596	16,915,553	981,903	(15,933,650)
<b>EXPENDITURES</b>				
Current Operations				
Personnel services	37,263	17,179	-	17,179
Supplies	40,000	32,818	990	31,828
Other services and charges	11,195,719	21,232,318	2,193,920	19,038,398
Capital outlay	39,500	39,500	-	39,500
Total expenditures	11,312,482	21,321,815	2,194,910	19,126,905
Deficiency of revenues over (under) expenditures	(4,385,886)	(4,406,262)	(1,213,007)	3,193,255
Net change in fund balances	(4,385,886)	(4,406,262)	(1,213,007)	3,193,255
Fund balances at beginning of year	4,406,262	4,406,262	4,406,262	-
Fund balances at end of year	\$ 20,376	\$ -	\$ 3,193,255	\$ 3,193,255

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

City of Jackson  
2006 GO Bond Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 2,638	\$ 2,638
Total revenues	-	-	2,638	2,638
<b>EXPENDITURES</b>				
Current Operations				
Other services and charges	-	7,000	7,000	-
Total expenditures	-	7,000	7,000	-
Deficiency of revenues over (under) expenditures	-	(7,000)	(4,362)	2,638
<b>OTHER FINANCING SOURCES(USES)</b>				
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	(7,000)	(4,362)	2,638
Fund balances at beginning of year	319,989	319,989	319,989	-
Fund balances at end of year	\$ 319,989	\$ 312,989	\$ 315,627	\$ 2,638

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

City of Jackson  
2009 GO Bond Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	-	-	45,199	45,199
Total revenues	-	-	45,199	45,199
<b>EXPENDITURES</b>				
Current Operations:				
Personnel services	16,254	-	-	-
Supplies	652,020	437,717	411,180	26,537
Other services and charges	3,595,369	5,299,817	1,337,099	3,962,718
Capital outlay	-	402,534	127,534	275,000
Total expenditures	4,263,643	6,140,068	1,875,813	4,264,255
Deficiency of revenues over (under) expenditures	(4,263,643)	(6,140,068)	(1,830,614)	4,309,454
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers in	-	127,534	127,534	-
Total other financing sources and uses	-	127,534	127,534	-
Net change in fund balances	(4,263,643)	(6,012,534)	(1,703,080)	4,309,454
Fund balances at beginning of year	5,943,851	5,943,851	5,943,851	-
Fund balances at end of year	\$ 1,680,208	\$ (68,683)	\$ 4,240,771	\$ 4,309,454

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

City of Jackson  
2009 Tax Increment Financing Bond Capital Project Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Current Operations:				
Other services and charges	-	-	6,756	(6,756)
Total expenditures	-	-	6,756	(6,756)
Deficiency of revenues over (under) expenditures	-	-	(6,756)	(6,756)
<b>OTHER FINANCING SOURCES(USES)</b>				
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	(6,756)	(6,756)
Fund balances at beginning of year	-	-	6,879	(6,879)
Fund balances at end of year	\$ -	\$ -	\$ 123	\$ 123

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



City of Jackson  
2009 Tax Increment Financing Bond Capital Project Funds  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Current Operations:				
Other Services and Charges	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
Proceeds from Tax Increment Bonds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	-	-	231	-
Fund balances at end of year	\$ -	\$ -	\$ 231	\$ -

City of Jackson  
2009 Tax Increment Financing Bond Capital Project Funds  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Current Operations:				
Other Services and Charges	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
Proceeds from Tax Increment Bonds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	-	-	160	-
Fund balances at end of year	\$ -	\$ -	\$ 160	\$ -

City of Jackson  
2012 GO Note Capital Project Funds  
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the year ended September 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 9	\$ 9
Other	-	928,529	-	(928,529)
Total revenues		928,529	9	(928,520)
<b>EXPENDITURES</b>				
Current Operations:				
Other Services and Charges	-	936,529	40,127	896,402
Total expenditures	-	936,529	40,127	896,402
Deficiency of revenues over (under) expenditures	-	(8,000)	(40,118)	(32,118)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
General Fund	-	-	(699)	(699)
Proceeds from long term debt	-	8,000	40,146	32,146
Total other financing sources (uses)	-	8,000	39,447	31,447
Net change in fund balances	-	-	(671)	(671)
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ (671)	\$ (671)

NON-MAJOR  
PROPRIETARY FUNDS

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## **Nonmajor Proprietary**

### **Madison Sewage Disposal System Fund**

To account for costs of construction, operation and maintenance of the East Madison County Sewage Disposal System. The City of Ridgeland, Mississippi will be responsible for the service contracts with Madison County participating in the system.

### **Transportation Fund**

To account for operational costs of the City's transit system. Deficiencies in the revenues over expenses are financed by the City.

City of Jackson  
Combining Statement of Net Assets  
Proprietary Funds - Nonmajor Funds  
As of September 30, 2012

	Madison Sewage	Transportation	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalent	\$ 34,344	\$ 32,173	\$ 66,517
Intergovernmental Receivable	-	663,877	663,877
Total Current Asset	<u>34,344</u>	<u>696,050</u>	<u>730,394</u>
Property, Plant and Equipment, at Cost			
Land	-	450,000	450,000
Buildings	-	187,903	187,903
Water plant, distribution system and equipment	532,942	410,690	943,632
Automotive and other equipment	-	10,559,245	10,559,245
	<u>532,942</u>	<u>11,007,838</u>	<u>12,140,780</u>
Less: accumulated depreciation	<u>(214,130)</u>	<u>(5,493,515)</u>	<u>(5,707,645)</u>
	318,812	6,114,323	6,433,135
Construction in progress	13,800	2,291,043	2,304,843
Net property, plant and equipment	<u>332,612</u>	<u>8,405,366</u>	<u>8,737,978</u>
<b>Total Assets</b>	<u>\$ 366,956</u>	<u>\$ 9,101,416</u>	<u>\$ 9,468,372</u>

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

City of Jackson  
Combining Statement of Net Assets  
Proprietary Funds - Nonmajor Funds  
As of September 30, 2012

	Madison Sewage	Transportation	Totals
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 1,182	\$ 275,005	\$ 276,187
Due to other funds	-	2,928,944	2,928,944
Contracts payable	40,102	5,344	45,446
Compensated absences	-	8,723	8,723
Current portion of long term debt:			
Lease Obligations	-	212,094	212,094
	<u>41,284</u>	<u>3,430,110</u>	<u>3,471,394</u>
Total current liabilities			
Post Employment Benefits accrual	-	46,038	46,038
Long Term Debt (less amounts classified as current liabilities):			
Lease obligations	-	513,499	513,499
Total long-term debt	-	513,499	513,499
Total liabilities	<u>41,284</u>	<u>3,989,647</u>	<u>4,030,931</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	332,612	7,679,773	8,012,385
Unrestricted	<u>(6,940)</u>	<u>(2,568,004)</u>	<u>(2,574,944)</u>
Total Net Assets	<u>325,672</u>	<u>5,111,769</u>	<u>5,437,441</u>
<b>Total liabilities and net assets</b>	<u>\$ 366,956</u>	<u>\$ 9,101,416</u>	<u>\$ 9,468,372</u>

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

**City of Jackson**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds - Nonmajor Funds**  
**For the Year Ended September 30, 2012**

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Sales to Customers	\$ -	\$ 588,629	\$ 588,629
Other Revenue	370	480,000	480,370
Total Operating revenues	370	1,068,629	1,068,999
<b>Operating Expenses:</b>			
Personnel Services	-	276,334	276,334
Supplies		821,857	821,857
Other services and charges	61,844	5,110,283	5,172,127
Depreciation	12,093	762,125	774,218
Total operating expenses	73,937	6,970,599	7,044,536
Operating Income (loss)	(73,567)	(5,901,970)	(5,975,537)
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	-	47	47
Gain (loss) on sale of capital assets	-	7,480	7,480
Total nonoperating revenues (expenses)	-	7,527	7,527
Loss before contributions and transfers	(73,567)	(5,894,443)	(5,968,010)
Capital contributions from grants	-	2,731,398	2,731,398
<b>Operating Transfers In:</b>			
General Fund	-	4,638,988	4,638,988
Enterprise Funds	37,870	-	37,870
Total transfers in (out)	37,870	4,638,988	4,676,858
Change in Net Assets	(35,697)	1,475,943	1,440,246
Total net assets - beginning	361,369	3,635,826	3,997,195
<b>Total net assets - ending</b>	<u>\$ 325,672</u>	<u>\$ 5,111,769</u>	<u>\$ 5,437,441</u>

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

**City of Jackson**  
**Combining Statement of Cash Flows**  
**Proprietary Funds - Nonmajor Funds**  
**For the Year Ended September 30, 2012**

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ -	\$ 588,629	\$ 588,629
Receipts from other revenue	370	819,851	820,221
Payments to suppliers	(42,467)	(6,583,262)	(6,625,729)
Payments to employees	-	(228,125)	(228,125)
Net cash used for Operating activities	(42,097)	(5,402,907)	(5,445,004)
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in	37,870	4,638,988	4,676,858
Net cash provided by noncapital and related financing activities	37,870	4,638,988	4,676,858
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	-	(1,799,004)	(1,799,004)
Proceeds from sales of capital assets	-	7,480	7,480
Proceeds from capital debt	-	74,660	74,660
Principal paid on capital debt	-	(218,489)	(218,489)
Proceeds from capital contributions	-	2,731,398	2,731,398
Net cash provided by capital and related financing activities	-	796,045	796,045
<b>Cash Flow Provided by Investing Activities:</b>			
Interest on investments		47	47
Net cash provided by investing activities	-	47	47
Net increase (decrease) in cash and cash equivalents	(4,227)	32,173	27,946
Cash and cash equivalents at beginning of year	38,571	-	38,571
Cash and cash equivalents at end of year	<u>\$ 34,344</u>	<u>\$ 32,173</u>	<u>\$ 66,517</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>			
Operating loss	\$ (73,567)	\$ (5,901,970)	\$ (5,975,537)
Depreciation expense	12,093	762,125	774,218
(Increase) decrease in other receivable	-	339,851	339,851
Increase (decrease) in accounts payable	19,377	(605,084)	(585,707)
Increase (decrease) in compensated absences	-	2,171	2,171
Total adjustments	31,470	499,063	530,533
Net cash provided by operating activities	<u>\$ (42,097)</u>	<u>\$ (5,402,907)</u>	<u>\$ (5,445,004)</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Borrowing under capital lease	\$ -	\$ 74,660	

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

## **Fiduciary Funds**

### **Unemployment Compensation Revolving Fund**

To account for money held in trust to fund unemployment claims pursuant to State law.

### **Charitable Trust Fire and Police Fund**

To account for contributions from the public sector which are held in trust for police and fire allowable claims.

### **Mausoleum Trust Fund**

To account for funds to be used for maintenance and upkeep of the Henry Mausoleum located in Kemaghan Cemetery.

### **Tax Collections**

To account for receipt of tax collections for and subsequent payment to the Jackson/Hinds Library System, Jackson Municipal Separate School District, Capital City Community Convention Center, and Jackson Convention & Visitors Bureau.

**CITY OF JACKSON  
ALL TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Unemployment Compensation Revolving Fund	Charitable Trust Fire and Police Fund	Mausoleum Trust Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 387,897	\$ 9,090	\$ -	\$ 396,987
Investment at fair value: Certificate of deposit	-	-	32,270	32,270
<b>Total assets</b>	<b>\$ 387,897</b>	<b>\$ 9,090</b>	<b>\$ 32,270</b>	<b>\$ 429,257</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Payables to others	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets:</b>				
Held in trust	387,897	9,090	32,270	429,257
<b>Total net assets</b>	<b>387,897</b>	<b>9,090</b>	<b>32,270</b>	<b>429,257</b>
<b>Total liabilities and net assets</b>	<b>\$ 387,897</b>	<b>\$ 9,090</b>	<b>\$ 32,270</b>	<b>\$ 429,257</b>

**CITY OF JACKSON  
ALL TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Compensation Revolving Fund	Trust Fire and Police Fund	Mausoleum Trust Fund	Total
<b>Additions:</b>				
Interest	\$ 2,919	\$ 83	\$ -	\$ 3,002
Other additions	209,274	-	-	209,274
<b>Total additions</b>	<b>212,193</b>	<b>83</b>	<b>-</b>	<b>212,276</b>
<b>Deductions:</b>				
General government Trust funds	127,976	-	-	127,976
<b>Total deductions</b>	<b>127,976</b>	<b>-</b>	<b>-</b>	<b>127,976</b>
<b>Change in Net Assets</b>	<b>84,217</b>	<b>83</b>	<b>-</b>	<b>84,300</b>
<b>Net assets at beginning of year</b>	<b>303,680</b>	<b>9,007</b>	<b>32,270</b>	<b>344,957</b>
<b>Net assets at end of year</b>	<b>\$ 387,897</b>	<b>\$ 9,090</b>	<b>\$ 32,270</b>	<b>\$ 429,257</b>

**CITY OF JACKSON  
ALL AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>ASSETS</u>		<u>LIABILITIES</u>	
	<u>Cash and Cash Equivalents</u>	<u>Total Assets</u>	<u>Other Liabilities</u>	<u>Total Liabilities</u>
Capital City Community Convention Center				
Balance at October 1, 2011	\$ 531,743	\$ 531,743	\$ 531,743	\$ 531,743
Additions	4,211,170	4,211,170	4,211,170	4,211,170
Deductions	<u>4,721,534</u>	<u>4,721,534</u>	<u>4,721,534</u>	<u>4,721,534</u>
Balance at September 30, 2012	\$ <u>21,379</u>	\$ <u>21,379</u>	\$ <u>21,379</u>	\$ <u>21,379</u>
Jackson Convention & Visitors Bureau				
Balance at October 1, 2011	\$ 180	\$ 180	\$ 180	\$ 180
Additions	3,145,931	3,145,931	3,145,931	3,145,931
Deductions	<u>3,146,111</u>	<u>3,146,111</u>	<u>3,146,111</u>	<u>3,146,111</u>
Balance at September 30, 2012	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Jackson/Hinds Library System				
Balance at October 1, 2011	\$ -	\$ -	\$ -	\$ -
Additions	1,631,828	1,631,828	1,631,828	1,631,828
Deductions	<u>1,631,828</u>	<u>1,631,828</u>	<u>1,631,828</u>	<u>1,631,828</u>
Balance at September 30, 2012	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Jackson Municipal Separate School District				
Balance at October 1, 2011	\$ -	\$ -	\$ -	\$ -
Additions	8,987,857	8,987,857	8,987,857	8,987,857
Deductions	<u>8,987,857</u>	<u>8,987,857</u>	<u>8,987,857</u>	<u>8,987,857</u>
Balance at September 30, 2012	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total - All Agency Funds:				
Balance at October 1, 2011	\$ 531,923	\$ 531,923	\$ 531,923	\$ 531,923
Additions	17,976,786	17,976,786	17,976,786	17,976,786
Deductions	<u>18,487,330</u>	<u>18,487,330</u>	<u>18,487,330</u>	<u>18,487,330</u>
Balance at September 30, 2012	\$ <u>21,379</u>	\$ <u>21,379</u>	\$ <u>21,379</u>	\$ <u>21,379</u>

CAPITAL ASSETS



CITY OF JACKSON  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE (1)  
SEPTEMBER 30, 2012 AND 2011

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	2012	2011
<b>Governmental funds capital assets:</b>		
Land	\$ 14,500,351	\$ 14,626,623
Buildings	81,480,260	81,480,260
Automotive and equipment	70,539,460	89,980,950
Infrastructure	214,244,844	214,244,644
Construction in progress	93,985,878	84,079,080
Total governmental funds capital assets	<u>\$ 474,650,591</u>	<u>\$ 464,311,557</u>

**Investment in governmental funds capital assets by source:**

Assets prior to 1985 not segregated		
by source:	\$ 14,002,713	\$ 14,002,713
General Fund revenues	77,050,415	76,313,930
Special Revenue Fund revenues	95,008,222	95,112,469
Special Assessment bonds	2,123,934	2,123,934
General Obligation bonds	242,408,749	232,501,954
Limited Obligation bonds	4,330,429	4,330,429
Debt Service Fund revenues	65,000	65,000
Federal grants	39,377,918	39,377,918
State grants	52,261	52,261
County grants	430,949	430,949
Total governmental funds capital assets	<u>\$ 474,650,591</u>	<u>\$ 464,311,557</u>

(1) This schedule presents only the capital asset balances (excluding accumulated depreciation) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF JACKSON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY (1)**  
**SEPTEMBER 30, 2012**

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Assets prior to 1985 not segregated by function and activity	\$ 10,957,843	\$ -	\$ -	\$ 3,044,869	\$ -	\$ 14,002,712
<b>General Government:</b>						
Planning	458,339	43,001	39,349	387,080	2,781,392	3,709,161
Code Services	-	-	-	742,972	-	742,972
Telecommunication	-	4,554,834	8,943	167,054	-	4,730,831
Data Processing / Information System	-	42,257	-	5,528,364	-	5,570,621
Vehicle Pool Fund	-	-	-	1,414,849	-	1,414,849
Mayor's Office of Development Assistance	100,000	-	-	104,679	-	204,679
Office Services	-	-	-	146,335	-	146,335
Purchasing	-	-	-	50,452	-	50,452
Finance and Management	-	2,299,392	133,238	286,531	-	2,719,161
Personnel	-	-	-	225,894	-	225,894
Municipal Court Services	-	-	-	1,451,978	712,767	2,164,745
Vehicle Maintenance	-	5,816	-	732,575	-	738,391
Minority Business Development	-	-	-	27,598	-	27,598
<b>Total general government</b>	<b>558,339</b>	<b>6,945,300</b>	<b>181,530</b>	<b>11,266,361</b>	<b>3,494,159</b>	<b>22,445,689</b>
<b>Urban Development and Housing:</b>						
Neighborhood Enhancement Task	-	-	-	11,125	-	11,125
Redevelopment Projects	87,578	-	-	69,874	-	157,452
Post Office Project	500	-	-	-	-	500
Union Station	-	15,044,796	243,000	-	-	15,287,796
<b>Total urban development and housing</b>	<b>88,078</b>	<b>15,044,796</b>	<b>243,000</b>	<b>80,999</b>	<b>-</b>	<b>15,456,873</b>
<b>Health and Welfare:</b>						
Public Relations/Information	-	-	-	14,829	-	14,829
Senior Services	-	251,344	-	455,372	-	706,716
Day Care Services	-	281,849	16,109	266,728	-	564,686
Senior Centers/Community Centers	-	1,271,615	-	19,813	-	1,291,428
Group Home	46,245	-	-	-	-	46,245
Human and Cultural Services	-	15,645	1,876	9,586	-	27,107
<b>Total health and welfare</b>	<b>46,245</b>	<b>1,820,453</b>	<b>17,985</b>	<b>766,328</b>	<b>-</b>	<b>2,651,011</b>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF JACKSON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)**  
**SEPTEMBER 30, 2012**

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
<b>Public Safety:</b>						
Fire Department	\$ 75,000	\$ 5,300,973	\$ 3,550,734	\$ 13,836,338	\$ 616,039	\$ 23,379,084
Police Department	123,992	6,037,047	856,190	26,613,480	12,156,000	45,786,709
Small Animal Control	-	1,366,367	-	17,746	-	1,384,113
Juvenile Justice	-	431,482	4,502,506	86,199	-	5,020,187
Emergency Management	-	-	-	17,914	-	17,914
Communication Center	-	1,292,879	-	300,903	-	1,593,782
Public Safety Garage	-	-	-	29,060	-	29,060
<b>Total public safety</b>	<b>198,992</b>	<b>14,428,748</b>	<b>8,909,430</b>	<b>40,901,640</b>	<b>12,772,039</b>	<b>77,210,849</b>
<b>Public Works:</b>						
Cemeteries	-	8,430	-	143,318	-	151,748
Engineering	585,273	1,020,866	-	5,165,919	-	6,772,058
Traffic Engineering	-	17,215	18,476	2,309,031	1,348,718	3,693,440
Traffic Signals	-	-	442,038	425,624	10,513,282	11,380,944
Care and Maintenance of Public Buildings	-	7,817,689	429,704	131,752	10,240,359	18,619,504
Custodial Services	-	-	-	131,612	-	131,612
Public Works Deputy Dir/Adm	-	-	-	41,124	3,128	44,252
Pest Control	-	-	-	1,426	-	1,426
Central Supply	-	-	-	(65)	-	(65)
Streets	354,278	-	126,133,471	579,416	40,824,468	167,891,633
Storm Drainage	-	-	69,621,366	546,711	6,554,092	76,722,169
Bridges	-	-	23,032	-	2,847,769	2,870,801
Soil Conservation	-	120,000	112,159	-	-	232,159
<b>Total public works</b>	<b>939,551</b>	<b>8,984,200</b>	<b>196,780,246</b>	<b>9,475,868</b>	<b>72,331,816</b>	<b>288,511,681</b>
<b>Culture and Recreation:</b>						
Planetarium	-	827,314	-	508,103	34,963	1,370,380
Jackson Zoological Park	-	3,000,000	-	465,122	163,181	3,628,303
Municipal Art Building	-	5,758	29,049	5,907	-	40,714
Parks and Recreation	225,820	16,678,250	7,386,535	2,950,041	324,163	27,564,809
Teen Center	-	-	-	5,293	-	5,293
Library	-	5,710,933	-	156,099	2,437,501	8,304,533
Smith Robertson Cultural Center	-	1,238,810	185,738	57,595	143,717	1,625,860
City Auditorium and Art Center	-	3,849,374	511,131	64,922	2,284,337	6,709,764
<b>Total culture and recreation</b>	<b>225,820</b>	<b>31,310,439</b>	<b>8,112,433</b>	<b>4,213,082</b>	<b>5,387,862</b>	<b>49,249,636</b>

**CITY OF JACKSON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)**  
**SEPTEMBER 30, 2012**

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Miscellaneous:						
City Council/Mayor	\$ -	\$ 402,665	\$ -	\$ 397,248	\$ -	\$ 799,913
City Clerk	-	-	-	165,842	-	165,842
City Hall	-	2,526,372	-	-	-	2,526,372
Legal	-	17,287	-	270,669	-	287,956
Mayor's Action Line	-	-	-	34,862	-	34,862
Industrial Park	1,485,483	-	-	-	-	1,485,483
Internal Audit	-	-	-	21,692	-	21,692
Total miscellaneous	1,485,483	2,946,324	-	890,313	-	5,322,120
Total governmental funds capital asset	\$ 14,500,351	\$ 81,480,260	\$ 214,244,644	\$ 70,639,460	\$ 93,985,876	\$ 474,850,591

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**CITY OF JACKSON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY (1)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Governmental Funds Capital Assets October 1, 2011	Additions	Deductions	Governmental Funds Capital Assets September 30, 2012
General Government:				
Planning	\$ 2,265,357	\$ 76,856	\$ 26,272	\$ 2,315,941
Code Services	633,095	-	-	633,095
Information Systems	1,393,370	234,823	-	1,528,193
Transportation	10,192,613	-	-	10,192,613
Data Processing	724,267	-	-	724,267
Vehicle Pool	844,598	-	-	844,598
Telecommunications	10,344,167	25,656	-	10,369,823
Office Services	1,669	-	-	1,669
Purchasing	50,839	-	-	50,839
Finance and Management	7,680,446	25,898	-	7,706,344
Personnel	136,244	-	-	136,244
Municipal Court Services	1,947,895	-	-	1,947,895
Vehicle Maintenance	1,638,917	-	-	1,638,917
Total general government	37,753,477	363,233	26,272	38,090,438
Urban Development and Housing:				
Redevelopment Projects	272,751	-	-	272,751
Union Station	13,448,496	-	-	13,448,496
Total urban development and housing	13,721,247	-	-	13,721,247
Health and Welfare:				
Senior Services	810,241	-	-	810,241
Day Care Services	1,206,580	12,700	-	1,219,280
Senior Centers/Community Centers	616,255	-	-	616,255
Human and Cultural Services	1,332,992	-	-	1,332,992
Total health and welfare	3,965,068	12,700	-	3,978,768

(Continued)

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF JACKSON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Governmental Funds Capital Assets October 1, 2011	Additions	Deductions	Governmental Funds Capital Assets September 30, 2012
<b>Public Safety:</b>				
Fire Department	\$ 27,818,333	\$ 393,922	\$ 305,924	\$ 27,906,331
Police Department	43,390,897	1,222,570	1,617,631	42,995,816
Small Animal Control	1,714,102	-	-	1,714,102
Juvenile Justice	11,693,078	-	-	11,693,078
Communication Center	4,120,964	-	-	4,120,964
Public Safety Garage	230,776	-	-	230,776
<b>Total public safety</b>	<b>88,968,150</b>	<b>1,616,492</b>	<b>1,923,575</b>	<b>88,661,067</b>
<b>Public Works:</b>				
Cemeteries	356,014	-	-	356,014
Engineering	4,520,030	-	17,178	4,502,852
Traffic Engineering	14,313,402	66,465	-	14,379,867
Public Works Administration	(12,270)	26,678	-	14,408
Care and Maintenance of Public Buildings	14,671,550	6,807,647	89,481	21,389,716
Custodial Services	131,867	-	-	131,867
Pest Control	10,452	-	-	10,452
Central Supply	709,337	-	-	709,337
Streets	161,672,523	2,657,810	-	164,330,333
Storm Drainage	62,627,054	622,785	-	63,249,839
Soil Conservation	482,909	-	-	482,909
<b>Total public works</b>	<b>259,482,868</b>	<b>10,181,385</b>	<b>106,659</b>	<b>269,557,594</b>
<b>Culture and Recreation:</b>				
Planetarium	4,789,583	-	-	4,789,583
Jackson Zoological Park	3,515,393	163,181	-	3,678,574
Municipal Art Building	75,838	-	-	75,838
Parks and Recreation	18,156,656	254,050	121,936	18,288,770
Library	10,611,997	-	-	10,611,997
Smith Robertson Cultural Center	2,716,324	140,204	-	2,856,528
City Auditorium and Art Center	13,892,048	-	-	13,892,048
<b>Total culture and recreation</b>	<b>53,757,839</b>	<b>557,435</b>	<b>121,936</b>	<b>54,193,338</b>

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**CITY OF JACKSON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Governmental Funds Capital Assets October 1, 2011	Additions	Deductions	Governmental Funds Capital Assets September 30, 2012
<b>Miscellaneous:</b>				
City Council/Mayor	\$ 6,383,538	\$ -	\$ -	\$ 6,383,538
City Clerk	58,829	-	13,769	45,060
Legal	187,849	-	-	187,849
Mayor's Action Line	7,674	-	-	7,674
Internal Audit	24,018	-	-	24,018
<b>Total miscellaneous</b>	<b>6,661,908</b>	<b>-</b>	<b>13,769</b>	<b>6,648,139</b>
<b>Total City of Jackson</b>	<b>464,311,557</b>	<b>12,731,245</b>	<b>2,192,211</b>	<b>474,850,591</b>
<b>Total governmental funds capital assets</b>	<b>\$ 464,311,557</b>	<b>\$ 12,731,245</b>	<b>\$ 2,192,211</b>	<b>\$ 474,850,591</b>

STATISTICAL SECTION

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## STATISTICAL SECTION

This part of the City of Jackson's comprehensive annual financial report presents detail information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents	Page
Financial Trends	114
These schedules contain trend information to help the reader understand how the City of Jackson's financial performance and well-being have changed over time.	
Revenue Capacity	119
These schedules contain information to help the reader assess the City of Jackson's most significant local revenue source, the property tax.	
Debt Capacity	123
These schedules present information to help the reader assess the affordability of the City of Jackson's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	130
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Jackson's financial activities take place.	
Operating Information	132
These schedules contain service and infrastructure data to help the reader understand how the information in the City of Jackson's financial report relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Jackson**  
**Net Assets by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 187,511	\$ 180,357	\$ 188,172	\$ 180,607	\$ 197,359	\$ 207,047	\$ 168,144	\$ 131,159	\$ 113,083	\$ 95,360
Restricted	15,040	17,469	23,585	32,587	28,617	64,061	4,169	4,296	5,787	(476)
Unrestricted	(41,290)	(36,100)	(38,882)	(32,604)	(37,367)	(44,725)	33,779	40,415	53,370	17,445
<b>Total governmental activities net assets</b>	<b>\$ 161,261</b>	<b>\$ 161,726</b>	<b>\$ 172,875</b>	<b>\$ 180,590</b>	<b>\$ 188,609</b>	<b>\$ 226,383</b>	<b>\$ 206,092</b>	<b>\$ 175,870</b>	<b>\$ 172,240</b>	<b>\$ 112,329</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 184,185	\$ 183,735	\$ 176,170	\$ 163,408	\$ 156,309	\$ 147,013	\$ 135,512	\$ 80,995	\$ 128,208	\$ 122,710
Restricted	-	-	-	3,861	3,820	3,765	3,661	3,643	3,581	(125,132)
Unrestricted	73,303	78,501	77,521	82,482	91,591	94,972	94,115	136,958	85,831	217,427
<b>Total business-type activities net assets</b>	<b>\$ 257,488</b>	<b>\$ 262,236</b>	<b>\$ 253,691</b>	<b>\$ 249,751</b>	<b>\$ 251,720</b>	<b>\$ 245,750</b>	<b>\$ 233,288</b>	<b>\$ 221,596</b>	<b>\$ 217,620</b>	<b>\$ 215,005</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 371,696	\$ 364,092	\$ 364,342	\$ 344,015	\$ 353,668	\$ 354,060	\$ 303,656	\$ 212,154	\$ 241,291	\$ 218,070
Restricted	15,041	17,469	23,585	36,448	32,437	67,826	7,830	7,939	9,368	(125,608)
Unrestricted	32,013	42,401	38,639	49,878	54,224	50,247	127,894	177,373	139,201	234,872
<b>Total primary government net assets</b>	<b>\$ 418,749</b>	<b>\$ 423,962</b>	<b>\$ 426,566</b>	<b>\$ 430,341</b>	<b>\$ 440,329</b>	<b>\$ 472,133</b>	<b>\$ 439,380</b>	<b>\$ 397,466</b>	<b>\$ 389,860</b>	<b>\$ 327,334</b>

Source: Statement of Net Assets.

