

SUPPLEMENT AND AMENDMENT TO
OFFICIAL STATEMENT DATED NOVEMBER 19, 2014

\$27,120,000

JACKSON ENERGY AUTHORITY (TENNESSEE)
ELECTRIC SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2014

This Supplement is intended to reflect that any Notice of Redemption with respect to the captioned bonds shall be given not less than 30 days prior to the redemption date. In this regard the heading "Notice of Redemption" in the Official Statement shall be revised to read as follows:

Notice of redemption, whether optional or mandatory, will be given by first class mail at least 30 days and not more than 60 days prior to the redemption date, to all registered owners of the Series 2014 Bonds to be redeemed at their addresses of record as they appear on the books of the Trustee.

Dated: December 3, 2014

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OFFICIAL STATEMENT

NEW ISSUE
Book-Entry Only

Rating: Moody's "Aa2"

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Issuer, interest on the Series 2014 Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2014 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2014 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Tax Matters" herein).

\$27,120,000

JACKSON ENERGY AUTHORITY (TENNESSEE)

ELECTRIC SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2014

Dated: December 5, 2014

Due: May 1, as shown below

Jackson Energy Authority (the "Issuer") will issue its Electric System Revenue Refunding and Improvement Bonds, Series 2014 (the "Series 2014 Bonds") as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof and will bear interest at the annual rates shown below. Interest on the Series 2014 Bonds will be payable semi-annually on May 1 and November 1, commencing May 1, 2015. Principal of and interest on the Series 2014 Bonds will be payable at the corporate trust office of U.S. Bank National Association, Nashville, Tennessee (the "Trustee"), as trustee, paying agent and bond registrar, provided that interest may be paid by check or draft mailed by the Trustee to each registered owner as of the record date.

The Series 2014 Bonds are a limited revenue obligation of the Issuer payable solely from and secured by a pledge of the Net Revenues (as herein defined) of the electric system of the Issuer (the "System") pursuant to the provisions of the Resolution (as herein defined) on a parity and equality of lien with the Issuer's outstanding Electric System Refunding Revenue Bonds, Series 2010 and any other bonds issued hereafter on a parity with the Series 2014 Bonds in accordance with the Resolution (see heading herein entitled "Security-Source of Payment of the Series 2014 Bonds"). The Series 2014 Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the Issuer, nor is the State of Tennessee or any of its political subdivisions, other than the Issuer, liable for the payment of the principal of or interest on the Series 2014 Bonds. The Resolution does not grant to owners of the Series 2014 Bonds any mortgage on or security interest in any real or personal property of the Issuer other than the lien on the Net Revenues of the System. The Issuer has no taxing power. The Series 2014 Bonds are not payable from the revenues of any system of the Issuer other than the System.

The Series 2014 Bonds are subject to optional redemption on May 1, 2024 and thereafter as set forth herein. The Series 2014 Bonds are payable on May 1 of each year as follows:

<u>Maturity Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>Cusip*</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>Cusip*</u>
2015	\$150,000	5.00%	0.250%	46873Q BS7	2024	\$1,630,000	5.00%	2.350%	46873Q CB3
2016	900,000	5.00	0.420	46873Q BT5	2025	1,660,000	5.000	2.470 c	46873Q CC1
2017	710,000	5.00	0.650	46873Q BU2	2026	1,900,000	5.000	2.570 c	46873Q CD9
2018	880,000	5.00	0.950	46873Q BV0	2027	3,230,000	5.000	2.630 c	46873Q CE7
2019	870,000	5.00	1.220	46873Q BW8	2028	3,400,000	3.000	3.150	46873Q CF4
2020	975,000	5.00	1.550	46873Q BX6	2029	3,500,000	4.000	3.050 c	46873Q CG2
2021	1,325,000	5.00	1.850	46873Q BY4	2030	780,000	3.125	99.00	46873Q CH0
2022	1,280,000	5.00	2.100	46873Q BZ1	2031	800,000	3.250	99.00	46873Q CJ6
2023	1,450,000	5.00	2.250	46873Q CA5					

\$1,680,000 3.250% Term Bond due May 1, 2033, Price 98.00%, CUSIP No.* 46873Q CK3

c = yield to first optional redemption date of May 1, 2024

The Series 2014 are offered when, as and if issued, subject to the approval of the legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Series 2014. Certain legal matters will be passed upon for the Issuer by Teresa Cobb, Esq., Counsel to the Issuer. Stephens Inc. is serving as Financial Advisor to the Issuer. The Series 2014, in book-entry form, are expected to be available for delivery through Depository Trust Company in New York, New York, on or about December 5, 2014.