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**City of Jackson**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

Expenses	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities:</b>										
General government	29,456	29,312	32,358	44,790	69,721	49,147	\$ 29,179	\$ 33,311	\$ 30,021	\$ 30,228
Public safety	57,055	59,166	56,922	55,996	53,664	62,576	29,109	53,193	59,495	51,657
Public works	24,721	21,774	27,451	31,518	25,301	15,993	35,819	23,972	19,657	16,815
Human and cultural services	13,756	16,011	9,645	14,170	14,890	13,067	17,004	14,065	10,829	11,994
Employee benefits	8,685	8,625	8,764	2,149	1,765	2,180	1,836	3,257	2,329	3,359
Interest on long-term debt	7,448	5,864	8,830	5,389	5,917	5,647	4,731	9,307	5,965	6,254
<b>Total governmental activities expenses</b>	<b>141,121</b>	<b>140,752</b>	<b>143,970</b>	<b>154,012</b>	<b>171,258</b>	<b>148,610</b>	<b>117,678</b>	<b>137,106</b>	<b>128,296</b>	<b>120,307</b>
<b>Business-type activities:</b>										
Water/Sewer	55,347	41,795	41,064	42,275	45,279	39,904	41,184	39,663	39,299	44,396
Transportation	6,970	8,713	7,956	7,990	7,685	6,852	6,589	6,167	6,117	5,740
Madison Sewage	74	51	-	-	-	-	-	-	-	112,083
Sanitation	11,894	11,156	10,244	10,296	10,299	10,931	9,893	8,979	9,203	9,075
<b>Total business-type activities expenses</b>	<b>74,285</b>	<b>61,715</b>	<b>59,264</b>	<b>60,561</b>	<b>63,263</b>	<b>57,687</b>	<b>57,666</b>	<b>54,805</b>	<b>54,621</b>	<b>171,294</b>
<b>Total primary government expenses</b>	<b>215,406</b>	<b>202,467</b>	<b>203,234</b>	<b>214,573</b>	<b>234,521</b>	<b>206,297</b>	<b>\$ 175,344</b>	<b>\$ 191,918</b>	<b>\$ 182,917</b>	<b>\$ 291,601</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services										
General government	15,019	13,075	4,951	6,334	4,525	7,422	3,139	5,562	3,101	6,805
Public Safety	798	367	3,241	2,824	3,135	2,806	3,003	7,993	5,662	3,582
Public Works	253	15	1,206	1,469	1,393	1,147	1,698	7,038	2,682	766
Human and cultural services	885	619	2,025	1,575	2,813	1,667	1,481	2,524	2,036	742
Employee benefits	-	-	-	-	-	-	-	-	901	223
Operating grants and contributions	10,114	11,570	17,441	16,681	18,436	12,968	22,969	12,720	4,811	12,574
Capital grants and contributions	1,970	5,025	2,226	6,188	7,912	1,771	5,955	2,034	12,774	10,873
<b>Total governmental activities program revenues</b>	<b>29,039</b>	<b>30,671</b>	<b>31,090</b>	<b>35,071</b>	<b>38,214</b>	<b>27,781</b>	<b>38,245</b>	<b>37,871</b>	<b>31,767</b>	<b>35,565</b>
<b>Business-type activities:</b>										
Charges for services										
Water/Sewer	47,966	47,578	41,974	41,440	47,468	43,847	42,262	39,022	40,509	43,628
Transportation	539	529	431	360	397	426	448	423	475	525
Sanitation	12,007	11,473	11,258	10,850	11,981	10,476	9,113	8,016	9,031	7,669
Operating grants and contributions	631	706	664	694	832	1,378	4,391	4,137	1,947	1,626
Capital grants and contributions	2,844	2,568	4,584	1,741	1,534	5,133	-	-	-	-
<b>Total business-type activities program revenue</b>	<b>64,037</b>	<b>62,854</b>	<b>58,911</b>	<b>55,085</b>	<b>62,212</b>	<b>61,260</b>	<b>\$ 6,214</b>	<b>\$ 51,599</b>	<b>\$ 52,262</b>	<b>\$ 53,448</b>
<b>Total primary government program revenues</b>	<b>93,076</b>	<b>93,525</b>	<b>90,001</b>	<b>90,156</b>	<b>100,426</b>	<b>89,041</b>	<b>\$ 94,459</b>	<b>\$ 89,470</b>	<b>\$ 84,029</b>	<b>\$ 89,013</b>

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	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense)/revenue										
Governmental activities	(112,083)	(110,081)	(112,880)	(118,941)	(133,044)	(120,829)	(79,433)	(99,238)	(96,529)	(84,742)
Business-type activities	(10,248)	1,139	(353)	(5,476)	(1,051)	3,573	(1,452)	(3,210)	(2,359)	(117,846)
Total primary government net expenses	<u>\$ (122,332)</u>	<u>\$ (108,942)</u>	<u>\$ (113,233)</u>	<u>\$ (124,417)</u>	<u>\$ (134,095)</u>	<u>\$ (117,256)</u>	<u>\$ (80,885)</u>	<u>\$ (102,448)</u>	<u>\$ (98,888)</u>	<u>\$ (202,588)</u>
<b>General Revenues and Other Charges in</b>										
<b>Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 74,856	\$ 68,108	\$ 68,523	\$ 71,298	\$ 65,845	\$ 65,037	\$ 61,945	\$ 59,529	\$ 60,675	\$ 63,955
Sales taxes	32,701	31,656	31,368	33,593	37,298	40,453	40,840	36,197	36,593	35,097
Franchise taxes	8,218	7,878	8,552	9,234	9,062	8,836	10,144	8,818	8,460	10,692
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	292
Investment earnings	395	341	187	616	3,021	5,251	1,864	1,042	954	-
Gain on sale of capital assets	166	172	40	-	478	198	301	3,189	27	94
Miscellaneous	282	317	204	203	106	20	25	494	3,034	-
Transfers	(5,000)	(10,232)	(4,027)	(4,027)	(4,613)	(4,369)	(5,473)	(4,288)	(3,513)	(4,512)
Total governmental activities	<u>111,617</u>	<u>98,240</u>	<u>104,747</u>	<u>110,922</u>	<u>111,197</u>	<u>115,526</u>	<u>109,655</u>	<u>104,981</u>	<u>106,240</u>	<u>105,618</u>
Business-type activities:										
Investment earnings	472	490	244	812	2,352	4,470	4,615	2,823	1,353	1,434
Gain on sale of capital assets	30	76	21	(1,332)	56	50	55	77	42	(21,867)
Gain on retirement bonds	-	1,275	-	-	-	-	-	-	-	-
Transfers	5,000	5,565	4,027	4,027	4,613	4,369	5,473	4,288	3,513	4,512
Total business-type activities	<u>5,502</u>	<u>7,406</u>	<u>4,292</u>	<u>3,507</u>	<u>7,021</u>	<u>8,899</u>	<u>10,143</u>	<u>7,188</u>	<u>4,908</u>	<u>(15,931)</u>
Total primary government	<u>\$ 117,119</u>	<u>\$ 105,646</u>	<u>\$ 109,039</u>	<u>\$ 114,429</u>	<u>\$ 118,218</u>	<u>\$ 124,415</u>	<u>\$ 119,798</u>	<u>\$ 112,169</u>	<u>\$ 111,148</u>	<u>\$ 89,687</u>
<b>Changes In Net Assets</b>										
Governmental activities	\$ (465)	\$ (11,841)	\$ (8,133)	\$ (8,019)	\$ (21,847)	\$ (5,303)	\$ 30,222	\$ 5,743	\$ 9,711	\$ 20,876
Business-type activities	(4,748)	8,545	3,939	(1,969)	5,970	12,462	8,691	3,978	2,540	(132,777)
Total primary government	<u>\$ (5,213)</u>	<u>\$ (3,296)</u>	<u>\$ (4,194)</u>	<u>\$ (9,988)</u>	<u>\$ (15,877)</u>	<u>\$ 7,159</u>	<u>\$ 38,913</u>	<u>\$ 9,721</u>	<u>\$ 12,250</u>	<u>\$ (112,901)</u>

Source: Statement of Activities

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City of Jackson  
 Governmental Activities Tax Revenues By Source  
 Last Ten Fiscal Years  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

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Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2012	55,855	29,155	1,652	30	268	86,960
2011	54,594	30,798	1,823	28	268	87,511
2010	50,483	29,995	1,890	31	262	82,661
2009	53,256	32,301	1,572	31	274	87,434
2008	48,769	35,428	1,477	31	282	85,987
2007	44,240	35,838	1,442	31	304	81,855
2006	41,324	37,993	1,398	31	302	81,048
2005	40,509	35,673	1,406	31	267	77,886
2004	41,660	35,882	1,152	31	261	78,986
2003	41,660	35,097	1,376	31	249	78,413

Source: General Fund Budget and Actual Statement

City of Jackson  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General fund										
Nonspendable	2,160	1,814	1,470	1,327	1,301	1,138	981	924	859	843
Restricted	658	437	-	-	-	-	-	-	-	-
Committed	4,789	6,086	2,659	2,807	2,747	2,731	2,641	2,511	2,235	2,720
Assigned	49	33	-	-	-	-	-	-	-	-
Unassigned	26,310	24,757	26,695	24,897	20,760	11,835	12,041	9,535	14,678	14,962
Total general fund	\$ 33,966	\$ 33,127	\$ 30,824	\$ 29,031	\$ 24,808	\$ 15,704	\$ 15,663	\$ 12,970	\$ 17,772	\$ 18,525
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,045	3,600	4,876	7,205	4,215	3,855	2,270	6,266	3,160	3,848
Committed	11,692	19,780	21,075	27,311	27,271	63,120	16,116	22,926	38,444	46,244
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 15,737	\$ 23,380	\$ 25,951	\$ 34,516	\$ 31,486	\$ 66,975	\$ 18,386	\$ 29,192	\$ 41,604	\$ 50,092

Source: Governmental Funds - Balance Sheet.

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City of Jackson  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Taxes	\$ 69,887	\$ 68,253	\$ 67,772	\$ 69,315	\$ 62,702	\$ 63,606	\$ 60,221	\$ 59,078	\$ 59,979	\$ 60,412
Licenses and permits	2,676	2,873	2,541	3,453	4,198	3,167	2,968	2,199	2,673	2,353
Intergovernmental	49,721	46,069	48,425	55,498	62,448	56,783	63,338	59,769	55,620	62,596
Charges for services	3,693	3,499	3,314	3,324	3,456	3,032	3,150	3,446	3,155	2,857
Fines	4,166	4,537	4,092	4,245	3,602	3,106	3,202	3,123	3,123	3,007
Investment earnings	395	342	186	616	3,020	5,252	1,865	1,042	964	904
Special assessments	6	8	1	19	-	14	14	17	26	38
Miscellaneous	16,560	15,923	14,707	13,526	13,331	13,374	15,950	17,307	13,621	15,085
Total revenues	147,104	141,504	141,038	149,996	152,757	148,334	150,708	145,981	139,161	147,252
<b>Expenditures</b>										
General government	29,269	30,977	30,506	38,847	63,330	45,471	28,359	30,352	30,396	23,412
Public safety	57,035	52,606	51,571	53,215	53,572	58,926	58,384	56,471	59,173	53,767
Planning and Development	3,833	-	-	-	-	-	-	-	-	-
Culture and recreation	8,349	13,370	8,078	12,299	12,835	13,177	16,550	13,686	9,496	11,770
Public Works	24,698	19,126	24,430	36,742	26,302	17,243	30,012	20,855	25,557	27,004
Employee Benefits	8,685	8,625	8,071	2,149	1,765	2,180	1,836	3,327	2,846	3,547
Capital Outlay	10,539	5,749	9,982	15,311	1,379	9,040	2,049	15,617	1,053	1,080
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	873	624	3,806	10,731	14,330	13,830	13,190	12,912	11,500	13,390
Interest	6,575	6,424	7,128	5,789	6,419	6,314	4,584	4,150	5,377	6,262
Other charges	-	-	-	-	-	-	-	334	-	-
Miscellaneous	-	-	-	504	556	705	760	504	962	9,017
Total expenditures	149,856	137,501	143,572	175,387	180,488	166,886	156,324	158,208	146,560	149,159
Excess of revenues over (under) expenditures	(2,752)	4,003	(2,534)	(25,391)	(27,731)	(18,552)	(5,616)	(12,227)	(7,799)	(1,907)

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	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Other financing sources (uses)</b>										
Transfers in	4,813	7,927	7,201	7,581	6,584	6,565	4,116	4,296	7,174	17,328
Transfer out	(16,442)	(18,159)	(15,006)	(15,474)	(15,012)	(14,354)	(13,443)	(12,213)	(13,453)	(23,381)
Proceeds from capital lease	3,098	172	-	-	-	1,119	47	1,846	4,859	5,204
Proceeds from long-term debt	402	9,041	3,438	12,070	2,208	186	6,783	750	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	22,248	-	-
Proceeds from GO Bonds	-	-	-	-	5,155	66,117	-	-	-	20,000
Sale of capital assets	166	-	40	-	-	-	-	-	-	-
Issuance of refunding Bonds	-	-	23,665	26,210	267	-	-	(21,914)	-	-
Payments to refunded bond escrow agent	-	(33)	-	(359)	(124)	-	-	-	-	-
Payments to escrow agent	-	-	(25,089)	-	-	-	-	-	-	-
Premium on GO bond issue	-	-	1,463	430	-	-	-	-	-	-
Proceeds from Tax Increment Bonds	-	-	-	2,282	2,270	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(7,963)</b>	<b>(1,052)</b>	<b>(4,238)</b>	<b>32,840</b>	<b>1,348</b>	<b>59,533</b>	<b>(2,497)</b>	<b>(4,986)</b>	<b>(1,440)</b>	<b>19,151</b>
<b>Net change in fund balances</b>	<b>\$ (10,715)</b>	<b>\$ 2,951</b>	<b>\$ (6,772)</b>	<b>\$ 7,249</b>	<b>\$ (26,383)</b>	<b>\$ 41,081</b>	<b>\$ (8,113)</b>	<b>\$ (17,213)</b>	<b>\$ (9,239)</b>	<b>\$ 17,244</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.6%</b>	<b>5.7%</b>	<b>8.9%</b>	<b>11.5%</b>	<b>12.6%</b>	<b>14.6%</b>	<b>13.0%</b>	<b>13.9%</b>	<b>13.6%</b>	<b>13.2%</b>

**City of Jackson**  
**General Governmental Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Motor Fuel Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Total</b>
2012	69,837	29,135	1,652	30	268	100,992
2011	68,253	30,795	1,823	28	268	101,170
2010	67,772	29,995	1,890	31	262	99,950
2009	69,315	32,301	1,572	31	274	103,493
2008	62,702	35,428	1,447	31	282	99,890
2007	63,606	35,838	1,442	31	304	101,221
2006	60,221	37,993	1,298	31	302	99,945
2005	59,079	35,673	1,406	31	267	96,456
2004	59,979	35,882	1,152	31	261	97,305
2003	60,411	31,097	1,376	31	249	97,164

Source: Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance

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**City of Jackson**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years (2)**

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Total</b>		<b>Total Direct Tax Rate</b>	<b>Ratio of Total Assessed to Total Estimated Actual Value</b>
	<b>Assessed Value (1)</b>	<b>Estimated Actual Value</b>	<b>Assessed Value (2)</b>	<b>Estimated Actual Value</b>	<b>Assessed Value (2)</b>	<b>Estimated Actual Value</b>		
2012	\$ 810,977,848	6,317,262,297	413,249,466	1,993,670,330	1,224,227,314	8,310,932,627	56.63	10%,15%,and 30%
2011	809,368,529	6,323,192,313	396,605,625	1,897,105,793	1,205,974,154	8,220,298,106	56.63	10%,15%,and 30%
2010	798,026,041	6,252,141,950	400,770,321	1,887,134,230	1,198,796,362	8,139,276,180	56.72	10%,15%,and 30%
2009	790,601,910	6,190,265,033	423,164,849	1,988,646,047	1,213,766,759	8,178,911,080	56.72	10%,15%,and 30%
2008	658,357,211	5,139,019,840	452,411,093	2,076,697,273	1,110,768,304	7,215,717,113	56.75	10%,15%,and 30%
2007	657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	56.75	10%,15%,and 30%
2006	657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	54.75	10%,15%,and 30%
2005	646,330,913	5,049,924,236	450,491,882	2,058,904,287	1,096,822,795	7,108,828,523	54.75	10%,15%,and 30%
2004	647,107,272	5,064,263,293	449,595,540	2,056,352,200	1,096,702,812	7,120,615,493	54.75	10%,15%,and 30%
2003	645,275,896	5,058,517,697	450,036,558	2,047,883,870	1,095,312,434	7,106,401,567	54.75	10%,15%,and 30%

(1) Ad valorem tax property assessments within the City and the Jackson Municipal Separate School District are fixed at ten percent (10%) of appraised value for homeowner occupied real property, and fifteen percent (15%) of appraised value for all other real and personal property for Fiscal Years 1987-1996. State law required a reappraisal of all property in Mississippi in order to obtain an equitable and uniform appraisal in proportion to current market value, and property was assessed at fifteen percent (15%) beginning in Fiscal Year 1985. The assessed value for motor vehicles and for property owned by public service corporations is determined by an assessment schedule prepared each year by the State of Mississippi Tax Commission, and is set at approximately thirty percent (30%) of appraised value for Fiscal Year 1989 and thereafter.

(2) Includes automotive valuation.

There was an error in reporting the fiscal year 2006 assessed and estimated taxable property. This error is corrected in fiscal year 2007.

SOURCE: Hinds, Rankin and Madison County Tax Collectors

**City of Jackson**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

<b>Fiscal Year Ended September 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2012	\$ 67,138	\$ 60,734	90.5	\$ 1,533	\$ 62,267	92.7%
2011	-	-	-	-	-	-
2010	61,942	59,321	95.8	972	60,293	97.3
2009	61,363	59,602	97.1	376	59,978	97.7
2008	55,175	53,501	97.0	212	53,713	97.4
2007	55,147	54,276	98.4	306	54,582	99.0
2006	52,019	50,928	97.9	996	51,924	99.8
2005	53,925	52,750	97.8	270	53,020	98.3
2004	51,710	50,606	97.9	301	50,907	98.4
2003	55,845	53,807	96.4	445	54,252	97.1

The data was not available from Hinds County in 2011.

The total tax levy does not include automobile ad valorem taxes.

Beginning Fiscal Year 1988, the majority of school taxes collected were remitted directly to the Jackson Municipal Separate School District by Hinds County, the collecting agency.

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**City of Jackson  
Principal Property Taxpayers  
September 30, 2012  
(amounts expressed in thousands)**

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Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Hell South	\$ 50,108	2	4.79%	\$ 76,029	1	7.92%
Entergy	79,472	1	7.59%	45,673	2	4.76%
Atmos Energy	12,268	5	1.17%	-	-	-
Midcontinent Express Pipeline LLC	29,093	3	2.78%	-	-	-
AT&T	9,804	7	0.94%	11,064	4	1.15%
Trustmark National Bank	-	-	-	5,393	7	0.56%
Parkway Properties	10,233	6	0.98%	6,088	6	0.63%
Central MS Health System	-	-	-	13,729	3	1.43%
Entergy Services Inc	8,836	8	0.84%	-	-	-
Wal-Mart/Sam's Wholesale Club	8,280	9	0.79%	5,180	8	0.54%
McCarty Holman, Inc.	-	-	-	-	-	-
Deposit Guaranty National Bank	-	-	-	-	-	-
Metrocenter	-	-	-	3,919	9	0.41%
St. Dominicks Hospital	-	-	-	3,873	10	0.40%
Home Depot	-	-	-	-	-	-
Gulf South Pipeline Company LP	26,849	4	2.57%	-	-	-
Delphi Auto Systems LLC	-	-	-	-	-	-
Illinois Central Railroad	7,076	10	0.67%	-	-	-
Esou Aerospace LLC	-	-	-	-	-	-
Mississippi Valley Gas Company	-	-	-	8,596	5	0.90%
Totals	<u>\$ 241,969</u>		<u>23.12%</u>	<u>\$ 179,494</u>		<u>18.69%</u>

Source: Hinds County

**City of Jackson**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 67,138	\$ 60,734	90.5	\$ 1533	\$ 62,267	92.7%
2011	-	-	-	-	-	-
2010	61,942	59,321	95.8	972	60,293	97.3
2009	61,363	59,602	97.1	376	59,978	97.7
2008	55,175	53,501	97.0	212	53,713	97.4
2007	55,147	54,276	98.4	306	54,582	99.0
2006	52,019	50,928	97.9	996	51,924	99.8
2005	53,925	52,750	97.8	270	53,020	98.3
2004	51,710	50,606	97.9	301	50,907	98.4
2003	55,845	53,807	96.4	445	54,252	97.1

The data was not available from Hinds County in 2011.

The total tax levy does not include automobile ad valorem taxes.

Beginning Fiscal Year 1988, the majority of school taxes collected were remitted directly to the Jackson Municipal Separate School District by Hinds County, the collecting agency.

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**City of Jackson**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (%)	Per Capita (\$)	
	General Obligation Bonds	Limited Obligation Bonds	State Revolving Loan MDA	Miss Development Bank Loan	Section 108 Loan	General Obligation Note	Capital Leases	Sewer Bonds	General Obligation Bonds	Capital Leases				State Revolving Loan (DEQ)
2012	131,290	4,102	383	3,040	7,000	492	17,053	154,430	-	3,069	12,978	3353.52	5.59%	1,933
2011	131,720	6,641	430	3,335	7,000	-	18,073	148,325	-	2,758	13,789	3311.01	5.54%	1,913
2010	131,720	4,251	462	2,650	7,000	-	13,520	148,920	-	4,704	14,428	3264.65	5.26%	1,881
2009	134,610	4,522	497	2,847	7,000	-	13,053	155,830	-	5,722	16,997	3410.78	5.59%	1,851
2008	112,535	2,270	334	737	-	-	13,027	161,345	-	1,716	18,508	3105.72	4.98%	1,656
2007	115,500	210	568	622	-	-	14,013	167,670	-	2,272	19,005	3189.60	5.46%	1,726
2006	58,715	405	602	608	-	-	16,009	175,700	-	1,379	18,125	2699.02	4.69%	1,463
2005	66,525	820	632	740	-	-	12,601	179,230	-	1,417	19,361	2813.46	5.30%	1,527
2004	73,195	1,205	654	-	-	-	14,105	115,965	-	2,830	20,550	2282.64	4.30%	1,239
2003	80,180	1,565	692	-	-	-	12,179	121,400	630	3,442	21,693	2417.81	4.78%	1,312

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
(1) See the Schedule of Demographic and Economic Statistics on page 130 for personal income and population data.

**City of Jackson**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)

<b>Fiscal Year</b>	<b>Assessed Value</b>	<b>General Obligation Note</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
2012	\$ 1,046,591	402	\$ 131,290	\$ 2,331	\$ 129,361	12.36%	\$ 703.05
2011	1,034,756	-	131,720	1,832	129,888	12.55%	705.91
2010	1,022,263	-	131,720	2,577	129,143	12.63%	701.86
2009	1,027,088	-	134,610	2,471	132,139	12.87%	718.15
2008	921,948	-	112,535	2,257	110,278	11.96%	599.34
2007	920,291	-	115,500	2,521	112,979	12.28%	614.02
2006	908,925	-	58,715	1,529	57,186	6.29%	310.79
2005	918,235	-	66,525	1,785	64,740	7.05%	351.36
2004	903,200	-	73,195	1,293	71,902	7.96%	390.23
2003	960,332	-	80,180	431	79,729	8.30%	432.71

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Assessed Value and Estimated Actual of Taxable Property on page 121 for property value data.  
(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 130.

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**City of Jackson**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2012**  
**(amounts expressed in thousands)**

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<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hinds County	\$ 40,370	76.57%	\$ 30,911
Jackson Public Schools	136,925	100.00%	<u>136,935</u>
Subtotal, overlapping debt			167,846
City of Jackson direct debt	131,691	100.00%	131,692
Total direct and overlapping debt			<u>\$ 299,538</u>

SOURCES: Assessed value data used to estimate applicable percentages by City of Jackson, Hinds County, and Jackson Public Schools.

Note: Overlapping governments are those that coincide with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Jackson. This process recognizes that, when considering the City of Jackson ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is with the government's boundaries and dividing it by the county's total taxable assessed value.



**City of Jackson**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$174,971	\$ 173,629	\$173,116	\$175,386	\$160,093	\$168,138	\$158,399	\$159,636	\$159,437	\$158,886
Total net debt applicable to limit	<u>73,224</u>	<u>73,261</u>	<u>70,951</u>	<u>74,132</u>	<u>43,375</u>	<u>50,710</u>	<u>59,120</u>	<u>67,345</u>	<u>74,400</u>	<u>81,745</u>
Legal debt margin	<u>\$101,747</u>	<u>\$ 100,368</u>	<u>\$102,165</u>	<u>\$101,254</u>	<u>\$116,718</u>	<u>\$109,428</u>	<u>\$ 99,279</u>	<u>\$ 92,291</u>	<u>\$ 85,037</u>	<u>\$ 77,141</u>
Total net debt applicable to the limit as a percentage of the debt limit										

**Legal Debt margin Calculation for Fiscal Year 2012**

Assessed value	\$ 1,226,113
Less Homestead Exemption	<u>\$ (59,643)</u>
Total assessed value	\$ 1,166,470
Debt limit (15% of total assessed value)	174,971
Debt application to limit:	
Bond indebtedness	227,654
Less: Amount set aside for repayment of revenue bond debt	<u>(154,430)</u>
Total net debt applicable to limit	<u>\$ 73,224</u>
Legal debt margin	<u>\$ 101,747</u>

Note: Under state finance law, the City of Jackson's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

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**City of Jackson**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

Sewer Revenue Bonds							
Fiscal Year	Water/Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2012	48,171	33,366	14,805	\$ 6,780	\$ 4,961	1.26	
2011	47,578	32,755	14,823	4,870	6,876	1.26	
2010	41,974	26,128	15,846	6,085	7,284	1.19	
2009	41,440	27,837	13,603	6,910	7,617	0.94	
2008	47,468	29,410	18,058	6,910	7,617	1.24	
2007	44,180	22,830	21,350	6,325	8,212	1.47	
2006	45,495	23,985	21,510	6,030	8,510	1.48	
2005	41,166	22,387	18,779	6,030	8,510	1.29	
2004	40,012	23,394	16,618	5,550	8,939	1.15	
2003	44,387	21,903	22,484	7,095	5,924	1.73	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

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**City of Jackson**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (amounts expressed in thousands)</b>	<b>Per Capita Personal Income (3)</b>	<b>Median Age (4)</b>	<b>Education Level in Years of Formal Schooling (2)</b>	<b>School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
2012	173,514	5,997,858	34,567	31.0	12	30,000	7.3%
2011	173,514	5,995,776	34,555	32.0	12	30,600	8.4%
2010	173,514	6,247,025	36,003	31.0	12	30,600	7.8%
2009	184,256	6,104,770	33,132	31.9	12	30,600	7.9%
2008	184,256	6,238,540	33,858	31.0	12.3	31,000	6.5%
2007	184,256	5,860,815	31,808	31.9	12.3	31,000	5.0%
2006	184,256	5,744,549	31,177	31.9	12.3	32,403	4.4%
2005	184,256	5,308,231	28,809	31.0	12.3	32,000	8.3%
2004	184,256	5,308,231	28,809	34.3	12.3	31,580	4.5%
2003	184,256	5,053,774	27,428	34.2	12.3	31,508	5.0%

**Data Sources**

- (1) Mississippi Census Bureau
- (2) Jackson Public Schools Estimate
- (3) Bureau of Labor Statistics
- (4) U S Census Bureau

**City of Jackson  
Principal Employers  
Current Year and Nine Years Ago**

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Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of Mississippi	31,556	1	17.13%			
University of Mississippi	8,000	2	4.34%			
U.S. Government	5,500	3	2.98%			
Jackson Public School District	4,814	4	2.61%			
Baptist Health Systems	2,875	5	1.56%			
St. Dominic Health Services	2,600	6	1.41%			
City of Jackson, Mississippi	2,323	7	1.26%			
Jackson State University	1,667	8	0.90%			
AT&T	1,300	9	0.71%			
Central MS Medical Center	1,200	10	0.65%			
	<u>61,835</u>		<u>33.56%</u>			

Source: Metro/Jackson Chamber of Commerce 2012

Note: Data for 2001 is currently not available.

**City of Jackson**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Full-time Equivalent Employees by Function									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	215	234	229	219	255	250	300	304.5	299.5	311
Public safety										
Police										
Officers	499	479	465	-	500	425	468	490	490	458
Civilians	272	261	270	-	299	291	174	284	284	296
Fire										
Firefighters and officers	337	357	342	354	362	351	356	353	631	376
Civilians	11	11	10	11	11	7	8	12	11	13
Public works	484	482	449	466	606	552	625	645	606	608
Culture and Recreation	238	303	370	319	218	381	424	436.5	452.5	465
Planning and Development	75	81	78	91	70	80	77	88	90	96
Total	2131	2208	2213	1460	2321	2337	2432	2613	2864	2623

Source: City of Jackson Budget Office.

(1) The dashes indicate data that is not available.

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**City of Jackson**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Parking violations	17,190	18,101	13,777	11,076	13,223	14,832	20,490	24,970	24,970	27,937
Traffic violations	60,598	57,815	56,587	47,146	38,429	25,314	30,061	47,324	47,324	48,587
Fire										
Number of calls answered	9,403	-	-	11,577	7,644	7,342	12,259	12,602	12,602	12,823
Inspections (3)	4,635	3,590	3,701	4,510	3,241	4,500	4,086	3,727	3,727	4,229
Highways and streets										
Street resurfacing (miles)	10.6	-	-	68.3	8.3	5.6	7.1	9.5	9.5	16.0
Potholes repaired (2) (4)	29,871	38,776	51,431	3,619	4,154	3,626	4,011	5,724	5,724	2,194
Sanitation										
Refuse collected (tons/day)	7,904	4,523	5,718	5,058	5,848	2,398.4	1,447.8	3,612.3	3,612.3	3,401.0
Recyclables collected (tons/day)(1)	89.84	76.89	81.72	80.16	109.88	90.77	99.68	-	-	-
Culture and recreation										
Community center admissions (3)	118	53	68	90	34	101	95	168	168	-
Water										
New connections	212	-	198	670	334	530	602	501	501	517
Average daily consumption (thousands of gallons) (3)	-	-	24,024	-	21,080	21,530	20,630	21,250	21,250	23,700
Wastewater										
Average daily sewage treatment (thousands of gallons)	-	-	46,650	47,170	44,650	42,100	47,200	52,400	52,400	45,600

Source: Various City of Jackson departments.

(1) The City of Jackson Sanitation Division implemented their recycling program in March 2005.

(2) The City of Jackson Streets Division implemented a new system of reporting potholes. Therefore data for fiscal years 1999-2002 is not available.

(3) The dashes indicate data that is not available.

(4) Prior years has been recorded as the number of pothole calls not the number of potholes repaired.

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City of Jackson  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	Fiscal Year 2007	2006	2005	2004	2003
<b>Function</b>										
<b>Public safety</b>										
Police stations	6	6	6	6	5	5	5	5	5	5
Fire stations	21	21	21	21	21	21	21	21	21	21
<b>Highways and streets</b>										
Streets (miles)	1,204	1,300	1,447	1,431	1,428	1,428	1,428	1,428	1,428	1,435
Traffic signals intersection	358	358	334	334	333	333	332	332	332	-
<b>Culture and recreation</b>										
Parks	54	54	54	54	54	54	54	54	54	54
Swimming pools	9	9	9	9	9	9	9	9	9	9
Tennis courts	61	61	61	61	61	61	61	61	61	61
Community centers	10	10	10	10	10	10	10	10	10	10
<b>Water</b>										
Water mains (miles)	-	-	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220
Fire hydrants	-	-	7,500	7,500	7,500	7,500	7,500	-	-	-
Maximum daily capacity (thousands of gallons)	-	-	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000
<b>Sewer</b>										
Sanitary sewers (miles)	-	-	911	911	911	911	909	909	909	909
Storms sewers (miles)	-	-	460	460	460	460	460	460	460	460

Source: Various City of Jackson departments.  
(1) The dashes indicate data that is not available.

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# SINGLE AUDIT



## 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

The Honorable Mayor Harvey Johnson, Jr.  
and Honorable Members of the City Council  
Jackson, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Jackson, Mississippi (the City), as of and for the year ended September 30, 2012, which collectively comprise the City of Jackson, Mississippi's basic financial statements and have issued our report thereon dated May 3, 2013. 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 City of Jackson, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jackson, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jackson, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in 2012-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jackson, Mississippi'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Jackson, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Jackson, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Mayor, City Council, and management, others within the organization, 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.

*Barbara White FC*  
Ridgeland, Mississippi  
May 3, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

City of Jackson  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Agency/Program	Federal CFDA Number	Pass Through Grantor Number	Current Year Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Direct Programs:</b>			
Food and Nutrition Service (MS Department of Education - Pass Through)			
Child and Adult Care Food Program	10.558	V0000718089	\$ 303,703
SUBTOTAL CFDA NUMBER 10.558			303,703
<b>Child Nutrition Cluster:</b>			
Summer Food Service Program for Children (MS Department of Education - Pass Through)	10.559	V0000718090	56,036
SUBTOTAL CFDA NUMBER 10.559			56,036
<b>TOTAL Child Nutrition Cluster</b>			56,036
(Central Mississippi Planning and Development District - Pass Through)			
Commodity Supplemental Food Program	10.565	378-M-23	24,210
Commodity Supplemental Food Program	10.565	379-F-25	5,742
Commodity Supplemental Food Program	10.565	379-S-252	8,613
Commodity Supplemental Food Program	10.565	396-E-25	20,332
SUBTOTAL CFDA NUMBER 10.565			58,905
(Natural Resource Conservation Service - Pass Through)			
Emergency Watershed Protection Program	10.923	68-4423-12-2342	20,400
SUBTOTAL CFDA NUMBER 10.923			20,400
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			436,045
<b>U.S. Department of Housing and Urban Development</b>			
<b>CDBG Entitlement Grants Cluster:</b>			
Community Development Block Grant - Neighborhood Stabilization Program	14.218	B-08-MN-28-0001	916,269
Community Development Block Grant	14.218	B-10-MC-28-0003	1,782,716
Community Development Block Grant	14.218	B-11-MC-28-0003	24,498
SUBTOTAL CFDA NUMBER 14.218			2,699,483
Community Development Block Grant Recovery - ARRA	14.253	B-09-MY-28-0003	106,211
SUBTOTAL CFDA NUMBER 14.253			106,211
<b>TOTAL CDBG Entitlement Grants Cluster</b>			2,799,696
<b>Emergency Solution Grants Program:</b>			
SUBTOTAL CFDA NUMBER 14.231	14.231	B-11-MC-28-0002	109,573
HOME Investment Partnership Program	14.239	M-07-MC-28-0200	4,509
HOME Investment Partnership Program	14.239	M-08-MC-28-0200	60,231
HOME Investment Partnership Program	14.239	M-09-MC-28-0200	44,657
SUBTOTAL CFDA NUMBER 14.239			109,393
Housing Opportunities for Persons with AIDS	14.241	MS-H11-F001	824,210
Housing Opportunities for Persons with AIDS	14.241	MS-H10-F001	294,683
SUBTOTAL CFDA NUMBER 14.241			1,118,893
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-MS-0134	3,695
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-05-SP-MS-0141	9,940
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-MS-0133	118,903
SUBTOTAL CFDA NUMBER 14.251			132,538
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257	S-09-MY-28-0002	136,900
SUBTOTAL CFDA NUMBER 14.257			136,900
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			4,496,993

City of Jackson  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Agency/Program	Federal CFDA Number	Pass Through Grantor Number	Current Year Federal Expenditures
<b>U.S. Department of Justice</b>			
<b>JAG Program Cluster:</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007J1HXX0370	21,346
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008J1HXX03627	58,714
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011J1HXX0320	64,464
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010J1HXX03694	20,690
SUBTOTAL CFDA NUMBER 16.738			165,214
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	16.804	2009SDD93222	178,592
SUBTOTAL CFDA NUMBER 16.804			178,592
<b>TOTAL JAG Program Cluster</b>			343,806
Second Chance Act Prisoner Reentry Initiative	16.812	2011-CZ-BX-0041	27,920
SUBTOTAL CFDA NUMBER 16.804			27,920
Public Safety Partnership & Community Policing Grant	16.710	2009CKW00083	2,198
Public Safety Partnership & Community Policing Grant	16.710	2010CKW00084	54,400
Public Safety Partnership & Community Policing Grant	16.710	2011ULWX0021	748,209
SUBTOTAL CFDA NUMBER 16.710			804,807
Developing, Testing, And Demonstrating New Programs	16.541	2009-JL-FK-0009	73,913
SUBTOTAL CFDA NUMBER 16.541			73,913
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			1,251,756
<b>U.S. Department of Labor</b>			
Older Americans Act			
Senior Community Service Employment Program (Title V)	17.235	AD-21862-11-55-A-24	453,367
Senior Community Service Employment Program (Title V)	17.235	AD-23224-12-55-A-24	135,649
SUBTOTAL CFDA NUMBER 17.235			589,016
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			589,016
<b>U.S. Department of Transportation</b>			
<b>Federal Transit Administration</b>			
<b>Direct Programs:</b>			
Federal Transit Formula Grants	20.507	MS-90-X0-72	35,187
Federal Transit Formula Grants	20.507	MS-90-X0-98	836,021
Federal Transit Formula Grants	20.507	MS-90-X0-81	391,889
SUBTOTAL CFDA NUMBER 20.507			1,263,097
Federal Transit Capital Investment Grants	20.500	MS-03-08-12	17,982
Federal Transit Capital Investment Grants	20.500	MS-03-08-13	277,512
Federal Transit Capital Investment Grants	20.500	MS-03-08-14	1,027,248
Federal Transit Capital Investment Grants	20.500	MS-04-08-03	146,560
Federal Transit Capital Investment Grants	20.500	MS-96-X0-03	2,005,152
SUBTOTAL CFDA NUMBER 20.500			3,474,454
<b>TOTAL Federal Transit Cluster</b>			4,736,551
<b>Highway Planning &amp; Construction Cluster:</b>			
(Mississippi Department of Transportation-Pass Through)			
Highway Planning and Construction (Lyons Street Improvements)	20.205	DHP-7305-00(001) 104587811000	215,603
Highway Planning and Construction (Fortification Street Improvements)	20.205	STT-7285-00(002) 1053257001000	674,891
Highway Planning and Construction (Safe Route)	20.205	DHP-7305-00(005) 105967	20,630
Highway Planning and Construction (ITS-3 Railroad Grade Crossing Project)	20.205	ITS-0250-00(020)JA 1019917901000	6,017
Highway Planning and Construction (ITS-3 Railroad Grade Crossing Project)	20.205	TCP-0250	6,270



City of Jackson  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Agency/Program	Federal CFDA Number	Pass Through Grantor Number	Current Year Federal Expenditures
(Mississippi Department of Transportation-Pass Through)			
Tidwell Youth Center Grant	20.205	STP-9990-09(023) 106400-317300	36,930
SUBTOTAL CFDA NUMBER 20.205			957,741
TOTAL Highway Planning and Construction Cluster			957,741
(Mississippi Department of Transportation-Pass Through)			
Capital Assistance Program for Elderly Persons and Elderly Persons with Disabilities	20.513	N/A	34,907
SUBTOTAL CFDA NUMBER 20.513			34,907
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			5,729,199
U.S. Institute of Museum and Library Services			
Direct Programs:			
Congressional Set-Aside: Museums	45.312	CM-03-03-0012-05	22,566
SUBTOTAL CFDA NUMBER 45.312			22,566
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			22,566
U.S. Department of Environmental Quality			
(Mississippi Department of Environmental Quality-Pass Through)			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C2E086-02-0	471,229
SUBTOTAL CFDA NUMBER 66.458			471,229
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL QUALITY			471,229
U.S. Department of Energy			
Direct Programs:			
Energy Efficiency and Conservation Block Grant Program (ARRA)	81.128	DE-SC0001012	1,347,860
SUBTOTAL CFDA NUMBER 81.128			1,347,860
TOTAL U.S. DEPARTMENT OF ENERGY			1,347,860
U.S. Department of Health and Human Services			
Direct Programs:			
Metro Medical Response System	93.000	233-01-0043	157,025
SUBTOTAL CFDA NUMBER 93.000			157,025
Aging Cluster:			
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers			
(Central MS Planning and Development District - Pass Through)			
Title III-B Outreach	93.044	377-A0-25	10,000
SUBTOTAL CFDA NUMBER 93.044			10,000
Special Programs for the Aging Title III, Part C, Nutrition Services			
(Central MS Planning and Development District - Pass Through)			
Congregate Nutrition Program (Non-cost)	93.045	378-A0-25	45,775
SUBTOTAL CFDA NUMBER 93.045			45,775
TOTAL Aging Cluster			55,775
CCDF Cluster:			
(State of MS Office of Child Nutrition - Pass Through)			
Child Care Development Block Grant	93.575	6250621A	891,625
Child Care Development Block Grant	93.575	6250611A	114,292
SUBTOTAL CFDA NUMBER 93.575			1,005,917
TOTAL CCDF Cluster			1,005,917

City of Jackson  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Agency/Program	Federal CFDA Number	Pass Through Grantor Number	Current Year Federal Expenditures
Title XX-Social Services Block Grant			
(Central MS Planning and Development District - Pass Through)			
Transportation	93.667	390-F-25	128,772
Home Delivered Meals (Non-cost)	93.667	390-F-25	97,928
SUBTOTAL CFDA NUMBER 93.667			226,710
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,445,427
Corporation for National and Community Service			
Mississippi Contribution for Volunteer Service - Pass Through			
AMERICORPS	94.006	12AC108584	8,906
AMERICORPS	94.006	11AC122587	209,380
SUBTOTAL CFDA NUMBER 94.006			218,286
TOTAL MISSISSIPPI COMMISSION FOR VOLUNTEER SERVICE			218,286
U.S. Office of National Drug Control Policy			
(MS Gulf Coast HIDTA - Pass Through)			
High Intensity Drug Trafficking Area (HIDTA)	95.001	G10GC0003A	781
High Intensity Drug Trafficking Area (HIDTA)	95.001	G11GC0003A	4,019
High Intensity Drug Trafficking Area (HIDTA)	95.001	G12GC0003A	4,236
SUBTOTAL CFDA NUMBER 95.001			11,036
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			11,036
U.S. Department of Homeland Security			
Mississippi Emergency Management Agency (Pass-Through)			
Disaster Grants - Public Assistance	97.036	PW 00335-0	112,320
SUBTOTAL CFDA NUMBER 97.036			112,320
Mississippi Emergency Management Agency (Pass-Through)			
Homeland Security Grant Program	97.067	09ADM221	255,939
Homeland Security Grant Program	97.067	10CC221	2,061
Homeland Security Grant Program	97.067	10IN221T	832
Homeland Security Grant Program	97.067	10IN221T2	7,059
Homeland Security Grant Program	97.067	11MS221	14,670
Homeland Security Grant Program	97.067	APHS221T	55,248
Homeland Security Grant Program	97.067	10LE221S	8,639
Homeland Security Grant Program	97.067	11LE221	9,517
Homeland Security Grant Program	97.067	10LE221	56,793
SUBTOTAL CFDA NUMBER 97.067			451,139
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			563,459
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 16,492,187
U.S. Department of Housing and Urban Development			
The City of Jackson has the following loans payable to the U.S. Department of Housing and Urban Development at September 30, 2012. The funds were used to stimulate renewal and economic development activities in the Capital Center Development Area.			
Community Development Block Grant - Section 108 Loan Guarantees variable fixed rate note dated September 15, 2008	14.248	TS-07-MC-28-0009	6,888,731
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 6,888,731

CITY OF JACKSON  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE 2 - CONTINGENCY

The City has responsibility for expending grant funds in accordance with specific instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the City.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 3 - SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, the City of Jackson provided federal awards to sub recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Sub-recipients</u>
Housing Opportunities for Persons With Aids	14.241	\$1,100,884
Home Investment Partnership Program	14.239	44,653
Community Development Block Grant - Entitlement Grants	14.218	383,562
Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	136,900
Emergency Solutions Grant Grant	14.231	<u>109,573</u>
Total		<u>\$ 1,775,572</u>

NOTE 4 - LOAN AND LOAN GUARANTEES

In accordance with OMB Circular A-133, loans and loan guarantees include new loans made during the year, plus prior year loans for which the federal government imposes continuing compliance requirements.



**BANKS, FINLEY,  
WHITE & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor Harvey Johnson, Jr.  
and Honorable Members of The City Council  
Jackson, Mississippi

Compliance

We have audited the City of Jackson, Mississippi's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Jackson, Mississippi's major federal programs for the year ended September 30, 2012. City of Jackson, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying 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 City of Jackson, Mississippi's management. Our responsibility is to express an opinion on the City of Jackson, Mississippi'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 City of Jackson, Mississippi'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 of the City of Jackson, Mississippi's compliance with those requirements.

As described in items 2012-2 through 2012-8 in the accompanying schedule of findings and questioned costs, City of Jackson, Mississippi did not comply with requirements regarding Davis-Bacon Act, Reporting and Sub-Recipient Monitoring that are applicable to its Home Investment Partnership Program, Housing Opportunities for Persons with Aids Grant, Public Safety Partnership Grant and Community Development Block Grant-Neighborhood Stabilization Program Grant. Compliance with such requirements is necessary, in our opinion, for City of Jackson, Mississippi to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Jackson, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City of Jackson, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jackson, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Jackson, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-2 thru 2012-8 to be significant deficiencies.

City of Jackson, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Jackson, Mississippi's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of the Mayor, City Council, and management, others within the organization, 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.

*Banks, Finley, White & Co.*

Ridgeland, Mississippi  
May 3, 2013

CITY OF JACKSON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Section 1: Summary of Auditor's Results**

- |    |                                                                                           |             |
|----|-------------------------------------------------------------------------------------------|-------------|
| 1. | Type of auditor's report issued on the basic financial statements.                        | Unqualified |
| 2. | Material noncompliance relating to the financial statements.                              | None        |
| 3. | Internal control over financial reporting:                                                |             |
|    | a. Material weaknesses identified?                                                        | Yes         |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | None        |

**Federal Awards:**

- |    |                                                                                                                                                                                                                                                                                       |      |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 4. | Type of auditor's report issued on compliance with major federal programs:                                                                                                                                                                                                            |      |
|    | Unqualified for all major programs except for Home Investment Partnership Program, Housing Opportunities for Persons with Aids Grant, Community Development Block Grant, Public Safety Partnership Grant and Community Development Block Grant -- Neighborhood Stabilization Program. |      |
| 5. | Internal control over major programs:                                                                                                                                                                                                                                                 |      |
|    | a. Material weaknesses identified?                                                                                                                                                                                                                                                    | None |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses?                                                                                                                                                                                             | Yes  |
| 6. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?                                                                                                                                                                                                   | Yes  |
| 7. | Federal programs identified as major programs:                                                                                                                                                                                                                                        |      |

**Community Development Block Grant Entitlement Grants Cluster:**

CFDA #14.218 - U. S. Department of Housing and Urban Development  
Community Development Block Grant  
CFDA #14.253 - U. S. Department of Housing and Urban Development  
ARRA -- Community Development Block Grant

**Home Investment Partnership Program:**

CFDA #14.238 - U. S. Department of Housing and Urban Development

**Housing Opportunities for Persons with AIDS:**

CFDA #14.241 - U. S. Department of Housing and Urban Development

CITY OF JACKSON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Federal programs identified as major programs: (continued)**

**JAG Program Cluster:**

CFDA #16.738 - U. S. Department of Justice  
Edward Byrne Memorial Justice Assistance Grant Program  
CFDA #16.804 - U. S. Department of Justice  
Edward Byrne Memorial Justice Assistance Grant Program - ARRA  
Assistance Discretionary Grants Program

Public Safety Partnership & Community Policing Grant  
CFDA #16.710 - U. S. Department of Justice

**Federal Transit Cluster:**

CFDA #20.500 - U.S. Department of Transportation  
Federal Transit Capital Investment Grants  
CFDA #20.507 - U.S. Department of Transportation  
Federal Transit Formula Grants

**Highway Planning & Construction Cluster:**

CFDA #20.205 - U. S. Department of Transportation  
Highway Planning and Construction

Energy Efficiency and Conservation Block Grant Program:  
CFDA #81.128 -- U. S. Department of Energy

- |    |                                                                                        |
|----|----------------------------------------------------------------------------------------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: \$194,765 |
| 9. | The City of Jackson did not qualify as a low-risk auditee.                             |

**Section 2: Findings Relating to the Financial Statements Audit**

**PAYROLL CHANGES IN PERSONNEL FILES**

**Finding 2012-1**

**Finding Type: Material Weakness**

**Statement of Condition**

Our audit testing of payroll transactions revealed that in 24 out of 40 personnel files tested, adequate documentation was not available in the personnel file to support the current pay rate of some employees.

CITY OF JACKSON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

Cause of Condition

Failure to follow established procedures for personnel pay rate changes.

Effect of Condition

The employee's current salary pay rate could not be verified with supporting documentation in the personnel file.

Criteria

The requirements of the City of Jackson Department of Personnel and Management's Employee Handbook Section 7.1.1 – states "The Department of Personnel Management shall maintain records showing administrative actions including records of employment history of each employee, performance evaluation records and related files and correspondence. In addition, the Department of Personnel Management shall prepare, maintain and preserve records on the wages, hours and other conditions and practices of employment of all City employees."

Auditor's Recommendation

The City should strengthen internal administrative controls to ensure that the personnel department updates all changes in an employee's wages and documents these changes in the employee's personnel file so that, at any point in time, the employee's current salary can be verified.

Section 3: Major Federal Awards Program Findings and Questioned Costs

**Finding 2012-2 – SUB RECIPIENT MONITORING**  
**Finding Type: Significant Deficiency**

**Grant Program/CFDA#: Home Investment Partnership Program/ 14.239**

Statement of Condition

The City of Jackson is required to monitor the performance of HOME sub recipients against goals and performance standards and in our review of sub recipient monitoring reports, the City did not provide us a monitoring report for one (1) sub recipient that was paid during FY 2012.

CITY OF JACKSON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

Cause of Condition

Lack of compliance with established policies and procedures.

Effect of Condition

The sub-recipient monitoring report was not provided for review.

Criteria

Pursuant to the requirements of OMB Circular A-133 Part III Subpart C – Auditees, paragraph.300, which states that applicants will establish and maintain internal control over Federal Programs that provide reasonable assurances that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal Programs.

Auditor's Recommendation

The City should strengthen internal administrative control procedures to ensure that sub recipients are being monitored within the prescribed time period.

**Finding 2012-3 – DAVIS-BACON ACT**  
**Finding Type: Significant Deficiency**

**Grant Program/CFDA#: Community Development Block Grants/ 14.218**

Statement of Condition

Eubank Creek Drainage Project

The City did not comply with the Davis-Bacon Act requirement that certified payroll reports be submitted on a weekly basis by contractors and/or subcontractors working on federal financed construction contracts in excess of \$2,000.