November 19, 2014

*These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are included solely for convenience of the Bondholders. The Issuer is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2014 or as indicated herein.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the “Official Statement”) by the Jackson Energy Authority (the “Issuer”), is an Official Statement with respect to the Bonds described herein that is deemed final by the Issuer as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the Issuer or by Stephens Inc. (the “Financial Advisor”) to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Issuer or the Bonds must not be relied upon as having been authorized by the Issuer or the Financial Advisor. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date as of which information is given in this Official Statement.

In making an investment decision investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

Jackson Energy Authority (Tennessee)
Electric System Revenue Refunding and Improvement Bonds, Series 2014

Dated December 5, 2014

<u>Maturity (May 1)*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP No.**</u>
2015	\$150,000	5.000%	0.250%	46873Q BS7
2016	900,000	5.000	0.420	46873Q BT5
2017	710,000	5.000	0.650	46873Q BU2
2018	880,000	5.000	0.950	46873Q BV0
2019	870,000	5.000	1.220	46873Q BW8
2020	975,000	5.000	1.550	46873Q BX6
2021	1,325,000	5.000	1.850	46873Q BY4
2022	1,280,000	5.000	2.100	46873Q BZ1
2023	1,450,000	5.000	2.250	46873Q CA5
2024	1,630,000	5.000	2.350	46873Q CB3
2025	1,660,000	5.000	2.470 c	46873Q CC1
2026	1,900,000	5.000	2.570 c	46873Q CD9
2027	3,230,000	5.000	2.630 c	46873Q CE7
2028	3,400,000	3.000	3.150	46873Q CF4
2029	3,500,000	4.000	3.050 c	46873Q CG2
2030	780,000	3.125	99.00%	46873Q CH0
2031	800,000	3.250	99.00%	46873Q CJ6
2033*	1,680,000	3.250	98.00%	46873Q CK3

c = yield to first optional redemption date of May 1, 2024

*Term Bond

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. Neither the Underwriter nor the Issuer is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2014 Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2014 Bonds.

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TABLE OF CONTENTS

OFFICIALS iii

Summary Statement iv

INTRODUCTION 1

PLAN OF FINANCING 1

 Estimated Sources and Uses of Funds 2

 The Project 2

 Plan of Refunding 2

DESCRIPTION OF THE SERIES 2014 BONDS 2

 General 2

 Denominations, Registration, Transfers and Exchanges 3

 Optional Redemption 3

 Mandatory Sinking Fund Redemption 3

 Notice of Redemption 4

 Trustee, Bond Registrar and Paying Agent 5

 Book-Entry Only Bonds 5

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2014 BONDS 7

 Senior Lien Obligations 7

 Revenue Fund 7

 Sinking Fund 8

 Rate Covenant 8

 Additional Senior Lien Revenue Obligations 8

 Additional Borrowing Plans 9

 Telecom Loan Obligations 9

 Other System Obligations 9

DEBT SERVICE SCHEDULE 10

LEGAL MATTERS 10

 Pending Litigation 10

 Opinions of Bond Counsel 11

Tax Matters 11

 General 11

 Bond Premium 12

 Original Issue Discount 12

 Information Reporting and Backup Withholding 12

State Taxes 12

Changes in Federal and State Tax Law 12

CONTINUING DISCLOSURE.....	13
General	13
Annual Report.....	13
Reporting of Significant Events	14
Termination of Reporting Obligation	15
Amendment/Waiver.....	15
Default	15
Termination of Reporting Obligation	16
RATING	16
FINANCIAL ADVISOR	16
UNDERWRITING	16
INDEPENDENT AUDITORS.....	16
MISCELLANEOUS	17
AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT	18

Appendix A	-	Summary of Certain Provisions of the Resolution
Appendix B	-	Audited Financial Statements for Fiscal Year Ended June 30, 2014
Appendix C	-	Statistical and Demographic Information Regarding the Issuer
Appendix D	-	Statistical and Demographic Information Regarding the City of Jackson, Tennessee
Appendix E	-	Form of Bond Counsel Opinion

OFFICIALS

JACKSON ENERGY AUTHORITY (TENNESSEE)

BOARD OF DIRECTORS

Ken Marston, Chairman
Howard Bond
Bob Campbell
Pam Finney
Monte Jones

ADMINISTRATION

Jim Ferrell, President and Chief Executive Officer
Nancy Nanney, Chief Financial Officer
David Middlebrooks, Senior Vice President, Electric System

ISSUER'S COUNSEL

Teresa Cobb, Esq.
Jackson, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

REGISTRATION AND PAYING AGENT

U.S. Bank National Association
Nashville, Tennessee

FINANCIAL ADVISOR

Stephens Inc.
Nashville, Tennessee

UNDERWRITER

Hutchinson, Shockey, Erley & Co.
Chicago, Illinois

Summary Statement

This Summary is expressly qualified by the entire Official Statement, which should be viewed in its entirety by potential investors.

ISSUER	Jackson Energy Authority (Tennessee) (the "Issuer") is a governmental authority and public corporation created pursuant to a private act of the Tennessee General Assembly for the purpose of owning and operating certain utility systems, including an electric system, within or outside the corporate limits of the City of Jackson, Tennessee
ISSUE	\$27,120,000 Electric System Revenue Refunding and Improvement Bonds, Series 2014 (the "Series 2014 Bonds")
PURPOSES	(A) Refinancing the Issuer's outstanding Electric System Revenue Bonds, Series 2005 and its Electric System Revenue Bonds, Series 2008 (the "Refunded Bonds"), (B) financing the costs of making certain capital improvements (the "Projects") to the System (as such term is defined herein), and (C) payment of costs incident to the issuance and sale of the Series 2014 Bonds.
INTEREST DUE	Each May 1 and November 1, commencing May 1, 2015.
DATED DATE	Date of Delivery.
OPTIONAL REDEMPTION	The Series 2014 Bonds maturing on or before May 1, 2024 shall mature without option of redemption. The Series 2014 Bonds maturing on or after May 1, 2025 are subject to optional redemption at the option of the Issuer on May 1, 2024 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.
MANDATORY REDEMPTION	The Series 2014 Bonds maturing May 1, 2033 are subject to mandatory redemption on the dates and in the amounts herein – See Section entitled "Mandatory Sinking Fund Redemption."
SECURITY	The Bonds are a limited revenue obligation of the Issuer payable from and secured by a pledge of the Net Revenues (as herein defined) of the Issuer's electric system (the "System") on a parity of lien with the Issuer's outstanding Electric System Refunding Revenue Bonds, Series 2010 and any other bonds hereafter issued on a parity with the Series 2014 Bonds (see heading herein entitled "Security-Source of Payment of Series 2014 Bonds"). The Bonds are not an obligation of the City of Jackson, Tennessee, the State of Tennessee, or any political subdivision thereof (other than the Issuer). The Issuer has no power of taxation. The Series 2014 Bonds are not payable from the revenues of any system of the Issuer other than the System.
RATING	The Series 2014 Bonds have been assigned a rating of "Aa2" by Moody's Investors Services, Inc. ("Moody's") based on documents and other information provided by the Issuer. The rating reflects only the view of Moody's, and the Issuer makes no representations as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody's if in its judgment circumstances so warrant. Any such downward change in

or withdrawal of the rating may have an adverse effect on the secondary market price of the Series 2014 Bonds. Any explanation of the significance of the rating may be obtained from Moody's.

TAX MATTERS

Bass, Berry & Sims PLC will provide its unqualified opinion as to the tax exemption of the Series 2014 Bonds discussed under "Tax Matters" herein.

**TRUSTEE, BOND REGISTRAR AND
PAYING AGENT**

U.S. Bank National Association, Nashville, Tennessee.

FINANCIAL ADVISOR

Stephens Inc., Nashville, Tennessee.

UNDERWRITER

Hutchinson, Shockey, Erley & Co., Chicago, Illinois.

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\$27,120,000
Jackson Energy Authority (Tennessee)

Electric System Revenue Refunding and Improvement Bonds, Series 2014

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by Jackson Energy Authority (the "Issuer") of \$27,120,000 in aggregate principal amount of its Electric System Revenue Refunding and Improvement Bonds, Series 2014 (the "Series 2014 Bonds"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A - Summary of Certain Provisions of the Resolution.)

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2014 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The Issuer is a governmental authority and public corporation created pursuant to Chapter No. 55 of the Tennessee Private Acts of 2001 (the "Issuer Act") for the purpose of owning and operating certain utility systems, including an electric system, within or outside the corporate limits of the City of Jackson, Tennessee. The Issuer owns and operates an electric system (the "System"), serving portions of the City of Jackson, Tennessee. See Appendix C for Certain Statistical and Demographic Information Regarding the Issuer and Appendix D for Statistical and Demographic Information Regarding the City of Jackson, Tennessee.

The Series 2014 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, including, but not limited to the Issuer Act, and pursuant to a Master Resolution Electric System Revenue Obligations adopted by the Board of Directors (the "Governing Body") of the Issuer on March 27, 2003 (the "Master Resolution") and a Supplemental Resolution authorizing the Series 2014 Bonds adopted by the Governing Body on October 23, 2014 (the "Supplemental Resolution"; together with the Master Resolution, the "Resolution"). A summary of certain provisions of the Resolution is attached hereto as Appendix A.