Cause of Condition

Lack of compliance with established policies and procedures.

CITY OF JACKSON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

Effect of Condition

The City did not ensure that weekly certified payrolls were submitted by contractors on the federally financed project.

Criteria

The Davis-Bacon Act requires that all contractors and subcontractors performing on federal contracts (and contractors or subcontractors performing on federally assisted contracts under the related Acts) in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's Davis-Bacon wage determination for corresponding classes of laborers and mechanics employed on similar projects in the area. Davis-Bacon labor standards clauses must be included in covered contracts.

Each covered contractor and subcontractor must, on a weekly basis, provide the federal agency a copy of all payrolls providing the information listed above under "Recordkeeping" for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance." The contractor, subcontractor or the authorized officer or employee of the contractor or subcontractor who supervises the payment of wages must sign the weekly statement.

Auditor's Recommendation

We recommend that the City strengthen internal administrative control procedures to ensure that they comply with Davis-Bacon compliance requirements on federally financed construction projects.

**Finding 2012-4 – REPORTING**  
**Finding Type: Significant Deficiency**

**Grant Program/CFDA#: Community Development Block Grant – Neighborhood Stabilization Program/14.218**

Statement of Condition

During our review of Performance Reporting, we noted that the City did not submit 2 out of 4 reports in a timely manner.

Cause of Condition

The person responsible for preparing and submitting the quarterly reports was away from work when the reports were due causing the reports to be submitted late.

CITY OF JACKSON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

Effect of Condition

Noncompliance with the Housing and Urban Development, Disaster Recovery Grant Reporting Manual Guide, May 9, 2011 7.2 Release.

Criteria

Per HUD's Disaster Recovery Grant Reporting Manual Guide, May 9, 2011, 7.2 Release, Quarterly Performance Reports are due within thirty days after the end of the quarter.

Auditor's Recommendation

We recommend that the City strengthen internal administrative control procedures to ensure that the Quarterly Performance Reports are completed and submitted in a timely manner.

**Finding 2012-5 – REPORTING**  
**Finding Type: Significant Deficiency**

**Grant Program/CFDA#: Public Safety Partnership Grant /16.710**

Statement of Condition

The City did not provide the COPS Annual Progress Report to the Department of Justice in a timely manner.

Cause of Condition

Lack of compliance with grant terms

Effect of Condition

The City is not in compliance with the grant reporting requirements.

Criteria

According to the COPS Hiring Program contract agreement, the City is required to submit the Department Annual Progress Report at least once a year during the life of the grant to the U.S. Department of Justice.

CITY OF JACKSON, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

Auditor's Recommendation

We recommend that the City strengthen internal administrative control procedures to ensure that the required reports are completed and submitted in a timely manner.

**Finding 2012-6 – REPORTING**  
**Finding Type: Significant Deficiency**

**Grant Program/CFDA#: Community Development Block Grants/ 14.218, Housing Opportunities For Persons With Aids/14.241**

Statement of Condition

During our review of the Sub award Reporting under the Transparency Act, we noted that the City had not reported the required sub recipient/subcontractor information in the Funding Accountability and Transparency Sub award Reporting System (FSRS).

Cause of Condition

City personnel failed to comply with reporting requirements.

Effect of Condition

Noncompliance with the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub L. No. 111-252).

Criteria

Under the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub L. No. 111-252), a direct recipient of grants or cooperative agreements who were awarded \$25,000 or more (effective 10/1/10) and who make first-tier sub awards and a prime contractor that award first-tier subcontracts, must report any newly awarded subcontract of \$25,000 or more to FSRS.

Auditor's Recommendation

We recommend that the City strengthen internal administrative control procedures to ensure that they comply with the requirements of the Funding Accountability and Transparency Sub award Reporting.

CITY OF JACKSON, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2012

**2011-1 FINDING NO. 1 – SECTION 2**

**Condition:** Our audit testing of payroll transactions revealed that adequate documentation was not available to support the employees' current pay rate.

**Current Status:** Not Corrected, repeated as finding 2012-1

**2011-2 FINDING NO. 2 – SECTION 3**

**Condition:** During our audit, we noted that there were no formal procedures in the City's Public Works Department for requesting reimbursement of grant expenditures and that the current practice has contributed to the requesting of reimbursements near the end of projects or near the end of the City's fiscal year.

**Current Status:** Corrected

**2011-3 FINDING NO. 3 – SECTION 3**

**Condition:** During the suspension and debarment testing, we noted that the City entered into three (3) contracts for goods and/or services for an amount equal to or exceeding \$25,000 and four (4) sub-recipient contracts in which no documentation was maintained to support the fact that the contractor or sub-recipient had not been suspended or debarred or otherwise excluded from receiving the contract.

**Current Status:** Corrected

**2011-4 FINDING NO. 4 – SECTION 3**

**Condition:** A review of sub recipient monitoring reports and audit reports revealed ten (10) instances in which sub recipient audit reports were not submitted within 180 days after the fiscal year end.

**Current Status:** Corrected

**CITY OF JACKSON, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)  
YEAR ENDED SEPTEMBER 30, 2012**

**2011-5 FINDING NO. 5 – SECTION 3**

**Condition:** During the sub recipient monitoring test of the Home Investment Partnership Program, we noted that the City did not ensure that sub recipient's audit reports were submitted within 180 days of their fiscal year end as required in the sub-grantee agreement.

**Current Status:** Not corrected, repeated as Finding 2012-3

**2011-6 FINDING NO. 6 – SECTION 3**

**Condition:** During the sub recipient monitoring test of the Edward Byrnes Memorial Justice Assistance Grant – ARRA, we noted that the City did not request and review the audit report of their sub-grantee.

**Current Status:** Corrected

Department of Administration



200 South President Street  
Post Office Box 17  
Jackson, Mississippi 39205-0017

Hervey Johnson, Jr.  
Mayor of the City of Jackson

**CORRECTIVE ACTION PLAN**

05/03/13

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

The City of Jackson respectfully submits the following corrective action plan for the year ended September 30, 2012.

Name and address of independent public accounting firm: Banks, Finley, White & Company  
308 Highland Park Cove, Ridgeland, MS 39157

Audit period: Year Ended September 30, 2012

The findings from the September 30, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1 of the schedule, Summary of Audit Results, does not include findings and is not addressed.

**2. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Finding No. 2012-1 PAYROLL CHANGES IN PERSONNEL FILES**

**Recommendation:** The City should strengthen internal administrative controls to ensure that the personnel department updates all changes in an employee's wages and documents these changes in the employee's personnel file so that, at any point in time, the employee's current salary can be verified.

**Action Taken:** The City has approved several cost of living pay increases that may not be reflected in an employee's file unless that employee has had some type of personnel action to occur which requires a PER-3 form, which is the necessary required documentation of that personnel action where it would reflect an employee's current salary at that time. The two (2) cost of living increases are as follows:

Effective 10/01/2008, the City approved a \$50/month cost of living pay increase for current and future employees and a \$100.00/month cost of living pay increase for current and future sworn police officers and firefighters.

Effective 01/01/2012, the City approved a \$79.18/month cost of living pay increase for current and future school crossing guards, for current and future permanent and full-time employees, and for current and future permanent part-time employees. Excluded from the approved pay adjustments were Senior aides, Americorps trainees, elected officials, interns, and other temporary part-time classifications.

Personnel will include in each employee's personnel folder a memorandum explaining the salary variance.



### 3. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM FINDINGS AND QUESTIONED COSTS

#### Finding 2012-2 – SUB RECIPIENT MONITORING

**Grant Program/CFDA#:** Home Investment Partnership Program/ 14.239

**Recommendation:** The City should strengthen internal administrative control procedures to ensure that sub recipients are being monitored within the prescribed time period.

**Action Taken:** Payments made to the sub recipient were not for any costs incurred during fiscal year 2012, but pertained to the prior fiscal year before the Home Program was suspended. During fiscal year 2012, the Home Program was reactivated and activities have resumed. As a condition of our HUD monitoring, all payments had to be pre-approved by HUD, which delayed the payments for this fiscal year. Home Program sub recipient monitoring has resumed in compliance with the City's Subgrantee Monitoring Plan. In the future, the City of Jackson will ensure that all sub recipients are monitored annually.

#### Finding 2012-3 – DAVIS-BACON ACT

**Grant Program/CFDA#:** Community Development Block Grants / 14.218

**Recommendation:** We recommend that the City strengthen internal administrative control procedures to ensure that sub-recipients submit audit reports within the prescribed time period as noted in the sub-grantee agreement.

**Action Taken:** In the future, the City will require the submittal of certified payroll from contract inception to contract closeout even during periods when no payroll is reportable for the project.

#### Finding 2012-4 – REPORTING

**Grant Program/CFDA#:** Community Development Block Grants – Neighborhood Stabilization Program / 14.218

**Recommendation:** We recommend that the City strengthen internal administrative control procedures to ensure that the Quarterly Performance Reports are completed and submitted in a timely manner.

**Action Taken:** The City of Jackson's Neighborhood Stabilization Representative notified the HUD office and received permission to submit the two late NSP reports. The HUD representative gave a verbal approval of the late submissions and the reports were approved.

#### Finding 2012-5 – REPORTING

**Grant Program/CFDA#:** Public Safety Partnership Grant / 16.710

**Recommendation:** We recommend that the City strengthen internal administrative control procedures to ensure that the required reports are completed and submitted in a timely manner.

**Action Taken:** To ensure timely compliance with all grant reports, the City of Jackson Police Department has implemented internal procedures for grant tracking and reporting.

#### Finding 2012-6 – REPORTING


**Grant Program/CFDA#:** Community Development Block Grants / 14.218, Housing Opportunities For Persons With Aids / 14.241

**Recommendation:** We recommend that the City strengthen internal administrative control procedures to ensure that they comply with the requirements of the Funding Accountability and Transparency Sub award Reporting.

**Action Taken:** It is the intent of the City to strengthen its internal administrative control procedures by establishing a system that will ensure that the City is in compliance with the Federal Funding Accountability and Transparency Act.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call me at (601) 960-2209.

Sincerely yours,

  
Lee A. Unger,  
Director of Administration



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

To the Honorable Mayor Harvey Johnson, Jr., and  
Honorable Members of the City Council  
City of Jackson, Mississippi

We have audited the financial statements of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2012, and have issued our report thereon dated May 3, 2013. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed no instances of non-compliance with state laws and regulations.

This report is intended solely for the information of the Mayor, City Council, management others within the organization, Office of the State Auditor 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.

*Banks, Finley, White & Co.*

Ridgeland, Mississippi  
May 3, 2013

**CITY OF JACKSON  
SCHEDULE OF BONDS OF CITY OFFICIALS  
SEPTEMBER 30, 2012**

1) Company: Porter's Insurance Agency  
Limits of liability: Honesty Blanket  
Position Bond Coverage

Position	Coverage per each	Term of bond
All employees except City Council (7) Mayor, City Administrative Officer, Director of Administration, Chief of Police, Deputy Chief of Police, City Clerk, Deputy Clerk (10)	\$100,000	03/28/11 - Indefinite

2) Company: Statewide General Insurance

Limits of liability: Surety Bond coverage as follows:

Position	Coverage per each	Term of bond
City Council (7)	\$100,000	02/17/11 - 07/06/13
Mayor	\$100,000	07/01/12 - 07/01/13
City Administrative Officer	\$50,000	03/29/12 - 03/29/13
Assistant Chief Administrative Officer	\$50,000	03/29/12 - 03/29/13
City Clerk	\$50,000	04/16/12 - 04/16/13
Director of Administration	\$50,000	05/01/12 - 05/01/13
Chief of Police	\$50,000	01/02/12 - 01/02/13
Assistant Police Chief	\$50,000	07/20/12 - 07/20/13
Deputy Chief of Police	\$50,000	02/24/12 - 05/11/13
Assistant City Clerk	\$50,000	05/10/12 - 05/10/13
Deputy Clerk (10)	\$50,000	02/25/12 - 09/04/13

C-105

Front Cover Photo by  
Jay D. Johnson, JPD

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Office of Publications

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## **APPENDIX D**

### **FORMS OF CO-BOND COUNSEL OPINIONS**

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Upon the delivery of the Series 2013 Bonds, Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Anthony R. Simon, PLLC, Jackson, Mississippi, Co-Bond Counsel, propose to deliver opinions in substantially the following forms:

Mississippi Development Bank  
Jackson, Mississippi

Re: \$89,990,000 Mississippi Development Bank Special Obligation Bonds, Series 2013 (City of Jackson, Mississippi Water and Sewer System Revenue Bond Project) (the “Bonds”)

Ladies and Gentlemen:

We have acted as Co-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 (the “Indenture”), dated as of June 1, 2013, by and 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 papers as we deem necessary to render this opinion, including the Bank’s tax covenants and representations made in the Indenture and tax certificates and the tax covenants and representations and certificates made by the City of Jackson, Mississippi (the “City”) in a resolution (the “Series 2013 Supplemental Bond Resolution”) adopted by the City Council of the City on May 14, 2013 (collectively, the “Tax Representations and Covenants”).

The Bonds are being issued pursuant to Sections 31-25-1 *et seq.*, Mississippi Code of 1972, as amended (the “Bank Act”), and Sections 21-27-11 through 21-27-73, Mississippi Code of 1972, as amended (the “Municipal Utilities Act” and together with the Bank Act, the “Act”).

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:

1. 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.
2. The Indenture is a valid and binding agreement of the Bank enforceable in accordance with its terms. The Indenture creates the valid pledge which it purports to create in the Funds and Accounts and the City Bonds (as such terms are defined in the Indenture), including the investments thereof (excepting therefrom the Rebate Fund), subject to the application thereof to the purposes and on the conditions permitted by the Indenture.
3. Under 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 individuals and 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 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 3, 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 City 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 City 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.

4. Under and pursuant to the Act, the Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

5. The Reserve Policy provided by Assured Guaranty Municipal Corp. in connection with the Bonds is a permitted Reserve Fund Credit Facility under the Indenture.

We express no opinion regarding the accuracy, adequacy or completeness of the Official Statement of the Issuer dated June 25, 2013, relating to the Bonds. Further we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the City Bonds and the Series 2013 Supplemental Bond 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.

Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Indenture.

Very truly yours,

BAKER, DONELSON, BEARMAN, CALDWELL &  
BERKOWITZ, PC



Mississippi Development Bank  
Jackson, Mississippi

Re: \$89,990,000 Mississippi Development Bank Special Obligation Bonds, Series 2013 (City of Jackson, Mississippi Water and Sewer System Revenue Bond Project) (the “Bonds”)

Ladies and Gentlemen:

We have acted as Co-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 (the “Indenture”), dated as of June 1, 2013, by and 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 papers as we deem necessary to render this opinion, including the Bank’s tax covenants and representations made in the Indenture and tax certificates and the tax covenants and representations and certificates made by the City of Jackson, Mississippi (the “City”) in a resolution (the “Series 2013 Supplemental Bond Resolution”) adopted by the City Council of the City on May 14, 2013 (collectively, the “Tax Representations and Covenants”).

The Bonds are being issued pursuant to Sections 31-25-1 *et seq.* Mississippi Code of 1972, as amended (the “Bank Act”), and Sections 21-27-11 through 21-27-73, Mississippi Code of 1972, as amended (the “Refinancing Act” and together with the Bank Act, the “Act”).

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 my examination, we are of the opinion, as of the date hereof, as follows:

1. 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.
2. The Indenture is a valid and binding agreement of the Bank enforceable in accordance with its terms. The Indenture creates the valid pledge which it purports to create in the Funds and Accounts and the City Bonds (as such terms are defined in the Indenture), including the investments thereof (excepting therefrom the Rebate Fund), subject to the application thereof to the purposes and on the conditions permitted by the Indenture.
3. Under 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 individuals and 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 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 3, 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 City 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 City 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.

4. Under and pursuant to the Act, the Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

5. The Reserve Policy provided by Assured Guaranty Municipal Corp. in connection with the Bonds is a permitted Reserve Fund Credit Facility under the Indenture.

I express no opinion regarding the accuracy, adequacy or completeness of the Official Statement of the Issuer dated June 25, 2013, relating to the Bonds. Further we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the City Bonds and the Series 2013 Supplemental Bond 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.

Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Indenture.

Very truly yours,

ANTHONY R. SIMON, PLLC

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE CERTIFICATE

This **CONTINUING DISCLOSURE CERTIFICATE** (this “Disclosure Certificate”), dated as of June 1, 2013, is executed and delivered by the Mississippi Development Bank (the “Bank”) and the City of Jackson, Mississippi (the “City”) in connection with the issuance of \$89,990,000 Mississippi Development Bank Special Obligation Bonds, Series 2013 (City of Jackson, Mississippi Water and Sewer Revenue Bond Project), dated as of their date of delivery (the “Series 2013 Bonds”). The Series 2013 Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”), dated as of June 1, 2013, between the Bank and Trustmark National Bank, Jackson, Mississippi (the “Trustee”). The proceeds of the Series 2013 Bonds will be used by the Bank to purchase the City’s \$89,990,000 Water and Sewer Revenue Bond, Series 2013 (the “City Bond”). The proceeds of the City Bond will be used by the City for the improvements and repair of the System. Payment of the principal of interest on the Series 2013 Bonds, when due, will be guaranteed by an insurance policy issued by Assured Guaranty Municipal Corp. (the “Insurer”). In consideration of the purchase of the Series 2013 Bonds by the Participating Underwriter (herein defined) the Bank and the City covenants and agrees as follows:

### RECITALS:

A. Contemporaneously with the execution and delivery of this Disclosure Certificate, the Bank will issue the Series 2013 Bonds pursuant to the Indenture.

B. The Bank and the City have authorized the preparation and distribution of the Preliminary Official Statement dated May 31, 2013 with respect to the Series 2013 Bonds (the “Preliminary Official Statement”) and has deemed the Preliminary Official Statement final within the meaning of the Rule.

C. Upon the initial sale of the Series 2013 Bonds to the Participating Underwriter, the Bank and the City have authorized the preparation and distribution of the Official Statement dated June 25, 2013 with respect to the Series 2013 Bonds (the “Official Statement”).

D. As a condition precedent to the initial purchase of the Series 2013 Bonds by the Participating Underwriter in accordance with the Bond Purchase Agreement dated June 25, 2013 (the “Bond Purchase Agreement”) among the Bank, the City and the Participating Underwriter, and in compliance with the Participating Underwriter’s obligations under the Rule, the Bank and the City have agreed to provide for the public disclosure of certain operating data and financial information on an ongoing basis for so long as the Series 2013 Bonds remain outstanding as set forth herein and in the continuing disclosure undertakings of the Bank and the City.

**Section 1. Incorporation of Recitals.** The above recitals are true and correct and are incorporated into and made a part hereof.

**Section 2. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Bank and the City for the benefit of the beneficial owners of the Series 2013 Bonds and in order to assist the Participating Underwriter in complying with the Rule.

**Section 3. Definitions.** In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms used in this Disclosure Certificate have the following meanings:

“**Annual Filing**” shall mean the information with respect to the City described in Section 5 of this Disclosure Certificate.

“**Dissemination Agent**” shall mean the Bank, the City or any Dissemination Agent designated by the Bank or City pursuant to Section 8 hereof.

“**Fiscal Year**” shall mean with respect to the City, a period beginning on October 1 in any year and ending on September 30 of the following year or such other twelve-month period as may be adopted by the City in accordance with law.

**“Listed Event”** shall mean any of the events listed in Section 6(a) hereof.

**“MSRB”** shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended. Disclosure is currently accepted and posted through the MSRB’s Electronic Municipal Market Access portal at <http://emma.msrb.org>.

**“Obligated Person”** shall mean the Bank, the City and any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Series 2013 Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

**“Participating Underwriter”** shall collectively mean the original purchasers of the Series 2013 Bonds required to comply with the Rule in connection with the offering of the Series 2013 Bonds.

**“Rule”** shall mean Rule 15c2-12(b)(5) promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as such rule may be amended from time to time and any successor provisions thereto.

**“SEC”** shall mean the Securities and Exchange Commission.

**“State”** shall mean the State of Mississippi.

**Section 4. Provision of Annual Filing.** Commencing with the Fiscal Year ending September 30, 2013 and each Fiscal Year thereafter, the City shall, or shall cause the Dissemination Agent to, not later than 230 days following the end of each Fiscal Year, provide the MSRB, in an electronic format as prescribed by the MSRB, with the Annual Filing. The Annual Filing may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 5 hereof. If the Fiscal Year changes, the City shall give written notice of such change in the same manner as for a Listed Event in Section 6(c) hereof. If the audited financial statements of the System specified in the manner described hereof are not available by the time the Annual Filing must be provided, unaudited financial statements of the System shall be provided by the City as part of the Annual Filing as provided in Section 5(b) hereof.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an Obligated Person, which have been filed with the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

**Section 5. Content of Annual Filing.** The Annual Filing shall consist of the following:

(a) Operating data and financial information with respect to the City, including, to the extent not included in the audited financial statements of the System, updates of the following information contained in the Official Statement:

- i. a brief narrative description of the results of operations and financial condition of the City for such Fiscal Year; and
- ii. updated financing and operating information relating to the City set forth in the tables and text in the following sections of the Official Statement: “APPENDIX A — INFORMATION CONCERNING THE CITY,” “APPENDIX B — INFORMATION CONCERNING THE SYSTEM,” and “APPENDIX C — COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012”

(b) a description of any material litigation which would have been disclosed in the Official Statement if such litigation were pending at the time the Official Statement was prepared.

If available at the time of such filing, the annual audited financial statements of the System for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles, as in effect from time to time, and which shall be accompanied by an audit report, if available at the time of submission of the annual financial information to the MSRB, pursuant to Section 4 hereof, resulting from an audit conducted by an independent certified public accountant or firm of independent certified public accountants in conformity with generally accepted auditing standards; further provided that, if generally accepted accounting principles have changed since the last Annual Filing was submitted pursuant to Section 4 hereof and if such changes are material to the System, a narrative explanation describing the impact of such changes on the System.

Notwithstanding the foregoing, if the annual audited financial statements of the System are not available by the time the Annual Filing is required to be filed pursuant to Section 4 hereof, the Annual Filing shall contain unaudited financial statements of the System in a format similar to the financial statements contained in the final Official Statement, and the annual audited financial statements of the System shall be filed in the same manner as the Annual Filing when they become available.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the City is an Obligated Person, which have been previously filed with each of the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such document so incorporated by reference.

If the City has not filed the Annual Filing when due, then the City or the Dissemination Agent, on behalf of the City, shall file a notice with the MSRB as required by the Rule.

#### **Section 6. Reporting of Significant Events.**

(a) To the extent applicable, the Bank and the City shall give, or cause to be given, on behalf of the Bank and the City and in all events within ten (10) business days of the occurrence of any of the following Listed Events, notice of the occurrence of said Listed Events with respect to the Series 2013 Bonds, to the MSRB in an electronic format as prescribed by the MSRB.

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013 Bonds, or other material events affecting the tax-exempt status of the Series 2013 Bonds;
- (vii) Modifications to rights of holders of Series 2013 Bonds, if material;
- (viii) Bond calls (excluding calls for mandatory sinking fund redemptions) on the Series 2013 Bonds, if material, and tender offers;
- (ix) Defeasances of the Series 2013 Bonds;
- (x) Release, substitution or sale of property securing repayment of the Series 2013 Bonds, if material;

- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Bank or City;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Bank or City, or the sale of all or substantially all of the assets of the Bank or City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Bank or City obtains actual knowledge of the occurrence of a Listed Event, the Bank or City shall determine promptly if such event would be material to beneficial owners of the Series 2013 Bonds or any series thereof, under applicable federal securities laws.

**Section 7. Termination of Reporting Obligation.** The obligations under this Disclosure Certificate will be in effect from and after the issuance and delivery of the Series 2013 Bonds and shall terminate on the earlier of (a) the date all principal, premium, if any, and interest on the Series 2013 Bonds have been paid or deemed paid pursuant to the terms of the Bond Resolution, or (b) the date on which those portions of the Rule which required this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively, or (c) receipt by the Bank and City of an opinion of counsel expert in federal securities laws retained by the Bank and City to the effect that continuing disclosure is no longer required under the Rule or otherwise do not apply to the Series 2013 Bonds.

**Section 8. Dissemination Agent.** The Bank or City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Bank or City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if:

- (a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligor on the Series 2013 Bonds, or type of business conducted by such obligor;
- (b) such amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2013 Bonds, as determined either by an unqualified opinion of nationally recognized bond counsel filed with the Bank or City or by the approving vote of the beneficial owners of the Series 2013 Bonds owning more than two-thirds in aggregate principal amount of the Series 2013 Bonds outstanding at the time of such amendment or waiver; and
- (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

If any provision of Section 5 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.



If the provisions of Section 5 hereof specifying the accounting principles to be followed in preparing the City's financial statements are amended or waived, the Annual Filing for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to the beneficial owners of the Series 2013 Bonds to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. The City shall file a notice of the change in the accounting principles with the MSRB on or before the effective date of any such amendment or waiver.

**Section 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Bank or City from disseminating any other information, using the means of dissemination set forth herein or any other means of communication, or including any other information in any Annual Filing or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Bank or City chooses to include any information in any Annual Filing or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Bank or City shall have no obligation hereunder to update such information or include it in any future Annual Filing or notice of occurrence of a Listed Event.

**Section 11. Default.** In the event of a failure of the Bank or City to comply with any provision of this Disclosure Certificate, the sole remedy available to any holder, owner or beneficial owner of Series 2013 Bonds shall be to seek specific performance by court order to cause the Bank or City to comply with its obligations under this Disclosure Certificate, it being the Bank and City's position that money damages would be inadequate recompense and/or difficult to ascertain. A default under this Disclosure Certificate shall not be deemed an event of default under the Bond Resolution and any rights and remedies provided in the Bond Resolution in the event of default thereunder are not applicable to a breach of the undertakings herein. The cost to the Bank or City of performing its obligations under the provisions of this Disclosure Certificate shall be paid solely from funds lawfully available for such purpose.

**Section 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Bank, the City, the Dissemination Agent, if any, the Participating Underwriter, all holders, owners and beneficial owners from time to time of the Series 2013 Bonds for the benefit of such Participating Underwriter, holders, owners and beneficial owners, and shall create no rights in any other person or entity.

**Section 13. Obligated Persons.** Any change in Obligated Persons shall be reported by the City in connection with the Annual Filing. If any person, other than the City, becomes an Obligated Person relating to the Series 2013 Bonds, the City shall use its reasonable best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person; provided, however, the City takes no responsibility for the accuracy or completeness of any financial information or operating data or other filings by any future Obligated Person.

**Section 14. Governing Law.** This Disclosure Certificate shall be governed by and construed in accordance with the internal laws of the State of Mississippi (without regard to conflict of law principles thereof), provided that, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

**Section 15. Identifying Information.** All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 16. Severability.** In case any part of this Disclosure Certificate is held to be illegal or invalid, such illegality or invalidity shall not affect the remainder or any other section of this Disclosure Certificate. This Disclosure Certificate shall be construed or enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application of this Disclosure Certificate affect any legal and valid application.