Audited financial statements for the Issuer's fiscal year ended June 30, 2014 are attached hereto as Appendix B. Certain statistical and demographic information regarding the Issuer is attached hereto as Appendix C and certain statistical and demographic information regarding the City of Jackson is attached hereto as Appendix D.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Series 2014 Bonds, and the security and sources of payment for the Series 2014 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2014 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request and upon payment to the Issuer of a charge for copying, mailing and handling, from Jim Ferrell, President, Jackson Energy Authority, 250 N. Highland Avenue, Jackson, Tennessee 38301; telephone (731) 422-7500.

PLAN OF FINANCING

The Series 2014 Bonds are being issued for the purpose of refunding the Issuer's outstanding Electric System Revenue Bonds, Series 2005 and Electric System Revenue Bonds, Series 2008 (the "Refunded Bonds"); financing capital improvements to the System (the "Project"); and paying the costs of issuing the Series 2014 Bonds.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2014 Bonds are estimated below.

Sources of Funds:	
Par Amount of Series 2014 Bonds	\$27,120,000.00
Net Original Issue Premium	3,271,644.90
Transfer from Debt Service Fund	<u>344,664.35</u>
Total Sources of Funds	<u>\$30,736,309.25</u>
Uses of Funds:	
Deposit to Project Fund	\$13,005,559.45
Refunding Proceeds	17,389,452.96
Costs of Issuance ⁽¹⁾	<u>341,296.84</u>
Total Uses of Funds	<u>30,736,309.25</u>

⁽¹⁾ Includes legal and accounting fees, underwriter's fees, financial advisory fees, rating agency fees, printing, and other costs of issuance.

The Project

A portion of the proceeds of the Series 2014 Bonds are being used to construct capital improvements to the System (the "Project"). Pursuant to the Resolution, the portion of proceeds of the Series 2014 Bonds described above will be deposited in a project fund (the "Project Fund") to be held and invested by the Issuer, and used to pay costs of the Project. Monies in the Project Fund may be invested as permitted by Tennessee law and may not be used for any purpose other than the Project.

Plan of Refunding

The portion of the proceeds of the Series 2014 Bonds described above will be used to refund the Refunded Bonds. This amount will be paid at closing directly to the paying agent of the Refunded Bonds and used for the full redemption of the Refunded Bonds.

DESCRIPTION OF THE SERIES 2014 BONDS

General

The Series 2014 Bonds are dated as of the date of their delivery, and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2014 Bonds is payable on each May 1 and November 1, commencing May 1, 2015.

Payment of the principal of and interest on the Series 2014 Bonds will be made by the Trustee directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2014 Bonds. See "Book-Entry Only Bonds."

When not in book-entry form, interest on the Series 2014 Bonds will be paid by check or draft on the Trustee, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the "Regular Record Date") immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the Issuer maintained by the Trustee. When not in book-entry form, the

principal of and redemption premium (if any) on the Series 2014 Bonds will be paid upon the presentation and surrender of the Series 2014 Bonds at the principal corporate trust office of the Trustee.

Any interest on any Series 2014 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the "Defaulted Interest") will cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the Issuer to the persons in whose names the Series 2014 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which date will be fixed in the following manner: the Issuer will notify the Trustee of the amount of Defaulted Interest proposed to be paid on each Series 2014 Bond and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Trustee of the notice of the proposed payment, the Trustee will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Trustee will promptly notify the Issuer of such Special Record Date, and in the manner and at the expense of the Issuer, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Trustee as to the date of such notice.

Denominations, Registration, Transfers and Exchanges

The Series 2014 Bonds will be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof. The Series 2014 Bonds will be registered as to principal and interest on the registration books kept by the Trustee. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2014 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See "Book-Entry Only Bonds."

When not in book-entry form, ownership of any Series 2014 Bond will be transferable upon surrender thereof to the Trustee, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Trustee. Upon any such transfer of ownership, the Trustee will cause to be authenticated and delivered a new Series 2014 Bond or Series 2014 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2014 Bonds surrendered for such transfer. When not in book-entry form, the Series 2014 Bonds may be exchanged for a like principal amount of Series 2014 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Trustee, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2014 Bonds.

Optional Redemption

The Series 2014 Bonds maturing on or after May 1, 2025 shall be subject to redemption anytime on or after May 1, 2024, in whole or in part, at a redemption price of par plus accrued interest to the date of redemption. If less than all the Series 2014 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the President of the Issuer in his or her discretion.

Mandatory Sinking Fund Redemption

The Series 2014 Bonds maturing on May 1, 2033 are subject to scheduled mandatory redemption prior to maturity in part at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below (the May 1, 2033 amount to be paid rather than redeemed):

Date (May 1)	Principal Amount
2032	\$830,000
2033*	850,000

*Final Maturity

At its option, to be exercised on or before the 45th day next preceding any such redemption date, the Issuer may (i) deliver to the Trustee for cancellation Series 2014 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2014 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Trustee and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2014 Bond so delivered or previously purchased or redeemed shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the Issuer on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2014 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Issuer shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Trustee with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Notice of Redemption

Notice of redemption, whether optional or mandatory, will be given by first class mail at least 15 days and not more than 60 days prior to the redemption date, to all registered owners of the Series 2014 Bonds to be redeemed at their addresses of record as they appear on the books of the Trustee. Failure to mail any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of any other Series 2014 Bonds. Failure of any bondholder to receive such notice if mailed as aforesaid will not affect the validity of the proceedings for the redemption of such Series 2014 Bond. Interest shall cease to accrue on any Series 2014 Bonds duly called for redemption on the redemption date if payment thereof has been duly provided for.

Partial Redemption of Series 2014 Bonds. If less than all of the Series 2014 Bonds shall be called for redemption, the Issuer shall have the right to designate the maturities or portions thereof to be redeemed, or if no such designation is made, then Series 2014 Bonds shall be selected by lot or in such other manner as the Issuer in its discretion may deem proper. The portion of any Series 2014 Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Series 2014 Bonds for redemption, each such Series 2014 Bond shall be treated as representing that number of Series 2014 Bonds which is obtained by dividing the principal amount of such Series 2014 Bond to be redeemed in part by \$5,000.

Subject to the requirements and procedures of the Book-Entry Only System, any Series 2014 Bond which is to be redeemed only in part shall be surrendered (1) for payment of the Redemption Price (including accrued interest thereon to the Redemption Date) or the portion thereof called for redemption and (2) for exchange for Series 2014 Bonds in any Authorized Denomination or denominations in aggregate principal amount equal to the unredeemed portion of such Series 2014 Bond, without charge therefor. For all purposes of the Resolution, unless the context otherwise requires, all provisions relating to the redemption of Series 2014 Bonds shall relate, in the case of any Series 2014 Bond redeemed or to be redeemed only in part, to the portion of the principal of such Series 2014 Bond which has been or is to be redeemed.

Payment of Series 2014 Bonds Upon Redemption. Upon redemption of all or any portion of any Series 2014 Bond, subject to the requirements and procedures of the Book-Entry Only System, payment of the redemption price shall be made only upon surrender of such Series 2014 Bond. If, on the redemption date, sufficient moneys shall have been deposited to effect such redemption in accordance with the applicable resolution, then interest shall cease to accrue on all such Series 2014 Bonds or portions thereof so called for redemption.

Conditional Redemptions. The Issuer may make optional redemption conditional upon the occurrence of certain events, including without limitation the receipt of certain funds by the Issuer or the Trustee or the issuance of certain bonds or other obligations by the Issuer. If so conditioned, the redemption will not be made unless such events occur, the notice thereof will specify such conditions and the required timing thereof and, if such conditions are not met, a notice thereof will be given by the Bond Registrar to the registered owners of Bonds promptly after the date it is determined such conditions are not met.

Trustee, Bond Registrar and Paying Agent

The Issuer has appointed U.S. Bank National Association, Nashville, Tennessee as trustee, bond registrar and paying agent (the "Trustee") with respect to the Bonds. A successor Trustee may be appointed for the Bonds in accordance with the terms of the Resolution. The office of the Trustee is presently located at 333 Commerce Street, Nashville, Tennessee 37201, and communications should be addressed to the attention of the Corporate Trust Department.

Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer to which it is a party, *ipso facto*, shall be and become successor Registration Agent and be vested with all the trusts, powers of discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any Person.

Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign by giving written notice by first-class mail, postage prepaid, to the Issuer, but such resignation shall take effect only upon the appointment of a successor Trustee; provided, however, that if a successor Trustee shall not have been appointed within 30 days from the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Book-Entry Only Bonds

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2014 Bond Agreement will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with or on behalf of DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities Agreements. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 2014 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Agreements representing their ownership interests in Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The 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 Cede & Co. if less than all of the Series 2014 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2014 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. 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, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014 Bonds Agreements are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2014 Bonds Agreements will be printed and delivered.