[SIGNATURE PAGE TO FOLLOW]

**SIGNATURE PAGE FOR**

**CONTINUING DISCLOSURE CERTIFICATE**

**IN WITNESS WHEREOF**, the Bank and the City have caused this Disclosure Certificate to be executed on its behalf by its authorized representative on the date first above written.

(SEAL)

**MISSISSIPPI DEVELOPMENT BANK**

By: \_\_\_\_\_  
Executive Director

ATTEST:

By: \_\_\_\_\_  
Secretary

**CITY OF JACKSON, MISSISSIPPI**

By: \_\_\_\_\_  
Mayor

(SEAL)

ATTEST:

By: \_\_\_\_\_  
City Clerk

**APPENDIX F**

**SPECIMEN BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), 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 AGM, 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 AGM shall have received Notice of Nonpayment, AGM 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 AGM, 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM 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, AGM 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 AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM 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 AGM 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 AGM 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.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM 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 AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM 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 AGM, 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, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

## **APPENDIX G**

### **CERTAIN DEFINITIONS**

The following words and phrases shall have the following meanings unless the context otherwise requires:

#### **Accounts**

“Accounts” means the accounts created pursuant to Article VI of the Indenture.

#### **Act**

“Act” means the Bank Act and the Utilities Act

#### **Additional Bonds**

“Additional Bonds” means any bonds issued under the General Bond Resolution and secured by a parity lien on the Net Revenues of the System.

#### **Arbitrage Rebate Agreement**

“Arbitrage Rebate Agreement” means the Arbitrage Rebate Agreement among the Bank, the City and the Trustee, dated as of June 1, 2013, in connection with the Series 2013 Bonds.

#### **Bank**

“Bank” means the Mississippi Development Bank, a body corporate and politic exercising essential public functions, or any successor to its functions.

#### **Bank Act**

“Bank Act” means the provisions of Sections 31-25-1 *et seq.*, Mississippi Code of 1972, as amended or supplemented from time to time.

#### **Bankruptcy Code**

“Bankruptcy Code” means 11 U.S.C. Section 100 *et seq.*, as amended or supplemented from time to time.

#### **Beneficial Owner**

“Beneficial Owner” means, 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, or such person’s subrogee.

#### **Bond Counsel or Co-Bond Counsel**

“Bond Counsel” or “Co-Bond Counsel” means an attorney or firm of attorneys approved by the City and the Bank 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. Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Anthony R. Simon, PLLC, Jackson, Mississippi, are serving as Co-Bond Counsel in connection with the sale and issuance of the Series 2013 Bonds.

#### **Bond Insurer**

“Bond Insurer” means Assured Guaranty Municipal Corp and its successors.

**Bonds**

“Bonds” means the Series 2013 Bonds and any other bonds issued pursuant to the Indenture.

**Business Day**

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) any other day on which banking institutions in New York, New York or Jackson, Mississippi, are authorized or required not to be open for the transaction of regular banking business, (d) any day the City Hall in Jackson, Mississippi is closed, or (e) a day on which the New York Stock Exchange is closed.

**City**

“City” means the City of Jackson, Mississippi, a Local Governmental Unit under the Bank Act.

**City Bond Payment**

“City Bond Payment” means the amounts paid or required to be paid, from time to time, for principal, premium, if any, and interest on the City Bond.

**City Bond Purchase Agreement**

“City Bond Purchase Agreement” means that certain City Bond Purchase Agreement, dated June 25, 2013, by and between the City and the Bank in connection with the issuance and sale of the City Bond.

**Closing Date**

“Closing Date” means, in connection with the Series 2013 Bonds, the date on which the Series 2013 Bonds are delivered by the Bank to, and paid for by, the Underwriter.

**Code**

“Code” or “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and all applicable Treasury Regulations promulgated thereunder.

**Costs of Issuance**

“Costs of Issuance” means items of expense payable or reimbursable, directly or indirectly, by the Bank and related to the authorization, sale, validation, issuance and/or delivery of the Series 2013 Bonds and the City Bond, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, financial advisory 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 the Series 2013 Bonds, credit enhancements or liquidity facility fees, fees and expenses of the Underwriter, and other costs, charges and fees in connection with the foregoing.

**Council**

“Council” means the City Council of the City, being the governing body of the City.

**Debt Service Reserve Fund**

“Debt Service Reserve Fund” means the fund by that name created by Section 6.02 of the Indenture initially funded by a Surety Bond issued by the Bond Insurer.



## **Debt Service Reserve Requirement**

“Debt Service Reserve Requirement” means the lesser of the following: (a) the maximum amount of principal and interest becoming due in the current or any future bond year (meaning, in connection with the Series 2013 Bonds, each one year period beginning on June 2 of each year and ending on June 1 of the following year on all Bonds then Outstanding; (b) 125% of average annual debt service on the Bonds; or (c) 10% of the stated principal amount of the Series 2013 Bonds, which Debt Service Reserve Requirement for the Series 2013 Bonds shall be \$7,425,093.75.

## **DTC**

“DTC” means The Depository Trust Company, New York, New York.

## **DTC Participants**

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

## **Funds**

“Funds” means the funds created pursuant to Article VI of the Indenture.

## **General Bond Resolution**

“General Bond Resolution” means that certain resolution adopted by the City Council on March 11, 1993, as the same may be amended and supplemented from time to time, including, but not limited to, that amendment and supplement to the General Bond Resolution adopted by the City Council on March 16, 2004, that amendment and supplement to the General Bond Resolution adopted by the City Council on July 18, 2012, that amendment and supplement to the General Bond Resolution adopted by the City Council on August 7, 2012 and that amendment and supplement to the General Bond Resolution adopted by the City Council on May 14, 2013.

## **Indenture**

“Indenture” means the Indenture of Trust, dated as of June 1, 2013 in connection with the Series 2013 Bonds, and all supplements and amendments hereto entered into pursuant to Article XII of the Indenture.

## **Interest Payment Date**

“Interest Payment Date” means any date on which interest is payable on the Bonds, and for the Series 2013 Bonds, means each June 1 and December 1, commencing December 1, 2013.

## **Investment Securities**

“Investment Securities” means any of the following to the extent such investments are permitted by State law: (a) obligations of the State, any municipality of the State or the United States of America rated at least “A” by S&P or Moody’s; (b) obligations the principal and interest of which are fully guaranteed by the State or the United States of America; (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 are 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 Bank 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; or (i) money market funds, rated “AAm” or “AAm-G” or better by S&P, the assets of which are required to be invested in obligations specified in items (a) through (f) above.

**Local Governmental Unit**

“Local Governmental Unit” means (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, such as the City. The City is a Local Governmental Unit under the Bank Act.

**Moody’s**

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall for any reason no longer perform 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 City (with the approval of the Bank), with written notice to the Trustee.

**Policy**

“Policy” means the insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on the Series 2013 Bonds as provided therein.

**Program**

“Program” means the program for purchasing Securities of Local Governmental Units by the Bank pursuant to the Bank Act.

**Record Date**

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the calendar month next preceding such Interest Payment Date.

**SEC**

“SEC” means the Securities Exchange Commission.

**S&P**

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, 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 City (with the approval of the Bank), with written notice to the Trustee.

**Securities**

“Securities” means bonds, notes or other evidences of indebtedness issued by a Local Governmental Unit pursuant to the Bank Act including the Series 2013 City Bond.

**Series 2005 Bonds**

“2005 Bonds” means the City’s \$27,180,000 (original principal amount) Water and Sewer System Revenue Refunding Bonds, Series 2005, dated August 4, 2005.

**Series 2011 Bonds**

“Series 2011 Bonds” means the Bank’s \$46,720,000 (original principal amount) Water and Sewer System Revenue Refunding Bonds, Series 2011A, and the Bank’s \$2,565,000 (original principal amount) Taxable Water and Sewer System Revenue Refunding Bonds, Series 2011B, dated August 18, 2011.

**Series 2011 City Bonds**

“Series 2011 City Bonds” means the City’s \$46,720,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2011A and the City’s \$2,565,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2011B, dated August 18, 2011.

**Series 2012 Bonds**

Series 2012 Bonds” means the Bank’s \$63,045,000 (original principal amount) Water and Sewer System Revenue Refunding Bonds, Series 2012A, and the Bank’s \$19,180,000 (original principal amount) Taxable Water and Sewer System Revenue Refunding Bonds, Series 2012B, dated August 29, 2012.

**Series 2012 City Bonds**

“Series 2012 City Bonds” means the City’s \$63,045,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2012A and the City’s \$19,180,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2012B, dated August 29, 2012.

**Series 2013 Supplemental Bond Resolution**

“Series 2013 Supplemental Bond Resolution” means that certain resolution adopted by the City Council on May 14, 2013, pursuant to the General Bond Resolution directing the issuance of the City Bonds.

**State**

“State” means the State of Mississippi.

**Surety Bond**

“Surety Bond” means the Surety Bond, if any, guaranteeing certain payments into the Debt Service Reserve Fund with respect to the Series 2013 Bonds as provided therein and subject to the limitations set forth therein. The initial Surety Bond will be provided by the Bond Insurer. The Surety Bond shall be considered a Reserve Fund Credit Facility.

**Tax Intercept Agreement**

“Tax Intercept Agreement” shall mean the Tax Intercept Agreement, dated as of June 1, 2013, by and between the City and the Bank, and accepted by the Trustee, as further described in Section 5.10 of the Indenture.

**Trust Estate**

“Trust Estate” means the property, rights and amounts pledged and assigned to the Trustee as security for the Bonds pursuant to the granting clause of the indenture.

**Trustee**

“Trustee” means the state banking corporation or national banking association with corporate trust powers qualified to act as Trustee under the Indenture which may be designated (originally or as a successor) as Trustee for the owners of the Bonds issued and secured under the terms of the Indenture, and which shall initially be Trustmark National Bank, Jackson, Mississippi.

**Underwriter**

“Underwriter” means collectively, Rice Financial Products Company, New York, New York, and Morgan Stanley & Co. LLC, New York, New York.

**Utilities Act**

“Utilities Act” means Sections 21-27-11 through 21-27-73, Mississippi Code of 1972, as amended.

## **APPENDIX H**

### **INFORMATION CONCERNING SERIES 2013 CITY BOND, THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION AND THE GENERAL BOND RESOLUTION**

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**THE SERIES 2013 CITY BOND,  
THE SERIES 2013 SUPPLEMENTAL BOND RESOLUTION AND  
THE GENERAL BOND RESOLUTION**

**General Authorization and Purposes for Issuance**

In order to provide moneys for the Project, there has been authorized in accordance with the Act a bond of the City to be known and designated as the City of Jackson, Mississippi Water and Sewer System Revenue Bond, Series 2013, in the aggregate principal amount of \$89,990,000 "Series 2013 City Bond"), which Series 2013 City Bond is being issued pursuant to a resolution of the City Council of the City (the "Council") adopted on March 11, 1993 (the "General Bond Resolution"), as amended and supplemented by a resolution adopted by the Council on March 16, 2004, as amended and supplemented by a resolution adopted by the Council on July 18, 2011, as amended and supplemented by a resolution of the Council adopted on August 7, 2012, as amended and supplemented by a resolution of the Council adopted on May 14, 2013, (the "Series 2013 Supplemental Bond Resolution").

**Security**

The Series 2013 City Bond will be payable solely from the gross revenues derived from the operation of the combined water and sewer system of the City (the "System"), subject to the prior payment of the reasonable and necessary expenses of operating and maintaining the System, including certain amounts treated under the General Bond Resolution as expenses of operating and maintaining the System (the "Net Revenues"). This Series 2013 City Bond is secured by a lien on Net Revenues of the System. The Series 2013 City Bond is not a general obligation of the Bank, the City, the State or any political subdivision thereof, and neither the taxing power of the State nor the City is being pledged for the payment of the Series 2013 City Bond or interest thereon.

To further secure the payment of the Series 2013 Bonds, the City will enter into the Tax Intercept Agreement, which provides for the withholding of all or any part of any monies which the City is entitled to receive from time to time pursuant to any law and which is in possession of the Mississippi Department of Revenue or any other State agency, department or commission.

The Series 2013 City Bond pledged under the Indenture and the Series 2013 Supplemental Bond Resolution and all of the rights, interests, powers, privileges and benefits accruing to or vested in the Bank under the Series 2013 City Bond pledged under the Indenture and the Series 2013 Supplemental 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 Series 2013 Bonds and may be exercised, protected and enforced for or on behalf of the Bondholders in conformity with the provisions of the Series 2013 Supplemental Bond Resolution and the Indenture.

**Parity Indebtedness and Subordinate Debt**

**THE GENERAL BOND RESOLUTION PROVIDES THAT UNDER CERTAIN CIRCUMSTANCES ADDITIONAL BONDS MAY BE ISSUED BY THE CITY ON PARITY WITH THE SERIES 2013 CITY BOND AND THE EXISTING CITY BONDS (DESCRIBED BELOW) AND SECURED BY A PARITY LIEN ON NET REVENUES OF THE SYSTEM AND PAYABLE RATABLY FROM SUCH NET REVENUES ALONG WITH THE SERIES 2013 CITY BOND AND THE EXISTING CITY BONDS. THE GENERAL BOND RESOLUTION ALSO AUTHORIZES THE ISSUANCE OF BONDS SECURED BY A PLEDGE OF NET REVENUES WHICH PLEDGE IS SUBORDINATE TO THE SERIES 2013 CITY BOND, THE EXISTING CITY BONDS AND ANY ADDITIONAL BONDS ISSUED PURSUANT TO THE GENERAL BOND RESOLUTION.**

The Series 2013 City Bond is being issued on parity with the City's \$27,180,000 (original principal amount) Water and Sewer System Revenue Refunding Bonds, Series 2005, dated August 4, 2005 (the "Series 2005 City Bonds"), the City's \$46,720,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2011A, dated August 18, 2011 (the "2011A City Bond") which secures the \$46,720,000 (original principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2011A (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project) dated August 18, 2011 (the "Series 2011A

Bonds”), and the City’s \$2,565,000 Taxable Water and Sewer System Revenue Refunding Bonds (the “2011B City Bond” and together with the 2011A City Bond the “Series 2011 City Bonds”) which secures the \$2,565,000 (original principal amount) Mississippi Development Bank Taxable Special Obligation Bonds, Series 2011B (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), dated August 18, 2011 (the “Series 2011B Bonds” and together with the Series 2011A Bonds, the “Series 2011 Bonds”), the City’s \$63,045,000 (original principal amount) Water and Sewer System Revenue Refunding Bond, Series 2012A, dated August 29, 2012 (the “2012A City Bond”) which secures the \$63,045,000 (original principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2012A (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project) dated August 29, 2012 (the “Series 2012A Bonds”), and the City’s \$19,180,000 Taxable Water and Sewer System Revenue Refunding Bonds (the “2012B City Bond” and together with the 2012A City Bond the “Series 2012 City Bonds”) which secures the \$19,180,000 (original principal amount) Mississippi Development Bank Taxable Special Obligation Bonds, Series 2012B (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), dated August 29, 2012 (the “Series 2012B Bonds” and together with the Series 2012A Bonds, the “Series 2012 Bonds”). The Series 2005 Bonds, the Series 2011 City Bonds and the Series 2012 City Bonds are referred to herein as the “Existing City Bonds.

### **Additional Bonds**

As provided in the General Bond Resolution, additional Series of Bonds can be issued on a parity with the Series 2013 City Bond and the Existing City Bonds upon satisfaction of the following conditions and the provision of the following:

- (a) A copy of the General Bond Resolution and the applicable Series Resolution;
- (b) The written order of the City as to the delivery of such additional Series of Bonds describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;
- (c) The amount (which amount may include a bond insurance policy, surety bond or letter of credit), if any, required for deposit in the Debt Service Reserve Account so that the balance on deposit in such account shall at least equal the Reserve Account Requirement, calculated immediately after the delivery of such Series of Bonds;
- (d) A certificate of the City and an Independent Consulting Engineer to the effect that:
  - (1) The City is current in all deposits into the various funds under the General Bond Resolution and all payments theretofore required to have been deposited or made by it under the provisions of the General Bond Resolution or any existing Series Resolution or Resolutions;
  - (2) the amount of the Adjusted Net Revenues (as adjusted by the following paragraphs A, B and C), computed on the basis of the Net Revenues during any twelve (12) consecutive months of the eighteen (18) months immediately preceding the delivery of such Series of Bonds, will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement after issuance of such Series of Bonds. Adjusted Net Revenues shall be calculated in accordance with the following considerations:
    - (A) If such Series of Bonds is being issued for the purpose of acquiring operating utility properties having an earnings record, the Independent Consulting Engineer shall estimate the effect on the Net Revenues of the acquisition of such utility properties and the integration thereof into the System, and the Net Revenues for such consecutive twelve-month period shall be adjusted to give effect to such estimate. Any such estimate shall be based upon the operating experience and records of the City during any period in which the System has been operated by the City (if applicable) and upon any available financial statements and records relating to the earnings of such utility properties to be acquired.
    - (B) If any changes have been made and are in effect at the time of the adoption of the Series Resolution authorizing the issuance of such Series of Bonds in the schedule of rates and charges imposed by the City for services furnished by the System which were in effect during any part of the consecutive twelve-month period referred to in this subsection (d)(2), Net Revenues for such consecutive twelve-month period shall be adjusted to



reflect any change in such Net Revenues which would have occurred if the schedule of rates and charges in effect at the time of the adoption of the Series Resolution authorizing the issuance of such Series of Bonds had been in effect during that portion of such consecutive twelve-month period in which such schedule was not in effect.

(C) If such Series of Bonds is being issued for the purpose of the constructing or otherwise acquiring improvements or additions to the System and, in the opinion of such Independent Consulting Engineer, such improvements or additions will result in increases in Net Revenues of the System, in computing Adjusted Net Revenues, Net Revenues shall be increased by the amount of such expected increase, as estimated by such Independent Consulting Engineer.

(e) A Certificate of the City stating that no “event of default” under the General Resolution, and no event which with notice or lapse of time or both would become an “event of default” thereunder, has occurred and is continuing;

(f) An opinion of Nationally Recognized Bond Counsel to the effect that: the General Bond Resolution and the Series Resolution authorizing the additional Series of Bonds have been duly adopted by the City; that the General Bond Resolution and such Series Resolution are valid, binding and enforceable (subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ right and the exercise of judicial discretion in accordance with general principles of equity) obligations of the City; that the General Bond Resolution and such Series Resolution create a valid and binding pledge of and lien on the Net Revenues, enforceable (in accordance with the terms of the General Bond Resolution and such Series Resolution, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ right and the exercise of judicial discretion in accordance with general principles of equity) for the security of the Bonds, on a parity with other Bonds (if any) to be issued under the General Bond Resolution and that the Bonds of such Series have been duly and validly authorized and delivered and are valid, legal and binding special obligations of the City, payable from the sources provided therefor in the General Bond Resolution and such Series Resolution; and

(g) Such further documents and moneys as may be required by the provisions of the Series Resolution.

Nothing shall prevent the City from issuing Subordinate Indebtedness on such terms as provided for in the Series Resolution for such Subordinate Indebtedness.

The following shall have the following meanings for purposes of this section.

“Annual Debt Service Requirement” shall mean for any Fiscal Year the sum of all amounts required to pay: principal due and payable during such Fiscal Year (at maturity or upon mandatory redemption other than redemption pursuant to mandatory sinking fund payments); any amounts required to be deposited into a sinking fund during such Fiscal Year; the amount of any mandatory sinking fund redemptions in such Fiscal Year (but only to the extent such payment required to be made during such Fiscal Year is not required to be funded prior to such year); and interest due and payable during such Fiscal Year on all Bonds outstanding under the General Bond Resolution.

“Consulting Engineer” shall mean any engineer or engineering firm employed as a consulting engineer for the System by the City and may include a certified engineer who is an employee of the City.

“Fiscal Year” shall mean the period commencing the first day of October of any year and ending on the last day of September of the following year.

“Independent” shall mean a Person who is not connected with the City as an official, officer, employee, trustee or person performing a similar function.

“Maximum Annual Debt Service Requirement” shall mean, at any given time of determination with respect to the Bonds outstanding under the General Bond Resolution, an amount equal to the maximum Annual Debt Service Requirement for the then current or any future Fiscal year.

“Nationally Recognized Bond Counsel” shall mean an attorney or firm of attorneys with a national reputation for rendering opinions in connection with the issuance of municipal obligations and the tax-exempt status under federal law of interest on such obligations.

“Series of Bonds” or “Bonds of a Series” shall mean any series of Bonds authorized by a Series Resolution.

“Series Resolution” shall mean an order or resolution adopted by the City pursuant to the General Bond Resolution, any Series Resolution or any Supplemental Resolution.

“Supplemental Resolution” shall mean any Series Resolution or any order or resolution adopted by the City in accordance with the General Bond Resolution hereof amending or supplementing the General Bond Resolution, any Series Resolution or any Supplemental Resolution.

## **Procedure**

Concurrently with the issuance of the Series 2013 City Bond, the Bank will issue the Series 2013 Bonds, and the proceeds of the Series 2013 Bonds will be used to purchase the Series 2013 City Bond in accordance with the Act and in accordance with the terms and conditions of the Indenture and the City Bond Purchase Agreement. The proceeds of the Series 2013 City Bond is to be applied in accordance with Sections 2.02, 6.07, 6.08, 6.09 and 7.02 of the Indenture by the Trustee, including the use of a portion of the proceeds of the Series 2013 City Bond to provide the funds necessary to purchase the Series 2013 Bonds.

## **Payment of Principal, Premium, if any, and Interest**

The City will duly and punctually pay the principal of, premium, if any, and interest on the Series 2013 City Bond pledged under the Indenture at the dates and the places and in the manner set forth in the Series 2013 Supplemental Bond Resolution and in the Indenture. Notwithstanding any schedule of payments upon the Series 2013 City Bond pledged under the Indenture, the City 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 Outstanding Series 2013 Bonds under the Indenture at least five Business Days prior to when such amounts are due, whether upon a scheduled Interest Payment Date for the Series 2013 Bonds, at maturity, upon early redemption or by mandatory redemption or acceleration of the Series 2013 Bonds.

## **Redemption of the Series 2013 City Bond**

The City shall only be permitted to redeem the Series 2013 City Bond pursuant to the Series 2013 Supplemental Bond Resolution to the extent and in the manner required to redeem the Series 2013 Bonds pursuant to the provisions of the Indenture.

## **Flow of Funds**

### ***Funds and Accounts***

Pursuant to the General Bond Resolution, the City has established the following funds and accounts:

- (i) a Water and Sewer System Revenue Fund for the deposit of all revenues of the System;
- (ii) a Water and Sewer System Operation and Maintenance Fund to be used for the operation and maintenance of the System;
- (iii) a Water and Sewer System Bond Fund (the “Bond Fund”), including therein a Water and Sewer System Debt Service Account (the “Debt Service Account”) and a Water and Sewer System Debt Service Reserve Account (the “Debt Service Reserve Account”), to be used for the payment of the principal of and interest on bonds issued pursuant to the General Bond Resolution;

- (iv) a Water and Sewer System Contingent Fund to be used for defraying the cost of the operation and maintenance of the System; and
- (v) a Water and Sewer System Subordinate Bond Fund to be used for the purpose of paying debt service on any Subordinate Indebtedness (as defined in the General Bond Resolution);
- (vi) a Water and Sewer System Rate Stabilization Fund to be used in accordance with the terms and provisions of the General Bond Resolution; and
- (vii) a Water and Sewer System Surplus Fund to be used in accordance with the terms and provisions of the General Bond Resolution.

As provided in the General Bond Resolution, any bonds issued pursuant to the terms and provisions of the General Bond Resolution, including the Series 2013 City Bond, is entitled to the benefit of the funds and accounts set out above.

As long as any principal of, premium, if any, and interest on the Series 2013 City Bond or the Series 2013 Bonds remain outstanding and/or other obligations of the City remain outstanding under the Series 2013 Supplemental Bond Resolution, under the General Bond Resolution or under the Indenture, the Director of Administration of the City is authorized and directed under the Series 2013 Supplemental Bond Resolution to withdraw from the Debt Service Account of the Bond Fund sufficient monies to make the payments necessary (the "City Bond Payments") to pay (i) the principal of, premium, if any, and interest coming due on the Series 2013 Bonds, and (ii) any additional payments necessary and required as obligations of the City under the Series 2013 Supplemental Bond Resolution or under the Indenture, including, but not limited to Program Expenses and to transfer same to the account of the Trustee in time to reach the Trustee at least five days prior to the date on which said interest, principal or premium, if any, on the Series 2013 Bonds shall become due, or in such time as may be required for any other payments regarding the Series 2013 Bonds as they become due. The Trustee shall deposit all City Bond Payments received in the General Account of the General Fund of the Indenture (as such terms are defined in the Indenture), or such other fund or account as the Trustee is so directed in the Indenture.

Pursuant to the General Bond Resolution, the City is not required to fund the Debt Service Reserve Account for bonds issued by the City to secure bonds issued on behalf of the City by the Bank as long as the bonds issued by the Bank have a separate debt service reserve fund or account satisfying the policies of the Bank. Under the Indenture, the Series 2013 Bonds are secured by a fully funded debt service reserve account.

On the first day of each month prior to each Interest Payment Date, the City shall provide to the Trustee a Certificate executed by an Authorized Officer, if and only if, the City has determined that there are insufficient Net Revenues to make the payments due under the Series 2013 Supplemental Bond Resolution; however, such certificate is not required if it is determined that there are sufficient Net Revenues to make the payments due under the Series 2013 Supplemental Bond Resolution.

A portion of the proceeds received from the sale of the Series 2013 City Bond shall be deposited in the 2013 Construction Fund created pursuant to the Series 2013 Supplemental Bond Resolution and used to pay the costs of the Project. The balance of the proceeds derived from the sale of the Series 2013 City Bond following the deposits to be made as outlined above shall be retained by the Bank and deposited with the Trustee under the Indenture to be used for the payment of the costs of issuance and sale of the Series 2013 City Bond and a portion of the costs of issuance and sale of the Series 2013 Bonds, all as provided in the Indenture.

#### **Covenants in the Series 2013 Supplemental Bond Resolution**

The City covenants and agrees in the Series 2013 Supplemental Bond Resolution that it will perform all duties required by law, by the General Bond Resolution and by the Series 2013 Supplemental Bond Resolution; that it will apply the proceeds of the Series 2013 City Bond to the purposes set forth therein; that, as long as the Series 2013 City Bond is outstanding, it will operate and maintain the System; that it will fix and maintain rates and make and collect charges for the services of the System, without regard to the user thereof, sufficient to provide for the

operation and maintenance of the System in good repair and working order, to provide for the payment of the principal of and interest on the Series 2013 City Bond as the same shall mature and accrue, all as set forth in the General Bond Resolution; and that such an amount of the Net Revenues of the System as will maintain the payment of the principal and interest on the Series 2013 City Bond, as the same shall mature and accrue, is pledged to said purpose under the Series 2013 Supplemental Bond Resolution; provided that such pledge is on a parity with the Existing City Bonds and any Additional Bonds issued pursuant to the General Bond Resolution.

### **Prepayment of the Series 2013 City Bond**

The Series 2013 City Bond is subject to redemption prior to maturity only at the times, to the extent, in the manner and as otherwise provided in the Indenture. In the event the City elects to redeem the Series 2013 City Bond or any portion thereof, the City shall provide proper notices to the Bank and the Trustee as provided in the Indenture, and redemption of the Series 2013 City Bond shall be as provided in the Series 2013 Supplemental Bond Resolution and Article IV of the Indenture. It is intended that redemption of the Series 2013 City Bond may only occur through the processes provided in the Indenture.

### **System Operation and Maintenance**

The General Bond Resolution requires the City to maintain the System and all parts thereof in good condition, and to continuously operate the same in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof.

### **Sale or Encumbrance of the System**

The General Bond Resolution grants the City the right to sell, lease or otherwise convey the System as a whole or any property comprising a part of the System if the City first receives (a) an opinion of nationally recognized Bond Counsel to the effect that such sale, lease or other conveyance will not adversely affect the tax-exempt status of interest on bonds issued pursuant to the authority of the General Bond Resolution (which then pay interest which is excluded from gross income for federal income tax purposes,) (b) written confirmation from all rating agencies which then have a rating on the bonds issued pursuant to the authority of the General Bond Resolution that such sale, lease or other conveyance will not adversely affect the ratings then applicable to those bonds, and (c) written consent to such sale, lease or other conveyance from any bond insurer which then insures any of the bonds issued pursuant to the authority of the General Bond Resolution.

The foregoing provision notwithstanding, the City has the right to sell or otherwise dispose of any of the property comprising a part of the System for fair and reasonable prices if the City first receives from an independent consulting engineer a written finding determining that such property is no longer necessary, useful or profitable in the operation of the System. The proceeds from any such sale or other disposition shall be deposited in the Revenue Fund and used only as provided in the General Bond Resolution.

### **Certain Amendments to the General Bond Resolution**

In addition to the provisions to the General Bond Resolution summarized above, certain of the amendments to the General Bond Resolution approved by the Council on August 7, 2012 (the "Amendments"), require the consent in writing of not less than 66 2/3 percent of the holders of the bonds outstanding under the General Bond Resolution. Upon the receipt of the required consents to such Amendments, the Amendments will become effective. **At the time of issuance of the Series 2013 Bonds, the initial holders of such Series 2013 Bonds, through their purchase of the Series 2013 Bonds, shall be deemed to have consented in writing to the Amendments. The Series 2013 Bonds will represent approximately 36% of the bonds outstanding under the General Bond Resolution. Upon the issuance of the Series 2013 Bonds, the holders of more than two-thirds in principal amount of the Bonds outstanding will have consented to the Amendments and all of the Amendments will be in effect. AGM gave its consent to the Amendments at the time of issuance of the Series 2012 Bonds. The August 7, 2012 resolution of the City included other amendments to the General Bond Resolution which did not require the consent of bondholders and which became effective upon passage. Purchasers of the Series 2013 Bonds should carefully review the resolution containing the Amendments included in APPENDIX I hereto.**

The Amendments provide for the issuance of Subordinate Indebtedness which is defined to mean any bonds, notes, loan agreements or other evidences of indebtedness issued from time to time secured by the revenues derived from the operation of the System on a basis subordinate to the pledge of such revenues in favor of bonds secured by a first lien on such revenues. In addition, the Amendments authorize the establishment of a Reserve Account Requirement for Additional Bonds equal to any amount, including no reserve (e.g., \$0.00).

The Amendments revise the rate covenant in the General Bond Resolution to provide that the Net Revenues of the System in each Fiscal Year shall be at least equal to the greater of:

(1) 120% of the sum of the annual Debt Service Requirement on the Bonds in such Fiscal Year. Net Revenues in such Fiscal Year will be increased for amounts deposited to the Revenue Fund from the Rate Stabilization Fund and will be decreased for amounts deposited to the Rate Stabilization Fund from the Revenue Fund (as such terms are defined in the General Bond Resolution); or

(2) 100% of the sum of:

(A) the Annual Debt Service Requirement on the Bonds and all Subordinate Indebtedness in such Fiscal Year,

(B) the amounts required to be paid during such Fiscal Year into any Debt Service Reserve Fund and the Contingent Fund, and

(C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, not otherwise provided for in subsection (2) (as such terms are defined in the General Bond Resolution).

For purposes of this section, the following definitions are applicable:

“Annual Debt Service Requirement” shall mean for any Fiscal Year the sum of all amounts required to pay: principal due and payable during such Fiscal Year (at maturity or upon mandatory redemption other than redemption pursuant to mandatory sinking fund payments); any amounts required to be deposited into a sinking fund during such Fiscal Year; the amount of any mandatory sinking fund redemptions in such Fiscal Year (but only to the extent such payment required to be made during such Fiscal Year is not required to be funded prior to such year); and interest due and payable during such Fiscal Year on all Bonds and any Subordinate Indebtedness outstanding.

In computing the Annual Debt Service Requirement, unless otherwise provided in a Series Resolution, any Variable Rate Bonds shall be assumed to bear interest for future periods with respect to which no rate has been established at 120% of the SIFMA Index for tax-exempt Bonds and 120% of the LIBOR Index for taxable Bonds for the previous twelve (12) month period. If the City shall have entered into one or more agreements under which it will receive payments calculated on a notional amount equal to the principal amount of certain Bonds and will make payments calculated on the same notional amount, in computing the Annual Debt Service Requirement, such Bonds shall be assumed to bear interest for the period during which any such agreement is to be in effect at the rate to be paid by the City pursuant to such agreement (with, if applicable, deductions for any amount to be received by the City pursuant to such agreement), and all computations with respect to such agreements which are based other than on fixed rates shall be made as set forth above with respect to Variable Rate Bonds.”

“Fiscal Year” shall mean the period commencing on the first day of October of any year and ending on the last day of September of the following year or any other fiscal year selected by the City or required by applicable law.

“Revenues” shall mean all payments, proceeds, fees, charges, rents and all other income (including investment income) derived by or for the account of the City from its ownership and operation of the System, excluding security deposits on all acreage, front-footage, assessment and similar fees and charges derived by the City in connection with the provision of or payment for the capital improvements constituting a part of the System and gifts, grants, bequests and proceeds of tax levies, all as calculated in accordance with generally accepted accounting principles.

The Amendments provide for the creation of a Rate Stabilization Fund to be funded from time to time and to be used (a) to transfer amounts on deposit in the Rate Stabilization Fund to other funds or accounts under the General Bond Resolution; (b) to purchase or redeem bonds issued pursuant to the General Bond Resolution, (c) to otherwise provide for the payment of bonds issued pursuant to the General Bond Resolution or interest thereon, or (d) to make other lawful payments.

The Amendments also removed a limitation on the maximum amount of a permitted adjustment in the computation of Net Revenues when computing Adjusted Net Revenues in connection with the issuance of Bonds for the construction of or otherwise acquiring improvements or additions to the system.

Finally, the Amendments reduce the percentage of bondholders required to consent to the amendment of the General Bond Resolution from 66 2/3 percent to a majority.

The Series 2013 City Bond is being issued on parity with the Existing City Bonds.

**APPENDIX I**

**RESOLUTION ADOPTED AUGUST 7, 2012  
AMENDING GENERAL BOND RESOLUTION**

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**AMENDMENT AND SUPPLEMENT TO THE  
GENERAL BOND RESOLUTION**

**RESOLUTION AMENDING AND SUPPLEMENTING THE GENERAL BOND RESOLUTION OF THE CITY OF JACKSON, MISSISSIPPI ADOPTED ON MARCH 11, 1993, AS PREVIOUSLY AMENDED AND SUPPLEMENTED BY AMENDMENTS AND SUPPLEMENTS TO THE GENERAL BOND RESOLUTION ADOPTED ON MARCH 16, 2004 AND JULY 18, 2011; AND FOR RELATED PURPOSES.**

**WHEREAS**, the City Council (the "Governing Body") of the City of Jackson, Mississippi (the "Municipality"), acting for and on behalf of the Municipality, heretofore adopted on March 11, 1993, a resolution (the "Original General Bond Resolution") combining the water and sewer facilities of the Municipality into a combined water and sewer system and authorizing the issuance from time to time of water and sewer system revenue bonds of the Municipality for one or more of the purposes specified therein; and

**WHEREAS**, the Governing Body, acting for and on behalf of the Municipality, heretofore adopted on March 16, 2004, a resolution (the "2004 Resolution") amending and supplementing the Original General Bond Resolution; and

**WHEREAS**, the Governing Body, acting for and on behalf of the Municipality, heretofore adopted on July 18, 2011, a resolution (the "2011 Resolution" and together with the Original General Bond Resolution and the 2004 Resolution, the "General Bond Resolution"); and

**WHEREAS**, the Governing Body has determined there is a need to further amend and supplement the General Bond Resolution.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE GOVERNING BODY OF THE MUNICIPALITY, ACTING FOR AND ON BEHALF OF THE MUNICIPALITY, AS FOLLOWS:**

**SECTION 1.** The terms used in this resolution, unless the context herein shall require otherwise, shall have the same meaning given in Section 1.01 of the General Bond Resolution.

**SECTION 2.** This resolution is adopted pursuant to Section 21-27-11 *et seq.*, Mississippi Code of 1972, as amended and supplemented.

**SECTION 3.** Section 1.01 of the General Bond Resolution is hereby amended by deleting the following definitions:

"AAA Refunded Municipals" shall mean noncallable, refunded obligations issued by any municipality or public body located in the United States of America, with respect to which Government Obligations have been deposited in amounts sufficient to pay all principal of and interest on such obligations as the same shall mature and become due and payable.

"Annual Principal and Interest Requirement" shall mean, with respect to a Series of Bonds and a Fiscal Year, the aggregate of the principal of the Bonds maturing or subject to mandatory redemption during such Fiscal Year and all interest on the Bonds due and payable during such Fiscal Year. In computing the Annual Principal and Interest Requirement, any Variable Rate Bonds shall be assumed to bear interest for future periods with respect to which no rate has been established at the average of the Bankers Trust Co., TENR during the immediately preceding twelve (12) month period, plus 1.50%, or if the Bankers Trust Co. TENR is no longer published, the average of such other short term index which is regularly published by the Bond Buyer (or comparable publication) during the immediately preceding twelve (12) month period, plus 1.50%. If the Municipality shall have entered into one or more agreements under which it will receive payments calculated on a notional amount equal to the principal amount of certain Bonds and will make payments calculated on the same notional amount, in computing the Annual Principal and Interest Requirement, such Bonds shall be assumed to bear interest for the period during which any such agreement is to be in effect at the rate to be paid by the Municipality pursuant to such

agreement (with, if applicable, deductions for any amount to be received by the Municipality pursuant to such agreement), and all computations with respect to such agreements which are based other than on fixed rates shall be made as set forth above with respect to Variable Rate Bonds.

"Depreciation Fund" shall mean the Water and Sewer Depreciation Fund provided for in Section 6.03(d) of this General Bond Resolution.

"Financial Guaranty Agreement" shall mean a Financial Guaranty Agreement between the Municipality and MBIA providing for, amount other things, reimbursement to MBIA of amounts drawn under an MBIA Bond.

"MBIA" shall mean Municipal Bond Investors Assurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

"MBIA Bond" shall mean a surety bond issued by MBIA and held in the Debt Service Reserve Account pursuant to Section 6.03(b)(2) hereof.

"Prior Bonds" shall mean:

- (A) the City of Jackson, Mississippi, Water Works System Revenue Bonds, 1986 Series A;
- (B) the City of Jackson, Mississippi, Sewer System Revenue Bonds, 1987 Series A;
- (C) the City of Jackson, Mississippi, Sewer System Revenue Bonds, 1987 Refunding Series;
- (D) the City of Jackson, Mississippi, Sewer System Revenue Bonds, 1988 Series A; and
- (E) the Prior Lien Bonds.

"Prior Lien Bonds" shall mean (a) the City of Jackson, Mississippi, Sewer System Revenue Bonds, 1987 Series 1971, and (b) the City of Jackson, Mississippi, Sewerage System Revenue Bonds, Series 1976-I.

**SECTION 4.** Section 1.01 of the General Bond Resolution is hereby amended by modifying or adding the following definitions to read as follows in appropriate alphabetical order:

"Account" or "Accounts" shall mean any one or more of the accounts created and established pursuant to this General Bond Resolution

"Annual Debt Service Requirement" shall mean for any Fiscal Year the sum of all amounts required to pay: principal due and payable during such Fiscal Year (at maturity or upon mandatory redemption other than redemption pursuant to mandatory sinking fund payments); any amounts required to be deposited into a sinking fund during such Fiscal Year; the amount of any mandatory sinking fund redemptions in such Fiscal Year (but only to the extent such payment required to be made during such Fiscal Year is not required to be funded prior to such year); and interest due and payable during such Fiscal Year on all Bonds and any Subordinate Indebtedness outstanding.

In computing the Annual Debt Service Requirement, unless otherwise provided in a Series Resolution, any Variable Rate Bonds shall be assumed to bear interest for future periods with respect to which no rate has been established at 120% of the SIFMA Index for tax-exempt Bonds and 120% of the LIBOR Index for taxable Bonds for the previous twelve (12) month period. If the Municipality shall have entered into one or more agreements under which it will receive payments calculated on a notional amount equal to the principal amount of certain Bonds and will make payments calculated on the same notional amount, in computing the Annual Debt Service Requirement, such Bonds shall be assumed to bear interest for the period during which any such agreement is to be in effect at the rate to be paid by the Municipality pursuant to such agreement (with, if applicable, deductions for any amount to be received by the Municipality pursuant to such agreement), and all computations with respect to such agreements

which are based other than on fixed rates shall be made as set forth above with respect to Variable Rate Bonds.

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

"Depository Agreement" shall mean the Depository Agreement between the Municipality and the Depository providing for the deposit of a portion of the Revenues in a manner consistent with the provisions of this General Bond Resolution.

"Fiscal Year" shall mean the period commencing on the first day of October of any year and ending on the last day of September of the following year or any other fiscal year selected by the Municipality or required by applicable law.

"Interest Payment Date" shall mean such date or dates as shall be specified in or computed in accordance with the Series Resolution for a Series of Bonds.

"Maximum Annual Principal and Interest Requirement" shall mean, with respect to a Series of Bonds, an amount equal to the Maximum Annual Debt Service Requirement for any Fiscal Year.

"Principal Payment Date" shall mean such date or dates or shall be specified in or computed in accordance with the Series Resolution for a Series of Bonds.

"Rate Stabilization Fund" shall mean the Rate Stabilization Fund provided for in Section 6.03(e) of this General Bond Resolution.

"Refunded Municipals" shall mean noncallable, refunded obligations issued by any municipality or public body located in the United States of America, with respect to which Government Obligations have been deposited in amounts sufficient to pay all principal of and interest on such obligations as the same shall mature and become due and payable.

"Reserve Account Requirement" shall mean, as of any date of calculation for the Debt Service Reserve Account or subaccount therein, an amount equal to the lesser of (1) Maximum Annual Debt Service Requirement for all outstanding Bonds secured thereby, (2) 125% of the Annual Debt Service Requirement for all outstanding Bonds secured thereby, or (3) the maximum amount of Bond proceeds which may be deposited to the Debt Service Reserve Account without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds secured thereby (other than taxable Bonds) to be included in gross income for purposes of federal income taxation or otherwise violating applicable provisions of the Code; provided, however, the Municipality may establish by a Series Resolution a different Reserve Account Requirement with respect to any particular Series of Bonds, which Reserve Account Requirement may be \$0.00. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been outstanding for at least 12 months prior to the date of calculation, the highest of (i) the actual rate of interest on the date of calculation, (ii) the average interest rate borne by such Variable Rate Bonds for the 12-month period immediately preceding each date of calculation, and (iii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation, and (B) if such Variable Rate Bonds have not been outstanding for at least 12 months prior to the date of calculation, the higher of (i) the actual rate of interest on the date of calculation, and (ii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation. The Reserve Account Requirement shall be calculated as of October 1 of each year with respect to the next succeeding Fiscal Year.

"Series Resolution" shall mean an order or resolution adopted by the Governing Body of the Municipality pursuant to this General Bond Resolution authorizing a Series of Bonds or Subordinate Indebtedness.

"Subordinate Indebtedness" shall mean any bonds, notes, loan agreements or other evidences of indebtedness issued from time to time secured by the Revenues on a basis subordinate to the pledge of Revenues in favor of the Bonds.

"Surplus Fund" shall mean the Water and Sewer System Surplus Fund provided for in Section 6.03(f) of this General Bond Resolution.

**SECTION 5.** Section 3.03 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 3.03. CONDITIONS PRECEDENT TO AUTHENTICATION AND DELIVERY OF A SERIES OF NEW MONEY BONDS.** Except as provided in Section 3.04 hereof, the applicable Series Paying Agent shall authenticate and deliver to or upon the order of the Municipality, Bonds of a Series authorized to be issued pursuant to this General Bond Resolution and a Series Resolution for the purposes recited in Sections 3.02(b)(1) and 3.02(b)(2) only upon delivery to the applicable Series Paying Agent of:

(a) A copy of this General Bond Resolution and the applicable Series Resolution, each certified by an Authorized Officer; provided, however, that a certified copy of this General Bond Resolution need only be delivered to the applicable Series Paying Agent upon the delivery of the initial Series of Bonds;

(b) The written order of the Municipality as to the delivery of such Bonds signed by an Authorized Officer describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;

(c) The amount (which amount may include a bond insurance policy, surety bond or letter of credit), if any, required for deposit in the Debt Service Reserve Account so that the balance on deposit in such Account shall at least equal the Reserve Account Requirement, calculated immediately after the delivery of such Series of Bonds;

(d) A certificate of the Municipality and an Independent Consulting Engineer to the effect that:

(1) The Municipality is current in all deposits into the various Funds and all payments theretofore required to have been deposited or made by it under the provisions of this General Bond Resolution or any existing Series Resolution or Resolutions;

(2) the amount of the Adjusted Net Revenues, computed on the basis of the Net Revenues during any twelve (12) consecutive months of the eighteen (18) months immediately preceding the delivery of such Series of Bonds, will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement after issuance of such Series of Bonds. Adjusted Net Revenues shall be calculated in accordance with the following considerations:

(A) If such Series of Bonds is being issued for the purpose of acquiring operating utility properties having an earnings record, the Independent Consulting Engineer shall estimate the effect on the Net Revenues of the acquisition of such utility properties and the integration thereof into the System, and the Net Revenues for such consecutive twelve-month period shall be adjusted to give effect to such estimate. Any such estimate shall be based upon the operating experience and records of the Municipality during any period in which the System has been operated by the Municipality (if applicable) and upon any available financial statements and records relating to the earnings of such utility properties to be acquired.

(B) If any changes have been made and are in effect at the time of the adoption of the Series Resolution authorizing the issuance of such Series of Bonds in the schedule of rates and charges imposed by the Municipality for services furnished by the System which were in effect during any part of the consecutive twelve-month period referred to in this subsection (d)(2), Net Revenues for such consecutive twelve-month period shall be adjusted to reflect any change in such Net Revenues which would have occurred if the schedule of rates and charges in effect at the time of the adoption of the

Series Resolution authorizing the issuance of such Series of Bonds had been in effect during that portion of such consecutive twelve-month period in which such schedule was not in effect.

(C) If such Series of Bonds is being issued for the purpose of the constructing or otherwise acquiring improvements or additions to the System and, in the opinion of such Independent Consulting Engineer, such improvements or additions will result in increases in Net Revenues of the System, in computing Adjusted Net Revenues, Net Revenues shall be increased by the amount of such expected increase, as estimated by such Independent Consulting Engineer.

(e) A Certificate of an Authorized Officer stating that no Event of Default hereunder, and no event which with notice or lapse of time or both would become an Event of Default hereunder, has occurred and is continuing;

(f) An opinion of Nationally Recognized Bond Counsel to the effect that: this General Bond Resolution and the Series Resolution authorizing the Series of Bonds have been duly adopted by the Municipality; that this General Bond Resolution and such Series Resolution are valid, binding and enforceable (subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' right and the exercise of judicial discretion in accordance with general principles of equity) obligations of the Municipality; that this General Bond Resolution and such Series Resolution create a valid and binding pledge of and lien on the Net Revenues, enforceable (in accordance with the terms of this General Bond Resolution and such Series Resolution, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' right and the exercise of judicial discretion in accordance with general principles of equity) for the security of the Bonds, on a parity with other Bonds (if any) to be issued under this General Bond Resolution and that the Bonds of such Series have been duly and validly authorized and delivered and are valid, legal and binding special obligations of the Municipality, payable from the sources provided therefor in this General Bond Resolution and such Series Supplement; and

(g) Such further documents and moneys as may be required by the provisions of the Series Resolution.

(h) Nothing provided for or required by this Section 3.03 shall prevent the Municipality from issuing Subordinate Indebtedness on such terms as provided for in the Series Resolution for such Subordinate Indebtedness.

**SECTION 6.** Section 3.04 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 3.04. CONDITIONS PRECEDENT TO AUTHENTICATION AND DELIVERY OF A SERIES OF REFUNDING BONDS.** The applicable Series Paying Agent shall authenticate each Series of Refunding Bonds and deliver such Refunding Bonds to the Municipality or upon its order only upon the receipt by the applicable Series Paying Agent of:

(a) The documents referred to in paragraphs (a), (b), (c) and (f) of Section 3.03 hereof;

(b) Irrevocable instructions to the applicable Series Paying Agent (or escrow agent designated by the Municipality in the Series Resolution), to pay when due or to redeem such of the Bonds to be refunded on such date or dates specified in such instructions;

(c) Either (i) moneys in an amount sufficient to effect payment of the principal amount or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, which moneys shall be held by the applicable Series Paying Agent or the escrow agent designated by the Municipality in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Government Obligations or Refunded Municipals, the principal of and interest on which when due, together with the moneys, if any, deposited with the applicable Series Paying Agent or such escrow agent at such time, will be sufficient to pay when due the principal amount or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be;

(d) The amount, if any, necessary for deposit in the Debt Service Reserve Account so that the balance on deposit in such account shall at least equal the Reserve Account Requirement, calculated immediately after the delivery of such Series of Refunding Bonds;

(e) A certificate providing that the requirements of Sections 31-15-1 *et seq.*, Mississippi Code of 1972, as amended, or Sections 31-27-1 *et seq.*, Mississippi Code of 1972, as amended, or other applicable law setting forth requirements for Refunding Bonds have been satisfied; and

(f) Such further documents and moneys as may be required by the applicable Series Resolution.

**SECTION 7.** Section 4.01 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 4.01. AUTHORIZATION OF REDEMPTION.** Bonds of a Series shall be subject to redemption prior to maturity as provided in the applicable Series Resolution.

**SECTION 8.** Section 5.01 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 5.01. BONDS SECURED BY PLEDGE OF NET REVENUES OF THE SYSTEM.** The payment of the principal of, premium, if any, and interest on the Bonds shall be secured equally and ratably by a pledge of a sufficient amount of the Net Revenues required to pay such amounts when due. A sufficient amount of the Net Revenues is hereby irrevocably pledged to pay the principal of, premium, if any, and interest on the Bonds and to make the payments into the Bond Fund hereinafter established and all other payments provided for in this General Bond Resolution, as the same become due and payable. Each Series of Bonds, regardless of the time or times of the issuance, shall rank equally (and share ratably) with respect to the lien on the Net Revenues of the System, and the source of and security for payment therefrom without preference of any Bonds over any other Bonds. A Series Resolution may provide for a Series of Bonds with a pledge of Net Revenues subordinate to other Bonds issued under this General Bond Resolution.

**SECTION 9.** Section 6.01 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 6.01. RATE COVENANT.** (a) The Municipality shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to produce Net Revenues in each Fiscal Year at least equal to the greater of:

(1) 120% of the sum of the annual Debt Service Requirement on the Bonds in such Fiscal Year. Net Revenues in such Fiscal Year will be increased for amounts deposited to the Revenue Fund from the Rate Stabilization Fund and will be decreased for amounts deposited to the Rate Stabilization Fund from the Revenue Fund; or

(2) 100% of the sum of:

(A) the Annual Debt Service Requirement on the Bonds and all Subordinate Indebtedness in such Fiscal Year,

(B) the amounts required to be paid during such Fiscal Year into any Debt Service Reserve Fund and the Contingent Fund, and

(C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, not otherwise provided for in this subsection (2).

(b) The Municipality shall adopt a rate ordinance which shall provide Revenues in each Fiscal Year sufficient to satisfy the requirements of this Section 6.01. To the extent permitted by applicable law: that aforesaid rate ordinance shall also provide for a penalty charge for non-payment of bills within a specified number of days after their due date and discontinuance of service upon non-payment of bills within a specified number of days after their due date, and the Municipality shall discontinue the supplying

of the services and facilities of the System for non-payment of bills for such services and facilities within such time period and will not restore the services and facilities of the System to any of such delinquent users until payment in full of all delinquent charges, including reasonable charges for restoration of services.

(c) If the Revenues in any Fiscal Year as shown by the Municipality's audit are less than the total amount set forth in subsection (a) of this Section, then it shall, as promptly as possible, request an Independent Consulting Engineer to make recommendations as to a revision of such rates, fees and charges or methods of operating the System which will result in producing the required amount in the following Fiscal Year. Upon receipt of such recommendations the Municipality shall, subject to applicable requirements imposed by law, immediately revise such rates, fees and charges and take such other actions respecting the methods of operation of the System as shall in its discretion be deemed necessary.

**SECTION 10.** Section 6.03 of the General Bond Resolution which is hereby amended to reads as follows:

**SECTION 6.03. DISPOSITION OF REVENUES: ESTABLISHMENT OF FUNDS.** The Municipality will set aside, allocate and deposit moneys from the Revenue Fund into the separate Funds as hereinafter provided. Such sums shall, to the extent that funds credited to the Revenue Fund are sufficient for such purpose, be set aside, allocated, and deposited by the appropriate officer of the Municipality without further direction of or action by the Governing Body in the following manner and order of priority:

(a) Operation and Maintenance Fund. From the moneys in the Revenue Fund there shall first be apportioned, set aside and deposited into a fund hereby established and designated as the Water and Sewer System Operation and Maintenance Fund (the "Operation and Maintenance Fund"), on or before the fifteenth (15th) day of each calendar month, beginning with the first calendar month following delivery of the first Series of Bonds, an amount which, when added to any moneys then on deposit in the Operation and Maintenance Fund, shall be equal to the estimated Operating Expenses of the System for the next succeeding calendar month. The estimates of Operating Expenses referred to above shall be based upon the operating budget provided for in Section 8.06 of this General Bond Resolution. Moneys in the Operation and Maintenance Fund shall be disbursed from time to time as needed for the operation and maintenance of the System.