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

NEITHER THE ISSUER, NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO THE 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 DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2014 BONDS; (C)

THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2014 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2014 BONDS

Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof is pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds are limited obligations of the Issuer and are payable solely from the Net Revenues of the System on a parity and equality of lien with the Issuer's outstanding Electric System Refunding Revenue Bonds, Series 2010 and any bonds of the Issuer hereafter issued on a parity therewith (the "Additional Senior Lien Revenue Obligations"). Generally, "Net Revenues" means all revenues of the System, from whatever source, minus System operating expenses other than depreciation, amortization and interest expense. See Appendix A for a more detailed definition of "Net Revenues." The Series 2014 Bonds do not constitute a charge, lien or encumbrance upon any other property of the Issuer. The Series 2014 Bonds are not payable from the revenues of any system of the Issuer other than the System

Senior Lien Obligations

Pursuant to the Resolution, the Series 2014 Bonds are a Senior Lien Revenue Obligation of the System. All Senior Lien Revenue Obligations are limited obligations of the Issuer payable solely from and secured as to the payment of the principal and interest thereon, in accordance with their terms and the terms of the Resolution, solely by a pledge of the Net Revenues on a parity and equality of lien with respect to such Net Revenues with other Senior Lien Revenue Obligations. Other than the Senior Lien Revenue Obligations to be refunded by the Series 2014 Bonds, the Issuer's Electric System Refunding Revenue Bonds, Series 2010 (the "Series 2010 Bonds") are the only outstanding Senior Lien Revenue Obligations that are currently outstanding. The current outstanding principal amount of the Series 2010 Bonds is \$16,310,000.

The Series 2014 Bonds are not an obligation of the City of Jackson, Tennessee, the State of Tennessee, or any political subdivision thereof (other than the Issuer). The Issuer has no power of taxation. The Series 2014 Bonds are not payable from the revenues of any system of the Issuer other than the System. For a more complete statement of the revenues from which and conditions under which the Series 2014 Bonds are payable, a statement of the conditions on which additional Senior Lien Revenue Obligations may hereafter be issued on a parity with the Series 2014 Bonds, the general covenants and provisions pursuant to which the Series 2014 Bonds are issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

See Appendices C and D for information regarding the Issuer, the Issuer's service area and the System, and "DEBT SERVICE SCHEDULE" for information regarding the Issuer's debt service obligations.

Revenue Fund

Pursuant to the Resolution, the Issuer has covenanted to deposit all Revenues derived from the operation of the System into the Revenue Fund established under the Resolution. Moneys in the Revenue Fund shall be applied from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the Issuer, in its sole discretion: (a) to pay Operating Expenses; (b) to deposit into the Sinking Fund the amounts described under the heading "Sinking Fund" herein; (c) to deposit into the Debt Service Reserve Fund any amounts required by the supplemental resolution authorizing Senior Lien Revenue Obligations (there is no Debt Service Reserve Fund deposit requirement for the Series 2014 Bonds); (d) to deposit into the Rebate Fund the amounts required by the Resolution; (e) to pay any amounts required to be paid with respect to any Other System Obligations; (f) for transfer to the Renewal and Extension Fund, if any; and (g) for any other lawful purpose. See Appendix A for a summary of the application of revenues and revenue fund.

Sinking Fund

Pursuant to the Resolution, the Issuer has established a Sinking Fund for the payment of principal and interest on its Senior Lien Revenue Obligations, and within such Sinking Fund, the Issuer has established subaccounts for the Series 2014 Bonds into which periodic deposits will be made for the payment of principal and interest payments on the Series 2014 Bonds when due.

Rate Covenant

Under the terms of the Resolution, the Issuer has covenanted to continuously own, and continuously control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient:

- (a) for 100% of the Operating Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the Issuer; and
- (b) such that Net Revenues in each Fiscal Year:
 - (1) will equal at least 120% of the Debt Service Requirement on all Senior Lien Revenue Obligations and 100% of the Debt Service Requirement on all other Revenue Obligations then Outstanding for such Fiscal Year, any Telecom Loan Obligations (described below under the heading "Telecom Loan Obligations") payable during such Fiscal Year which are secured by a lien on Pledged Revenues and any Termination Payments due during such Fiscal Year which are secured by a lien on the Pledged Revenues;
 - (2) will enable the Issuer to make all required payments, if any, into any Debt Service Reserve Account and the Rebate Fund and on any Contract or Other System Obligation;
 - (3) will enable the Issuer to accumulate an amount to be held in the Renewal and Extension Fund, which in the judgment of the Issuer is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;
 - (4) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Resolution from prior Fiscal Years; and
 - (5) will permit the Issuer to comply with the terms of any agreement that the Issuer has entered into to purchase or sell electric power;

If the Issuer fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, as provide above in any Fiscal Year, but the Issuer in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by a Consulting Engineer or Financial Adviser retained by the Issuer to review the operations of the System, there shall be no Event of Default until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this section.