(b) Bond Fund. From the moneys in the Revenue Fund there shall next be delivered to the Depository, for crediting to a fund hereby established and designated as the Water and Sewer System Bond Fund (the "Bond Fund"), the amounts required for the following accounts in the Bond Fund to be funded in the order listed:

(1) Debt Service Account. There shall be delivered to the Depository for crediting to an account hereby established for the payment of principal of, premium, if any, and interest on the Bonds and designated as the Water and Sewer System Debt Service Account (the "Debt Service Account"): (a) on or before the fifteenth (15th) day of each calendar month, beginning with the first calendar month following delivery of the first Series of Bonds, Revenues equal to one-sixth (1/6th) of the interest to come due on all Fixed Rate Bonds on the next Interest Payment Date with respect to Fixed Rate Bonds, one-twelfth (1/12th) of the principal to come due (by maturity) on all Fixed Rate Bonds on the next Principal Payment Date with respect to Fixed Rate Bonds; provided that the first deposit following delivery of a Series of Bonds shall be in an amount which will cause the balance credited to the Debt Service Account, together with future payments required pursuant to this subsection, to be sufficient on the next Interest Payment Date and the next Principal Payment Date to pay the principal and interest due and payable on such dates; (b) on such dates as shall be specified in any Series Resolution authorizing the issuance of Variable Rate Bonds, such amounts as shall be specified in (or computed in accordance with) such Series Resolution; (c) on or before the last Business Day prior to any Interest Payment Date or Principal Payment Date, such additional sum and only such sum as is necessary to make the payment of interest or principal and interest due on such Interest Payment Date or Principal Payment Date; and (d) on such dates as shall be specified in any Series Resolution providing for sinking fund payments, such amounts as shall be specified in (or computed in accordance with) such Series Resolution.

(2) Debt Service Reserve Account. A. If required by a Series Resolution, there shall next be delivered to the Depository, for crediting to the Water and Sewer System Debt Service Reserve Account (the "Debt Service Reserve Account") hereby established, on or before the fifteenth (15th) day of each calendar month, beginning with the first calendar month following any month in which the balance credited to the Debt Service Reserve Account does not equal the Reserve Account Requirement, whether as a result of decline in the value of the investments on deposit therein or a withdrawal therefrom of both, one-twelfth (1/12) of the amount needed to restore the balance credited to the Debt Service Reserve Account to the Reserve Account Requirement. Such deposits shall be made each month until the balance credited to the Debt Service Reserve Account again equals the Reserve Account Requirement; provided, that no such deposits shall be made until all required payments have been made in full into the Debt Service Account, including any deficiencies for prior payments.

B. In computing the balance at any time credited to the Debt Service Reserve Account, the amount which may be drawn under any surety bond, insurance policy or letter of credit described below shall be included. The surety bond, insurance, policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal of or interest on any Bonds, if (and to the extent that) such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Account. The insurer providing any such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues result in such issues initially being rated investment grade by Moody's Investors Service, Inc. ("Moody's") or by Standard & Poor's Corporation ("S&P") or who holds initially an investment grade rating or by A. M. Best & Company or, if A. M. Best & Company is not at the time rating insurance companies, another comparable nationally recognized insurance rating agency. The issuer of any such letter of credit shall be a bank or trust company who initially holds an investment grade rating by Moody's or by S&P, and the letter of credit itself shall initially be rated investment grade by Moody's or by S&P. If a disbursement is made pursuant to this paragraph, only such amount as may at the time be drawn under such surety bond, insurance policy or letter of credit shall be included in computing the balance credited to the Debt Service Reserve Account and the Municipality shall be obligated to restore the balance credited to the Debt Service Reserve Account as provided in Subsection A above by either: (a) causing such surety bond, insurance policy or letter of credit to be reinstated; (b) providing one or more other surety bonds, letters of credit or insurance policies meeting the requirements of this paragraph; (c) depositing funds into the Debt Service Reserve Account; or (d) any combination of the foregoing. In the event that the rating attributable to any insurer providing any surety bond or insurance policy or any bank or trust company providing any letter of credit held as above provided in the Debt Service Reserve Account shall fall below investment grade, the Municipality shall use its best efforts to replace, as soon as reasonably possible, such surety bond, insurance policy or letter of credit with a surety bond, insurance policy or letter of credit which shall meet the above requirements.

C. If the Debt Service Reserve Account contains cash and/or investments in addition to one or more insurance policies, surety bonds and/or letters of credit, the cash and/or investments shall be utilized completely before any draw is made on any insurance policy, surety bond or letters of credit. If the Debt Service Reserve Account contains more than a single surety bond, insurance policy or letter of credit, draws on each shall be made on a pro rata basis unless otherwise provided by the applicable Series Resolution.

D. The Debt Service Reserve Account shall be used for, and only for the purpose of paying maturing principal of or interest on the Bonds, as due, when the moneys in the Debt Service Account are insufficient therefor and for no other purpose, except that any moneys on deposit in the Debt Service Reserve Account may be invested or reinvested as provided herein.

E. No further payments into the Debt Service Account or into the Debt Service Reserve Account shall be required when the aggregate amount of funds in both the Debt Service Account and the Debt Service Reserve Account are at least equal to the aggregate principal amount of the Bonds then outstanding, plus the amount of interest then due or to become due on the Bonds then outstanding, or when the Bonds shall be deemed fully paid within the meaning of Section. 10.01 hereof.



(c) Subordinate Bond Fund. There shall next be apportioned, set aside and deposited into a fund hereby established and designated as the Water and Sewer System Subordinate Bond Fund (the "Subordinate Bond Fund"), such amount as may be necessary to pay the principal of, premium, if any, and interest on any Subordinated Indebtedness pursuant to the Series Resolution issuing any such Subordinate Indebtedness. The Municipality may create such Accounts within the Subordinate Bond Fund as deemed necessary including a Subordinate Debt Service Account and a Subordinate Debt Service Reserve Account. The terms and provisions of such Accounts shall be set forth in the applicable Series Resolution.

(d) Contingent Fund. There shall next be apportioned, set aside and deposited into a fund hereby established and designated as the Water and Sewer System Contingent Fund (the "Contingent Fund") on or before the fifteenth (15th) day of each calendar month, beginning with the first calendar month following delivery of the Bonds, such amount as shall be necessary in order for the balance credited to the Contingent Fund to equal two (2) months budgeted operating expenses, based on the budget for the then current year, at which amount the Contingent Fund shall be maintained by such future deposits therein (or withdrawals therefrom) as provided above and as may be necessary for that purpose. The Contingent Fund shall be used for the purpose of defraying costs arising in the operation and maintenance of the System to the extent that moneys shall not be available therefor in the Operation and Maintenance Fund, including the construction of reasonable and proper improvements, betterments and extensions thereto upon written certification by the Consulting Engineer to the Governing Body certifying the necessity for such expenditure and concurring in the necessity for such expenditure from the Contingent Fund; provided, however, that in the event the funds otherwise established by this General Bond Resolution for the payment of the principal of and interest on the Bonds or any Subordinate Indebtedness should be insufficient for said purpose, then and in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest and to provide for the payment of the principal as set forth in paragraphs (b) and (c) of this Section shall be drawn from the Contingent Fund and shall be used, together with funds otherwise available, to pay such accruing interest and to provide for the payment of principal as set forth in paragraphs (b) and (c) of this Section.

(e) Rate Stabilization Fund. There shall next be apportioned, set aside and deposited into a fund hereby established and designated as the Water and Sewer System Rate Stabilization Fund (the "Rate Stabilization Fund"), such amount as the Municipality shall annually determine to be appropriate. The Governing Body may, from time to time, (i) transfer amounts or deposit in the Rate Stabilization Fund to any other Fund or Account including the Revenue Fund; (ii) use such amounts to purchase or redeem Bonds, (iii) use such amounts to otherwise provide for the payment of Bonds or interest thereto or (iv) use such funds to make any other lawful payments; provided, however, that in the event the funds otherwise established by this General Bond Resolution for the payment of the principal of and interest on the Bonds or any Subordinate Indebtedness should be insufficient for said purpose, then and in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest and to provide for the payment of the principal as set forth in paragraphs (b) and (c) of this Section shall be drawn from the Contingent Fund and shall be used, together with funds otherwise available, to pay such accruing interest and to provide for the payment of principal as set forth in paragraphs (b) and (c) of this Section.

(f) Surplus Fund. There shall next be apportioned, set aside and deposited into a fund hereby established and designated as the Water and Sewer System Surplus Fund (the "Surplus Fund"), such amount as the Municipality shall determine to be appropriate. The Surplus Fund shall be used for the purpose of paying the cost of replacing such parts of the System as may need replacement in order to keep the System operating in an economical and efficient manner, provided, however, that in the event the funds otherwise established by this General Bond Resolution for the payment of the principal of and interest on the Bonds or any Subordinate Indebtedness should be insufficient for said purpose, then and in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest and to provide for the payment of the principal as set forth in paragraphs (b) and (c) of this Section shall be drawn from the Surplus Fund, and shall be used together with funds otherwise available to pay such accruing interest and to provide for the payment of principal as set forth in paragraphs (b) and (c) of this Section.

(g) The moneys in the foregoing funds shall be held separate and apart from all other funds of the Municipality and shall be applied in the manner provided. Any surplus Revenues remaining after all

deposits required by this Section 6.03 have been made may be used by the Municipality for any lawful purpose, including but not limited to purposes pertaining to the System.

(h) If in any month the Revenues are insufficient to deposit the required amount in any of the funds as hereinbefore provided, the insufficiency shall not, for so long as all principal of and interest on the Bonds shall be paid in full as due, constitute a default or event of default hereunder but the deficiency shall be made up in the subsequent payment or payments in addition to the payments which would otherwise be required to be made into such funds in subsequent months; provided, however, that any deficiency in a deposit to the Debt Service Account and the Debt Service Reserve Account shall be made up before any further payment is made in the Contingent Fund, the Rate Stabilization Fund or the Surplus Fund.

(i) The investments of moneys in the Debt Service Reserve Account shall be valued at the market value thereof annually on the last Business Day of each Fiscal Year of the Municipality, and the Municipality shall provide documentation to the Depository with respect to such valuation with fifteen (15) days of such valuation. If the market value of said investments is less than the Reserve Account Requirement, the Municipality shall make the deposits to the Debt Service Reserve Account required by paragraph (b)(2) of this Section. If the market value of such investments is greater than the Reserve Account Requirement, the amount of money in excess of the Reserve Account Requirement may, at the direction of an Authorized Officer of the Municipality, be paid into the Revenue Fund.

**SECTION 11.** Section 6.04 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 6.04. INVESTMENT OF MONEYS ON DEPOSIT IN THE FUNDS.** The moneys at any time on deposit in any fund provided for by this General Bond Resolution, including the Construction Fund and the Refunding Fund hereinafter established, not immediately required for disbursement for the purposes for which such funds are established, shall be invested in such instruments or investments as are permissible under applicable law of the State of Mississippi. The income received on the investment of any such moneys, other than money credited to the Refunding Fund and the Construction Fund, shall be credited to the Revenue Fund and applied to the purposes for which the Revenue Fund is established. The income received on the investment of any proceeds of Bonds (and earnings thereon) credited to the Refunding Fund and the Construction Fund shall be credited and applied in such manner as shall be directed in the Series Resolution authorizing issuance of such Bonds, or, in the absence of any such direction in such Series Resolution, shall be credited to the Revenue Fund and applied to the purposes for which the Revenue Fund is established.

**SECTION 12.** The Introducing Paragraph of Section 8.11 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 8.11. CONTRACTS FOR SERVICE WITH OTHER SYSTEMS AND PERSONS.** To the extent allowed by applicable law, the Municipality may contract with any public agency or other Person to provide water or sewer services (or both); provided that either:

(A)(1) such contracts shall require the contracting party to pay to the Municipality, in addition to other amounts payable pursuant to such contract, at least once during each Fiscal Year, an amount not less than adequate to reimburse the Municipality for the costs attributable to the operation and maintenance of those portions of the System which are used to provide such water or sewer (or both) services (or with respect to portions of the System which are not used exclusively to provide such water or sewer (or both) services, a portion of such costs based upon such reasonable allocation method as the Municipality shall establish) and an allocable portion of the debt service payments on Bonds issued by the Municipality which are properly attributable to financing the costs of the facilities used to provide such services (or with respect to facilities which are not used exclusively to provide such water or sewer (or both) services, a portion of such debt service based upon such reasonable allocation method as the Municipality shall establish); and (2) such payment shall be deposited into the Revenue Fund at least annually and treated as Revenues of the System; or

(B)(1) the Municipality shall allocate, from amounts payable by such contracting party, an amount not less than adequate to reimburse the Municipality for the costs attributable to the operation and maintenance of those portions of the System which are used for to provide such water or sewer (or both) services (or with respect to portions of the system which are not used exclusively to provide such water or sewer (or both) services, a portion of such costs based upon such reasonable allocation method as the Municipality shall establish) and an allocable portion of the debt service payments on Bonds issued by the Municipality which are properly attributable to financing the costs of the facilities used to provide such services (or with respect to facilities which are not used exclusively to provide such water or sewer (or both) services, a portion of such debt service based upon such reasonable allocation method as the Municipality shall establish), (2) such amount shall be deposited into the Revenue Fund as soon as legally available to the Municipality for such deposit, and shall be deemed Revenues of the System upon deposit into the Revenue Fund.

Nothing contained herein shall be interpreted or construed to grant to the Holders of the Bonds any lien upon, or rights with respect to, moneys payable by such contracting parties other than amounts to be deposited into the Revenue Fund as provided above, or to prevent the Municipality from pledging amounts payable pursuant to such contracts or to require that the Municipality allocate payments received from such contracting parties to amounts to be deposited into the Revenue Fund as provided above, prior to allocating such payments to any other obligations of such parties under such contracts.

**SECTION 13.** Section 9.02 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 9.02. REMEDIES.** The Holders of not less than 25% of the aggregate principal amount of the outstanding Bonds may, upon an Event of Default, by suit, action, mandamus, or other proceedings at law and in equity enforce and compel performance by the appropriate official or officials of the Municipality of any or all of the acts and duties to be performed by the Municipality under the provisions of this General Bond Resolution. If there is a default in the payment of the interest on and principal of any of the Bonds, any court having jurisdiction in the proper action may, upon petition of any Bondholder, appoint a receiver to administer and operate the System with power to fix rates and collect charges sufficient to provide for the payment of all Bonds outstanding to the payment of which the Net Revenues of the System are pledged and to pay the expenses of operating and maintaining the System and to apply the Revenues of the System in conformity with the provisions of the Act and of this General Bond Resolution. The Holders of the Bonds in an aggregate principal amount of not less than 25% of the Bonds then outstanding may appoint a trustee for such Holders of all outstanding Bonds issued under this General Bond Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders. The costs incurred by any Bondholder in bringing such legal proceedings to enforce the provisions of this General Bond Resolution, including attorneys' fees, and costs of any receiver or trustee appointed pursuant to this Section, and all other costs incurred in bringing such legal proceedings, and enforcing the remedies provided for in this Section shall, if such Bondholders shall prevail, be expenses of the System and shall be payable from the Revenues.

**SECTION 14.** Section 10.01 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 10.1. DEFEASANCE OF BONDS.** If the Municipality shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of a Series of Bonds the principal of, premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the applicable Series Resolution or Resolutions, then the pledge of any Net Revenues, and other moneys and securities pledged under this General Bond Resolution and all covenants, agreements and other obligations of the Municipality to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds of a Series or interest installments thereof for the payment or redemption of which moneys shall have been irrevocably set aside and held in trust by the applicable Series Paying Agent or the Depository (through deposit by the Municipality of funds for such payment or redemption or otherwise) shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section 10.01. Any outstanding Bonds of a Series shall, prior to the maturity or

redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section 10.01 if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Municipality shall have adopted a resolution or order irrevocably directing the call and redemption of such Bonds on said date; (b) there shall have been deposited with the applicable Series Paying Agent or the Depository either moneys in an amount which shall be sufficient, or Government Obligation and/or Refunded Municipals, the principal of and the interest on which when due will provide money which, together with the moneys, if any, deposited with said Series Paying Agent or the Depository at the same time, shall be sufficient, without reinvestment, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Municipality shall have adopted a resolution or order irrevocably directing the call and redemption of such Bonds on such date and directing the applicable Series Paying Agent to give notice to the Holders of such Bonds that the deposit required by (b) above has been made with the applicable Series Paying Agent or the Depository and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, as applicable, on said Bonds. Neither investments nor moneys deposited with a Series Paying Agent or the Depository pursuant to this Section nor principal interest payments on any such investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or interest payments on the Bonds; provided, that the earnings on such investments deposited with a Series Paying Agent or Depository, if not then needed for such purpose, may to the extent practicable and legally permissible, be reinvested in investments of the type allowed in (b) above maturing at times and in amounts sufficient to pay when due interest and the principal or Redemption Price, as applicable, on the payment dates or redemption date of such Bonds, as the case may be, and earnings from such reinvestments may be paid over to the Municipality, as received by the Series Paying Agent or the Depository, free and clear of any trust, lien or pledge.

Anything in this General Bond Resolution to the contrary notwithstanding, any moneys, held by a Series Paying Agent or the Depository in trust for the payment and discharge of any of the Bonds of a Series which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by said Series Paying Agent or the Depository at such date, or for five years after the date of deposit of such moneys if deposited with said Series Paying Agent or the Depository after the said date when such Bonds became due and payable, shall be presumed abandoned if the requirements of the Uniform Disposition of Unclaimed Property Act, codified at Section 89-12-1 *et seq.*, Mississippi Code of 1972, as amended, are satisfied with respect thereto, and said Series Paying Agent or the Depository shall thereafter dispose of such moneys in the manner prescribed in said act. Any such moneys which are not presumed abandoned at the end of such five-year period shall, at the written request of the Municipality, be repaid by said Series Paying Agent or the Depository to the Municipality, and said Series Paying Agent or the Depository shall thereupon be released and discharged with respect to such moneys.

**SECTION 15.** Section 11.01 of the General Bond Resolution is hereby amended to read as follows:

**SECTION 11.01. DEPOSITORY AGREEMENT.** (a) Consistent with the provisions of this General Bond Resolution, the Municipality shall, from time to time, enter into a Depository Agreement with a qualified Depository; (b) such Depository shall be a banking corporation or association organized under the banking laws of the United States of America or State of Mississippi and shall have trust powers in Mississippi, and shall have a capital and surplus of not less than \$75,000,000; and (c) such Depository Agreement shall be approved by the Governing Body and executed by the Mayor and the Clerk.

**SECTION 16.** Section 12.02(a) of the General Bond Resolution is hereby amended to read as follows:

**SECTION 12.02(a). MODIFICATION OR AMENDMENT.** (a) No material modification or amendment of this General Bond Resolution or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the Holders of not less than a majority in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall

permit a change in the maturity of the Bonds or a reduction in the rate of interest thereon, or affect the unconditional promise of the Municipality to fix, maintain and collect fees, rentals and other charges for the System sufficient to pay principal of and interest on the Bonds, or to pay the interest and principal on the Bonds, as the same mature and become due, from the Net Revenues of the System, or reduce such percentage of Holders of the Bonds required above the such modification or amendment, without the consent of the Holders of all the Bonds affected thereby.

**SECTION 17.** Section 12.02(f) of the General Bond Resolution which reads as follows is hereby deleted:

(f). So long as any Series of Bonds is insured by MBIA, MBIA shall be given notice of any amendment or supplement to this General Bond Resolution made pursuant to paragraph (b) of this Section 12.02, and a copy of any amendment, supplement or modification to this General Bond Resolution to which MBIA has consented shall be provided to Standard and Poor's Corporation.

**SECTION 18.** Section 12.07 of the General Bond Resolution which reads as follows is hereby deleted.

**SECTION 12.07. NOTICES TO MBIA.** So long as any Series of Bonds is insured by MBIA, any notice required by this General Bond Resolution to be given to the Municipality, the Bondholders, the Depository or any Series Paying Agent (including but not limited to notice of redemption of Bonds pursuant to Article IV hereof, notice of default pursuant to Article IX hereof, and notice of defeasance pursuant to Article X hereof) shall also be given to MBIA.

**SECTION 19.** A new Section 12.07 is hereby added to the General Bond Resolution to read as follows:

**SECTION 12.07. SUBORDINATE INDEBTEDNESS.** The Municipality shall be authorized to issue, from time to time, Subordinate Indebtedness, provided the terms of such Subordinate Indebtedness are consistent with this General Bond Resolution. In connection with the issuance of such Subordinate Indebtedness, the related Series Resolution may establish such Funds and Accounts determined to be necessary in connection with such Subordinate Indebtedness.

**SECTION 20.** The amendments set forth in Sections 3, 5, 6, 7, 11, 12, 13, 14, 15, 17 and 18 of this Resolution shall take effect immediately upon passage.

**SECTION 21.** The amendments set forth in Sections 4, 8, 9, 10, 16 and 19 of this Resolution shall take effect upon the consent in writing of the holders of two-thirds or more in principal amount of the Bonds then outstanding as provided for in Section 12.02 of the General Bond Resolution.

**SECTION 22.** In the event any provisions of this resolution shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**SECTION 23.** Except as otherwise expressly provided hereunder, the provisions of this resolution and all rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Mississippi and to the extent they preempt such laws, the laws of the United States of America.

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**APPENDIX J**  
**ENGINEER'S REPORT**

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June 25, 2013

City of Jackson  
Jackson, Mississippi

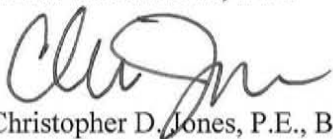
REFERENCE: \$89,990,000 Mississippi Development Bank Special Obligation Bonds,  
Series 2013 (City of Jackson, Mississippi Water and Sewer System  
Revenue Bond Project), Series 2013 (the "Bonds")

Ladies and Gentlemen:

The undersigned consents to the inclusion in the Final Official Statement dated June 27, 2013, relating to the above-captioned bonds, of our Engineering Report dated June 25, 2013. In addition, the undersigned consents to the reference to our firm under the caption "CONSULTING ENGINEER" in the Official Statement.

Sincerely,

NEEL-SCHAFFER, INC.



Christopher D. Jones, P.E., BCEE, F.NSPE  
Assistant Engineer Manager

June 25, 2013  
NS Account No. NS.11524.000.001

Honorable Harvey Johnson, Jr.  
Mayor, City of Jackson  
P.O. Box 17  
Jackson, MS 39205-0017

REFERENCE: ENGINEERING REPORT  
PROPOSED \$89,990,000 SPECIAL OBLIGATION BONDS  
SERIES 2013

Dear Mayor Johnson:

Enclosed is the Engineering Report prepared in support of the referenced project. We enjoy our working relationship with you and the City of Jackson and look forward to continued service to both the administration and the citizens of the Capital City of this great state of Mississippi.

Should you, your staff, or any consultants engaged in this endeavor have any questions regarding our report, please call us at (601) 624-2491.

Sincerely,

NEEL-SCHAFFER, INC.



Christopher D. Jones, P.E., BCEE, F.NSPE  
Assistant Engineer Manager

Enclosures

pc: Lee Unger, w/encl.  
File

## **Independent Consulting Engineer's Report**

This report is provided in accordance with the requirements of the City of Jackson's 1993 General Bond Resolution, Section 3.03, as amended.

Our independent review of the proposed Series 2013 Special Obligation Bonds, in support of the Performance Contracting Agreement with Siemens Industry, Inc., in the amount of \$89,990,000 has yielded the following findings.

1. We have reviewed the Performance Contracting Agreement (Agreement) and the technical and management reports prepared by Siemens related to this Project and found them to be in order.
2. We have reviewed compliance with the City's existing Additional Bonds Test and Rate Covenant and the results are included herein.
3. We have projected expenditures and potential savings with regard to meeting the coverage ratio requirements of the aforementioned Rate Covenant for the next Fiscal Year, results included herein.
4. We have provided a five year projection of cash flows to address near term coverage requirements.
5. It is our opinion that the expected savings outlined in the Agreement with Siemens Industry, Inc., both guaranteed and stipulated, are reasonable and in-line with industry standards of similar nature and magnitude. A summary of performance contract savings, as provided by Malachi Financial Products, Inc., is included at the end of this report.
6. It is our opinion, given the nature of the Project and the technology utilized, that the City will have sufficient resources to manage/oversee the Project and maintain the equipment following construction completion.
7. It is our opinion that the 2040 term of the Series 2013 Special Obligation Bond debt compared to the useful life of the assets being financed is reasonable given the nature of the Project and the technology utilized.

The following attachments are included to support the findings of this report.

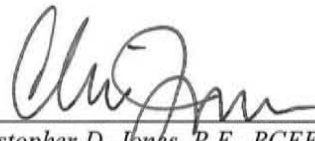
- Certification that the City is current in all deposits into the various Funds and all payments theretofore required to have been deposited or made by it under the provisions of the General Bond Resolution, as amended.



- Certification that the amount of the Adjusted Net Revenues, computed on the basis of the Net Revenues during any twelve (12) consecutive months of the eighteen (18) months immediately preceding the delivery of such Series of Bonds, will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement after issuance of such Series of Bonds, with Adjusted Net Revenues calculated to include those savings anticipated by implementation of the Siemen's project.
- Table 1: Additional Bonds Test – 12 month period from January 1, 2012, to December 31, 2012.
- Table 2: FY 13 Analysis – Utilizing Current Rates.
- Table 3: Five Year Projection – Utilizing Current Rates.

Based on this review, the City of Jackson met the Additional Bonds requirements of the 1993 General Bond Resolution related to the issuance of the Series 2013 Special Obligation Bonds. Additionally, the City will meet the coverage requirements after such Series of Bonds are issued through FY14. Beginning in FY15, rates will need to be adjusted in order to meet the coverage ratio requirements as stipulated.

A list of assumptions reflected in the attached fiscal projections, along with information regarding the Independent Consulting Engineer, is included after Table 3.



*Christopher D. Jones, P.E., BCEE, F.NSPE*  
*MS License No. 13175*

Title: Assistant Engineer Manager

Date: June 25, 2013

## Summary of Performance Contract Savings

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The Performance Contract being entered into by the City with Siemens, Inc., will provide for significant upgrades to its water and sewer system. Improvements will include the replacement of 65,000 commercial (large) and residential (small) water meters, the installation of a fully automated and highly accurate billing and water use management system, the replacement of approximately two dozen collapsed sewer collection lines and improvements at the City's two water treatment plants.

The City and Siemens anticipate that the repairs and improvements under the Performance Contract will provide significant increases in revenue for the water and sewer systems through higher billable consumption without increasing utility rates. The increases in billable consumption will result from the replacement of all of the City's water meters for both residential and commercial customers. The new meters will increase overall accuracy of small, mainly residential, meters by 9.5% and the overall accuracy of large, commercial, meters by 8.5%. The City will also reduce operating expenses through changes in operations and reduction in maintenance expenses through replacement of sewer collection lines, improvements to its two water treatment plants, replacing of meters, and replacing its utility billing system..

The annual savings predicted in the Performance Contract consist of the increased revenues from the installation of new small meters, defined as those 2" in size and smaller, and large meters, which are the remainder of the City meters, and the operational and maintenance expenses listed above. The savings from the small meters will be measured and verified by Siemens at the end of the construction period and annually thereafter. If the savings predicted in the Performance Contract for small meters is not achieved, Siemens will pay the City the difference.

The savings from the large meters has been stipulated by the City and Siemens based on the calculation of the difference in accuracy between the old meters and new meters, assuming rates and consumption remain constant throughout 15-year period. The technology used in these large meters for measuring water consumption does not involve mechanical parts that deteriorate over time. Consequently, the City decided that the additional annual expense to measure and verify the continued accuracy of the large meters necessary for a Siemens performance guarantee outweighed the small risk that these large meters would not perform as expected. Siemens will check a randomly selected sample of the large meters annually to verify their continued performance.

The stipulated savings from operational changes by the City that will result from the new meters, the advanced metering infrastructure, and the new billing system were calculated by Siemens based on information provided by the City. Siemens does not provide a savings guarantee for operational savings because the changes in operations necessary to achieve the savings are not within its control. The City expects these operational savings to be achieved as it phases in the operational changes allowed by the new equipment provided under the Performance Contract. The City will track and verify that it is achieving the stipulated operational savings from the operational changes. Siemens calculated the annual savings from deferred maintenance expenses based on replacing sewer lines, all meters, the billing system, and improvements to the City's two water treatment plants.

The City is also protected from delays in the construction schedule by a liquidated damages clause that guarantees all the anticipated savings projected during the construction period, including savings from the large meters and operational savings. The liquidated damages clause provides for a payment of \$1,489,899.00 plus \$19,700.11 for each day of delay beyond the construction period, 910 days. Siemens may reduce the amount of liquidated damages by proving savings actually received by the City during the construction period.

## Summary of Performance Contract Savings

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The values shown in Table 1.2 of Exhibit C of the Siemens's Performance Contract represent the savings to the City calculated by Siemens for purposes of the performance contract. However, those amounts represent only a portion of the actual amounts that the City may receive from the new equipment installed and operational changes instituted under the performance contract. The values in the contract have been reduced by 13% in order to allow for performance volatility and unforeseen external factors such as extreme incidents of weather or additional construction/repair needs. Furthermore, the actual savings received by the City will be affected by such factors as installation priority, construction timing and the City's ability to institute cost-savings measures to lower operations expenses.

Table 1, 2 and 3 of the Independent Engineer Report shows the *Anticipated Savings* that Siemens provided to the Consulting Engineer, and that it foresees generating over the first five years of the Performance Contract. In Table 1.2 those years are covered by the Construction Period (30 months ending approximately in December 2015) and Annual Periods 1 and 2 (approximately FY 2016 and FY 2017). The *Anticipated Savings* shown in Table 1, 2, 3 of the Independent Engineer Report presents a more comprehensive view of the cash flows expected to be received through FY 2017, and includes the amounts guaranteed to the City. These values have been calculated based on the data that Siemens has presented to the City and the Consulting Engineer, testifying to its ability to generate costs-savings immediately and in greater amounts than shown under the Performance Contract.

**Construction Priority.** Siemens will place a priority on installing the large meters as the first portion of its construction program. There are fewer large meters, but the City realizes almost 50% of water revenues from these meters. The savings that will result from these large meters will be significant on a per meter basis. Siemens expects the City to begin to see increased revenue from these meters in as few as 30 days following the release of bond proceeds. The current construction schedule calls for a majority of large meters to be installed before the end of FY 2013 (9/30), with large meter installation to be completed at or near the end of calendar year 2013. Small meter installation is expected to be completed no later than the end of FY 2014.

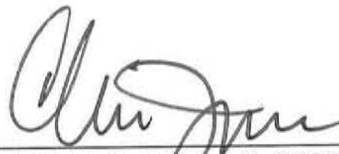
**Construction Timing.** While large meters will be prioritized, many aspects of the Performance Contract, will be occurring simultaneously. In generating the *Anticipated Savings*, Siemens based its values on a construction schedule that will allow the City to receive savings from the installation of large and small meters and deferred maintenance sooner than expected. The table below illustrates the expected construction timing as provided by Siemens.

### Summary of Performance Contract Savings

Timing	Event	Impact
End of FY 2013	Most large meters installed (all large meters to be installed by end of December 2013)	Large meter and deferred maintenance savings and of \$1.5 million by end of FY 2013
End of FY 2014	All small meters installed (1/2 years reduction in deferred maintenance expense assumed)	Large/small meter and deferred maintenance savings of \$3.4million in FY 2014
End of FY 2015	All meters installed (full year of deferred maintenance expense assumed)	Large/small meter and deferred maintenance savings of \$5.6 million in FY 2015
End of FY 2016	System upgrades complete (full year of deferred maintenance and operations expense assumed)	Large/small meter, deferred maintenance and operations savings of \$7.7 million in FY 2016
End of FY 2017	Fully operational system	Large/small meter, deferred maintenance and operations savings of \$7.8 million in FY 2017

## CERTIFICATE OF INDEPENDENT CONSULTING ENGINEER

I, the undersigned, Christopher D. Jones, P.E., BCEE, F.NSPE, do hereby certify that I have examined the fiscal status of the City of Jackson, Mississippi's Combined Water and Sewer Enterprise Fund, in accordance with the City's 1993 General Bond Resolution, Article III, Section 3.03, Paragraph (d)(1), as amended, and based upon the information provided to me by the City of Jackson (attached), I am of the opinion that the City is current in all deposits into the various funds and all payments theretofore required to have been deposited or made by the City under the provisions of said General Bond Resolution.



*Christopher D. Jones, P.E., BCEE, F.NSPE*  
*MS License No. 15175*

Title: Assistant Engineer Manager

Date: June 25, 2013





Department of Administration



200 South President Street  
Post Office Box 17  
Jackson, Mississippi 39205-0017

Harvey Johnson, Jr.  
*Mayor of the City of Jackson*

April 16, 2013

Christopher D. Jones, P.E., BCEE  
Assistant Engineer Manager  
Neel-Schaffer  
1230 Highway 51 North  
Madison, MS 39110

RE: Water/Sewer Reserves-Deposits

Dear Chris:

The City of Jackson, Mississippi has maintained the required water/sewer reserves-deposits for the past eighteen (18) months (September 2011 to February 2013). A copy of the reserves analysis is attached.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Hill", is written over a faint, larger signature.

Rick Hill  
Deputy Director of Administration

RH:mst

Attachment

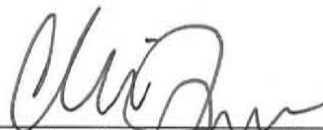
**WATER/SEWER BONDS  
REQUIRED RESERVES  
February 28, 2013**

<u>FUND</u>	<u>FY 2013 ADOPTED BUDGET</u>	<u>REQUIRED RESERVE</u>	<u>RECOMMENDED RESERVE</u>	<u>ACTUAL CASH BALANCE 10/01/2012-13 as of 2/28/13 cash report</u>	<u>over (short)</u>
Water Sewer Revenue Fund (030) 1/12 of O & M budget by the 15th from 15th to 30th of September - of 1/12 Less Vouchers Payable		-	-	6,301,089 (21,913)	6,279,176
Operation & Maint (031) 1/12 of O & M budget by the 15th from 15th to 30th of September - of 1/12 Less Customer Deposit Reserve Less Vouchers Payable Net Operation & Maint (031)	\$ 45,771,230	3,814,269	11,442,808	11,893,652 (4,209,396) (156,210) 7,528,046	3,713,777
Bond & Interest (205)-PAID OFF 1/12 Pr 1/12 Int	- -	- -	- -	-	-
Bond & Interest (206) 1/12 of principal & interest - estimated \$35 million issued in 1999	-	-	-	1,992	1,992
Bond & Interest (207) 1/12 of principal & interest - estimated \$35 million issued in 1999	-	-	-	3,004	3,004
Bond & Interest (208)-REFUNDING 1/12 of principal & interest - estimated \$50 million issued in 2002	-	-	-	-	-
Bond & Interest (209)-Refunded in 2012 1/12 of principal & interest - estimated \$78 million issued in 2004-Fund 258	5,140,618	1,020,000	1,020,000	1,020,000	-
Bond & Interest (210) 1/12 of principal & interest - estimated \$27,180 million issued in 2005	2,528,532	737,500	737,500	737,500	-
Bond & Interest (211) 1/12 of principal & interest - estimated \$46,720 million issued in 2011 \$2,565 million issued in 2011	3,559,913 195,742	785,000 36,000	785,000 35,000	820,000	-
<b>TOTAL BOND &amp; INTEREST</b>		<b>2,577,500</b>	<b>2,577,500</b>	<b>2,582,496</b>	<b>4,996</b>
Contingent Fund (033) 2/12 of O & M budget		7,628,538	7,628,538	7,628,538	(0)
Depreciation Fund (035)		100,000	100,000	172,845	72,845
<b>Total</b>		<b>\$ 14,120,308</b>	<b>\$ 21,748,846</b>	<b>\$ 24,191,101</b>	<b>\$ 10,070,793</b>
				<b>\$ 2,442,255</b>	

## CERTIFICATE OF INDEPENDENT CONSULTING ENGINEER

I, the undersigned, Christopher D. Jones, P.E., BCEE, F.NSPE, do hereby certify that I have examined the fiscal status of the City of Jackson, Mississippi's Combined Water and Sewer Enterprise Fund, in accordance with the City's 1993 General Bond Resolution, Article III, Section 3.03, Paragraph (d)(2), as amended, and based upon the information provided by the City of Jackson with regard to Net Revenues, as defined in the 1993 General Bond resolution, for the previous year, the Adjusted Net Revenues for the 12-month period from January 1, 2012, to December 31, 2012, were greater than one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement (see Table 1).

Upon issuance of the proposed Series 2013 Special Obligation Bonds, the current water rate of \$2.48 per hundred cubic feet and the current sewer rate of \$2.15 per hundred cubic feet will be sufficient to meet the requirement of one hundred twenty percent (120%) of the Annual Debt Service until FY14. Beginning in FY15, The City will need to adjust existing rates in order to provide sufficient revenues to meet the requirement of one hundred twenty percent (120%) of the Annual Debt Service as comprised of both existing debt service obligations as of this date, and the debt service payment anticipated as a result of the proposed \$89,990,000 Series 2013 Special Obligation Bonds (see Tables 2 and 3).



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*Christopher D. Jones, P.E., BCEE, F.NSPE*  
MS License No. 13175

Title: Assistant Engineer Manager

Date: June 25, 2013



**TABLE 1**  
**PROPOSED SERIES 2013**  
**SPECIAL OBLIGATION BOND ISSUE SUPPORT DOCUMENTATION**  
**CITY OF JACKSON, MISSISSIPPI - WATER & SEWER SYSTEM**  
**ADDITIONAL BONDS TEST**

<u>MAXIMUM ANNUAL REVENUE REQUIREMENTS FOR DEBT SERVICE:</u>		<u>MAXIMUM ANNUAL</u>
System Revenue Bonds: Fund 210	2005 Series	\$2,545,110
System Revenue Bonds: Fund 211	2011 Series A (Refunding)	\$3,558,463
System Revenue Bonds: Fund 211	2011 Series B (Refunding)	\$197,950
Special Obligation Bonds (Non-Taxable)	2012 Series A	\$3,125,775
Special Obligation Bonds (Taxable)	2012 Series B	\$2,313,675
Special Obligation Bonds	2013 Series	\$7,422,563
<b>TOTAL DEBT SERVICE REQUIREMENTS:</b>		<b>\$19,163,536</b>
<u>REVENUE REQUIREMENTS FOR O&amp;M EXPENSES:</u>		<u>1/1/12 - 12/31/12</u>
Water System		\$17,885,010
Sewer System		\$16,548,425
Anticipated Average Savings 2016 - 2030		(\$8,691,907)
<b>TOTAL O&amp;M REQUIREMENTS:</b>		<b>\$25,741,528</b>
<b>TOTAL REVENUE REQUIREMENTS:</b>		<b>\$44,905,064</b>
<u>REVENUE TO BE DERIVED FROM USER CHARGES:</u>		
WATER OPERATING REVENUES		
Rate per CCF		\$2.48
Chargeable Consumption		8,924,138
Chargeable Consumption Revenue		\$22,131,862
SEWER OPERATING REVENUES		
Rate per CCF		\$2.15
Chargeable Volume		7,767,738
Chargeable Volume Revenue		\$16,700,636
<b>TOTAL OPERATING REVENUES:</b>		<b>\$38,832,498</b>
SOURCES OF ADDITIONAL INCOME:		
Service Charge		\$5,528,253
Line rehabilitation fees		\$0
Fire Protection Fees		\$274,740
Service Connections		\$150,539
Privilege Fees/Development Charges		\$58,340
Meter Installation Fees		\$164,901
Miscellaneous		\$938,794
Bad Check Fee		\$0
Interest Earnings (Funds 30, 31, 32, 33, 35, & 205)		\$263,000
Sewer Connection Permits		\$54,158
Loan Proceeds (Capital Equipment)		\$0
Transfer in from Solid Waste (Fund 009)		\$0
Transfer in from General Fund		\$0
Madison Co. Water Sales (began 5/6/04)		\$350,505
Transfers from Regional System Accounts		\$3,890,844
<b>TOTAL SOURCES OF ADDITIONAL INCOME:</b>		<b>\$11,674,074</b>
<b>TOTAL REVENUES:</b>		<b>\$50,506,572</b>
<b>TOTAL ADJUSTED NET REVENUES (Total Revenue - O&amp;M Expenses):</b>		<b>\$24,765,044</b>
<b>ADDITIONAL BONDS TEST (Total Adjusted Net Revenues / Maximum Annual Debt Service):</b>		<b>1.29</b>

**NOTES:**

Analysis based on revenue and expense data provided by City of Jackson personnel and bond/debt schedules provided by Rice Financial Products Company.

**TABLE 2**  
**PROPOSED SERIES 2013**  
**SPECIAL OBLIGATION BOND ISSUE SUPPORT DOCUMENTATION**  
**CITY OF JACKSON, MISSISSIPPI - WATER & SEWER SYSTEM**

**FY13 ANALYSIS - CURRENT RATES**

<u>REVENUE REQUIREMENTS FOR DEBT SERVICE:</u>		FY13
System Revenue Bonds: Fund 210	2005 Series	\$2,528,533
System Revenue Bonds: Fund 211	2011 Series A (Refunding)	\$3,559,913
System Revenue Bonds: Fund 211	2011 Series B (Refunding)	\$195,742
Special Obligation Bonds (Non-Taxable)	2012 Series A	\$2,766,057
Special Obligation Bonds (Taxable)	2012 Series B	\$2,374,560
Special Obligation Bonds	2013 Series	\$0
<b>TOTAL DEBT SERVICE REQUIREMENTS:</b>		<b>\$11,424,804</b>
<u>REVENUE REQUIREMENTS FOR O&amp;M EXPENSES:</u>		
Water System		\$20,294,197
Sewer System		\$18,037,030
Anticipated Savings (Operational and deferred maintenance)		(\$503,750)
<b>TOTAL O&amp;M REQUIREMENTS:</b>		<b>\$37,827,477</b>
<b>TOTAL REVENUE REQUIREMENTS:</b>		<b>\$49,252,281</b>
<u>REVENUE TO BE DERIVED FROM USER CHARGES:</u>		
WATER OPERATING REVENUES		
Rate per CCF		\$2.48
Chargeable Consumption		8,924,138
Chargeable Consumption Revenue		\$22,131,862
SEWER OPERATING REVENUES		
Rate per CCF		\$2.15
Chargeable Volume		7,767,738
Chargeable Volume Revenue		\$16,700,636
REVENUE FROM CHARGEABLE CONSUMPTION:		\$38,832,498
SOURCES OF ADDITIONAL INCOME:		
Service Charge		\$5,528,253
Line rehabilitation fees		\$0
Fire Protection Fees		\$274,740
Service Connections		\$150,539
Privilege Fees/Development Charges		\$58,340
Meter Installation Fees		\$164,901
Miscellaneous		\$938,794
Bad Check Fee		\$0
Interest Earnings (Funds 30, 31, 32, 33, 35, & 205)		\$263,000
Sewer Connection Permits		\$54,158
Loan Proceeds (Capital Equipment)		\$0
Transfer in from Solid Waste (Fund 009)		\$0
Transfer in from General Fund		\$0
Madison Co. Water Sales (began 5/6/04)		\$350,505
Transfers from Regional System Accounts		\$3,890,844
<b>TOTAL SOURCES OF ADDITIONAL INCOME:</b>		<b>\$11,674,074</b>
ANTICIPATED SAVINGS (Small and Large Meter Revenues)		\$986,149
<b>TOTAL REVENUES:</b>		<b>\$51,492,721</b>
<b>TOTAL ADJUSTED NET REVENUES (Total Revenue - O&amp;M Expenses):</b>		<b>\$13,665,244</b>
<b>COVERAGE RATIO (Total Adjusted Net Revenues / Total Debt Service):</b>		<b>1.20</b>

**NOTES:**

Analysis based on revenue and expense data provided by City of Jackson personnel and bond/debt schedules provided by Rice Financial Products Company.

**TABLE 3**  
**PROJECTED CASH FLOW - 2013 SPECIAL OBLIGATION BOND ISSUE SUPPORT DOCUMENTATION**  
**CITY OF JACKSON, MISSISSIPPI - WATER & SEWER SYSTEM**

<u>REVENUE REQUIREMENTS FOR DEBT SERVICE:</u>		FY13	FY14	FY15	FY16	FY17
System Revenue Bonds: Fund 210	2005 Series	\$2,528,533	\$2,526,595	\$2,527,045	\$2,530,510	\$2,532,260
System Revenue Bonds: Fund 211	2011 Series A (Refunding)	\$3,559,913	\$3,555,663	\$3,559,488	\$3,557,888	\$3,553,688
System Revenue Bonds: Fund 211	2011 Series B (Refunding)	\$195,742	\$197,893	\$194,841	\$196,788	\$198,532
Special Obligation Bonds (Non-Taxable)	2012 Series A	\$2,766,057	\$2,750,775	\$2,750,775	\$2,750,775	\$2,750,775
Special Obligation Bonds (Taxable)	2012 Series B	\$2,374,560	\$2,707,313	\$2,702,375	\$2,704,100	\$2,704,206
Special Obligation Bonds	2013 Series	\$0	\$0	\$2,932,969	\$5,865,938	\$7,421,063
<b>TOTAL DEBT SERVICE REQUIREMENTS:</b>		<b>\$11,424,804</b>	<b>\$11,738,238</b>	<b>\$14,667,492</b>	<b>\$17,605,999</b>	<b>\$19,160,524</b>
<u>REVENUE REQUIREMENTS FOR O&amp;M EXPENSES:</u>						
Water System *		\$20,294,197	\$20,497,139	\$20,702,110	\$20,909,131	\$21,118,223
Sewer System **		\$18,037,030	\$18,578,141	\$19,135,485	\$19,709,550	\$20,300,836
Anticipated Savings (Operational and deferred maintenance)		(\$503,750)	(\$875,000)	(\$1,750,000)	(\$3,795,428)	(\$3,825,656)
<b>TOTAL O&amp;M REQUIREMENTS:</b>		<b>\$37,827,477</b>	<b>\$38,200,280</b>	<b>\$38,087,595</b>	<b>\$36,823,253</b>	<b>\$37,593,403</b>
<b>TOTAL REVENUE REQUIREMENTS:</b>		<b>\$49,252,281</b>	<b>\$49,938,518</b>	<b>\$52,755,087</b>	<b>\$54,429,252</b>	<b>\$56,753,927</b>
<u>REVENUE TO BE DERIVED FROM USER CHARGES:</u>						
<b>WATER OPERATING REVENUES</b>						
Rate per CCF		\$2.48	\$2.48	\$2.58	\$2.70	\$2.95
Chargeable Consumption		8,924,138	8,924,138	8,924,138	8,924,138	8,924,138
Chargeable Consumption Revenue		\$22,131,862	\$22,131,862	\$23,024,276	\$24,095,173	\$26,326,207
<b>SEWER OPERATING REVENUES</b>						
Rate per CCF		\$2.15	\$2.15	\$2.21	\$2.35	\$2.40
Chargeable Volume		7,767,738	7,767,738	7,767,738	7,767,738	7,767,738
Chargeable Volume Revenue		\$16,700,637	\$16,700,637	\$17,166,701	\$18,254,184	\$18,842,571
<b>REVENUE FROM CHARGEABLE CONSUMPTION:</b>		<b>\$38,832,499</b>	<b>\$38,832,499</b>	<b>\$40,190,977</b>	<b>\$42,349,357</b>	<b>\$44,968,778</b>
<b>SOURCES OF ADDITIONAL INCOME: ***</b>						
Service Charge		\$5,528,253	\$5,528,253	\$5,528,253	\$5,528,253	\$5,528,253
Line rehabilitation fees		\$0	\$0	\$0	\$0	\$0
Fire Protection Fees		\$274,740	\$274,740	\$274,740	\$274,740	\$274,740
Service Connections		\$150,539	\$150,539	\$150,539	\$150,539	\$150,539
Privilege Fees/Development Charges		\$58,340	\$58,340	\$58,340	\$58,340	\$58,340
Meter Installation Fees		\$164,901	\$164,901	\$164,901	\$164,901	\$164,901
Miscellaneous		\$938,794	\$938,794	\$938,794	\$938,794	\$938,794
Bad Check Fee		\$0	\$0	\$0	\$0	\$0
Interest Earnings (Funds 30, 31, 32, 33, 35, & 205)		\$263,000	\$263,000	\$263,000	\$263,000	\$263,000
Sewer Connection Permits		\$54,158	\$54,158	\$54,158	\$54,158	\$54,158
Loan Proceeds (Capital Equipment)		\$0	\$0	\$0	\$0	\$0
Transfer in from Solid Waste (Fund 009)		\$0	\$0	\$0	\$0	\$0
Transfer in from General Fund		\$0	\$0	\$0	\$0	\$0
Madison Co. Water Sales (began 5/6/04)		\$350,505	\$350,505	\$350,505	\$350,505	\$350,505
Transfers from Regional System Accounts		\$3,890,844	\$3,890,844	\$3,890,844	\$3,890,844	\$3,890,844
<b>TOTAL SOURCES OF ADDITIONAL INCOME:</b>		<b>\$11,674,074</b>	<b>\$11,674,074</b>	<b>\$11,674,074</b>	<b>\$11,674,074</b>	<b>\$11,674,074</b>
<b>ANTICIPATED SAVINGS (Small and Large Meter Revenues)</b>		<b>\$986,149</b>	<b>\$2,502,354</b>	<b>\$3,870,636</b>	<b>\$3,945,960</b>	<b>\$4,021,285</b>
<b>TOTAL REVENUES:</b>		<b>\$51,492,722</b>	<b>\$53,008,927</b>	<b>\$55,735,687</b>	<b>\$57,969,391</b>	<b>\$60,664,137</b>
* Water O&M escalated at 1% annually, based on 25 years of actual data.						
** Sewer O&M escalated at 3% annually, based on 25 years of actual data.						
*** Sources of additional income held constant, for conservative purposes, matching historical trends.						
<b>TOTAL NET REVENUES (Total Revenue - O&amp;M Expenses):</b>		<b>\$13,665,245</b>	<b>\$14,808,647</b>	<b>\$17,648,091</b>	<b>\$21,146,138</b>	<b>\$23,070,734</b>
<b>COVERAGE RATIO (Total Net Revenues / Total Debt Service):</b>		<b>1.20</b>	<b>1.26</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>

NOTES: Analysis based on revenue and expense data provided by City of Jackson personnel and bond/debt schedules provided by Rice Financial Products Company.

Highlight Rate increase required in order to meet coverage ratio requirements.

## ASSUMPTIONS REGARDING FIVE-YEAR PROJECTED CASH FLOW

### Revenue Requirements for Debt Service

Debt Service requirements for Outstanding Debt was extracted from the City's financial statements. The projections for Series 2013 Bond debt service assumes capitalized interest through December 1, 2014 and an approximate all in average rate of 5.76% for such bonds.

### Revenue Requirements for O&M Expenses

The five-year projected cash flow provides information related to existing debt service on current Outstanding Bonds and the costs and expenses associated with the 2013 Project financed with the Series 2013 Bonds. This five-year projected cash flow does not include projected additional capital outlay and additional operational and financing costs associated with planned improvements to the water system infrastructure (approximately \$50,000,000 over five years) nor the additional cost associated with waste water system improvements, other than the 2013 Project, as required by the USEPA Consent Decree (which are being developed in the Financial & Cost Analysis Program required by the Consent Decree).

Revenue Requirements for O&M Expenses are based upon Water O&M Expense increases of 1% annually and Sewer O&M expense escalations are based upon 3% increases annually.

Anticipated Savings (Operational and Deferred Maintenance) are a portion of the projected savings resulting from implementation of the maintenance and operational aspects of the Performance Contract. Projected Operational Savings also includes capital off-set savings, including, but are not limited to, a reduction in: (i) future employment needs (fewer meter readers needed due to the system's automation), (ii) vehicle acquisition, (iii) fuel consumption, and (iv) errors related to the existing billing system. Under the Performance Contract, Deferred Maintenance savings are a sub-category of Operational Savings. Deferred Maintenance savings are the projected savings that are the direct result of repairs and improvements to the System that are part of the 2013 Project which lead to avoiding future repair and maintenance costs or extend equipment useful life and defers required equipment replacement.

### Revenue Derived from User Charges

Revenue Derived from User Charges assumes flat water and sewer rates through and including FYE 2014 and contemplates a minimum increase in rates for future years as follows in order to accommodate the additional debt service requirements and comply with the rate covenant.

FY15 Water – 4.03% (from \$2.48 to \$2.58 per CCF)  
Sewer – 2.79% (from \$2.15 to \$2.21 per CCF)

FY16 Water - 4.65% (from \$2.58 to \$2.70 per CCF)  
Sewer - 6.33% (from \$2.21 to \$2.35 per CCF)

FY17 Water - 9.26% (from \$2.58 to \$2.95 per CCF)  
Sewer - 2.13% (from \$2.21 to \$2.40 per CCF)



To the extent that the additional water system improvements and Consent Decree work is performed during this projected five-year period, the City would be required to use System operating reserves, impose additional rate increases, secure additional revenues or reduce expenses to maintain its rate covenant.

The City's "anticipated savings" for small and large meter revenues are based on projected additional revenues not previously realized due to faulty metering and are projected to be recouped as a result of the installation of new meters provided through implementation of the 2013 Project.

### **Independent Consulting Engineer**

Neel-Schaffer, Inc. (the "Consulting Engineer") was founded in 1983, and is one of the largest privately held engineering firms, with over 400 employees, in the Southeast and Southwest. A multidisciplinary engineering and planning firm, Neel-Schaffer encompasses a group of specialized offices in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and Texas.

*Christopher D. Jones, P.E., BCEE, F.NSPE*, is a licensed professional engineer in both Mississippi and Florida. Mr. Jones was the primary professional assigned to developing this report. He is a Diplomate of the American Academy of Environmental Engineers (Board Certified Environmental Engineer - BCEE) and a Fellow of the National Society of Professional Engineers (F.NSPE). Mr. Jones holds a Bachelor of Science degree, Civil Engineering, Mississippi State University, 1990, and a Master of Science degree, Civil Engineering, Mississippi State University, 1996.

Mr. Jones has been an employee of Neel-Schaffer, Inc. for more than 18 years and has performed hundreds of water and sewer rate evaluations over the last 22 years for a variety of municipal, private and quasi-governmental agencies. Mr. Jones has worked with the City of Jackson's water and sewer system and its rates since 1993, and has an extensive database of financial and consumption information regarding the City's operations dating back to the mid 1980's.





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