Additional Senior Lien Revenue Obligations

The Issuer may, from time to time, issue Additional Senior Lien Revenue Obligations under the terms of the Resolution. Additional Senior Lien Revenue Obligations will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Series 2014 Bonds and the Series 2010 Bonds. See Appendix A for the conditions under which such Additional Senior Lien Revenue Obligations may be issued.

The Issuer may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Series 2014 Bonds.

Additional Borrowing Plans

The Issuer has no additional plans, within the next five years, to incur additional indebtedness secured by the System.

Telecom Loan Obligations

The Board of Directors of the Issuer adopted a Supplemental Resolution (the "Telecom Loan Resolution") on August 28, 2003 (which was amended and restated on April 25, 2013), obligating the Issuer to make loans (collectively, the "Telecom Loans") from its Electric System to its Telecommunications System (the "Telecom System") on a revolving credit basis as necessary from time to time to maintain a balance of \$5,500,000 in a reserve fund for certain obligations issued by the Issuer for its Telecom System (the "Telecom Reserve Fund"). The only obligation currently secured by the Telecom Reserve Fund is the Issuer's Telecommunications System Refunding Revenue Bonds (Federally Taxable) Series 2013, which have a current outstanding principal amount of \$54,550,000 and mature April 1, 2026.

Pursuant to the Telecom Loan Resolution, the obligation of the Electric System to make Telecom Loans constitutes a Subordinate Lien Obligation of the Electric System, with a lien on the Net Revenues of the Electric System subordinate to the lien in favor of the Senior Lien Revenue Obligations, including the Series 2014 Bonds. The Electric System has no obligation to make a Telecom Loan to the extent that such loan would cause the outstanding principal amount of all Telecom Loans to exceed \$34,000,000.

The Issuer made an initial Telecom Loan in the amount of \$5,500,000 (the "Initial Telecom Loan") on September 16, 2003 for the initial funding of the Telecom Reserve Fund. The Issuer has made additional Telecom Loans to replenish the Telecom Reserve Fund (the "Subsequent Telecom Loans"). The most recent Subsequent Telecom Loan was made in December 2008. As of November 11, 2014, the outstanding principal amount of all Telecom Loans was \$5,500,000. The Authority's 5-Year Financial Plan (the "Plan"), prepared by management and covering fiscal years 2015-2019, projects that no additional Telecom Loans will need to be made.

Principal on the Initial Telecom Loan is not due until April 1, 2026. Principal of Subsequent Telecom Loans is required to be repaid monthly from the net revenues of the Telecom System, in sixty (60) equal monthly installments beginning in the month following the advance of such Telecom Loan. Interest on each Telecom Loan is repaid monthly, beginning in the month following the month in which such Telecom Loan is made. Interest and principal payments on the Telecom Loans are presently current and at all times have been current. The obligation of the Telecom System to repay the Telecom Loans is unsecured.

The Initial Telecom Loan bears interest at a rate of 3.03%. Subsequent Telecom Loans bear interest at a rate equal to the higher of (a) the highest rate of interest earned by the Electric System on invested funds of the Electric System on the date such Subsequent Telecom Loan is made, or (b) the highest rate (including any applicable remarketing fee and recurring credit enhancement liquidity fees) on the senior debt of the Electric System on the date such Subsequent Telecom Loan is made. If any Subsequent Telecom Loan is made at the time that any prior Subsequent Telecom Loans has not been repaid in full, such Subsequent Telecom Loan, together with the unpaid principal amount of all prior Subsequent Telecom Loans, shall bear interest at a rate equal to the higher of (a) the highest rate of interest earned by the Electric System on invested funds of the Electric System on the date such Subsequent Telecom Loan is made, or (b) the highest rate (including any applicable remarketing fee and recurring credit enhancement liquidity fees) on the senior debt of the Electric System on the date such Subsequent Telecom Loan is made.

Other System Obligations

The Issuer has a statutory obligation under certain circumstances to make payments to electric cooperatives in connection with the annexation of customers ("Annexation Payment Obligations"). The outstanding amount of

Annexation Payment Obligations is \$2,639,166. The Annexation Payment Obligations do not bear interest, and they are unsecured obligations of the Issuer, without the benefit of any lien on the Net Revenues of the System.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements during each fiscal year on the Senior Lien Obligations, including the Series 2014 Bonds. There is no other debt payable from and/or secured by a senior lien on the Net Revenues of the System.

JACKSON ENERGY AUTHORITY: ELECTRIC DIVISION

DEBT SERVICE REQUIREMENTS ⁽¹⁾

(as of November 1, 2014, Proforma)

Yr. No.	Year Ended June 30	Principal Requirements			Percent Principal Retired	Interest Requirements			Total Debt Service Requirements
		Electric Revenue Bonds, Series 2010	Electric Revenue Refunding and Improvement Bonds, Series 2014	Total Principal Requirements		Electric Revenue Bonds, Series 2010	Electric Revenue Refunding and Improvement Bonds, Series 2014	Total Interest Requirements	
1	2015	\$1,295,000	\$150,000	\$1,445,000		\$303,091	\$484,629	\$787,719	\$2,232,719
2	2016	1,195,000	900,000	2,095,000		567,331	1,187,475	1,754,806	3,849,806
3	2017	1,475,000	710,000	2,185,000		525,506	1,142,475	1,667,981	3,852,981
4	2018	1,385,000	880,000	2,265,000		473,881	1,106,975	1,580,856	3,845,856
5	2019	1,485,000	870,000	2,355,000	23.82%	425,406	1,062,975	1,488,381	3,843,381
6	2020	1,480,000	975,000	2,455,000		379,000	1,019,475	1,398,475	3,853,475
7	2021	1,235,000	1,325,000	2,560,000		319,800	970,725	1,290,525	3,850,525
8	2022	1,400,000	1,280,000	2,680,000		270,400	904,475	1,174,875	3,854,875
9	2023	1,345,000	1,450,000	2,795,000		214,400	840,475	1,054,875	3,849,875
10	2024	1,300,000	1,630,000	2,930,000	54.72%	160,600	767,975	928,575	3,858,575
11	2025	1,405,000	1,660,000	3,065,000		108,600	686,475	795,075	3,860,075
12	2026	1,310,000	1,900,000	3,210,000		52,400	603,475	655,875	3,865,875
13	2027		3,230,000	3,230,000			508,475	508,475	3,738,475
14	2028		3,400,000	3,400,000			346,975	346,975	3,746,975
15	2029		3,500,000	3,500,000	92.49%		244,975	244,975	3,744,975
16	2030		780,000	780,000			104,975	104,975	884,975
17	2031		800,000	800,000			80,600	80,600	880,600
18	2032		830,000	830,000			54,600	54,600	884,600
19	2033		850,000	850,000	100.00%		27,625	27,625	877,625
		<u>\$16,310,000</u>	<u>\$27,120,000</u>	<u>\$43,430,000</u>		<u>\$3,800,416</u>	<u>\$12,145,829</u>	<u>\$15,946,244</u>	<u>\$59,376,244</u>

⁽¹⁾ Excludes \$2,639,166 Annexation Payment Obligations. These obligations do not bear interest and are unsecured obligations of the Issuer. They are without the benefit of any lien on the Net Revenues of the System.

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

LEGAL MATTERS

Pending Litigation

There is no litigation now pending or, to the knowledge of the Issuer, threatened which restrains or enjoins the issuance or delivery of the Series 2014 Bonds, the use of Net Revenues for the payment of the Series 2014 Bonds, or the use of the proceeds of the Series 2014 Bonds or which questions or contests the validity of the Series 2014 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, or existence of the Issuer, nor the title of the present members or other officials of the Issuer to their respective offices, is being contested or questioned.

The Issuer, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Issuer, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the Issuer or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the Issuer.

The Tennessee Valley Authority (“TVA”), the sole supplier of electricity to the Issuer, notified the Issuer earlier this year that, as the result of a TVA metering issue at one of the Issuer’s substations, TVA had under-billed the Issuer for electricity over an approximately nine-year period. TVA has demanded that the Issuer pay TVA for the entire amount of the under-billing, which TVA claims is approximately \$5,473,000. The Issuer disputes that it owes this amount. It is not known at this time how this dispute will be resolved or whether it will ultimately result in litigation.

Opinions of Bond Counsel

Legal matters incident to the authorization, validity, and issuance of the Series 2014 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix E. Copies of the opinion will be available at the time of the initial delivery of the Series 2014 Bonds. Certain legal matters will be passed upon for the Issuer by Teresa Cobb, Esq., counsel to the Issuer.

Tax Matters

Federal Taxes

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2014 Bonds. Their opinion under existing law, relying on certain statements by the Issuer and assuming compliance by the Issuer with certain covenants, is that interest on the Series 2014 Bonds:

- is excluded from a bondholder’s federal gross income under the Internal Revenue Code of 1986 (the “Code”),
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Series 2014 Bonds that the Issuer must continue to meet after the Series 2014 Bonds are issued. These requirements generally involve the way that Series 2014 Bond proceeds must be invested and ultimately used. If the Issuer does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2014 in its federal gross income on a retroactive basis to the date of issue. The Issuer has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2014 Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Series 2014 Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2014 Bonds or affect the market price of the Series 2014 Bonds. See also "Changes in Federal and State Tax Law" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2014 Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Series 2014 Bond for a price that is more than the principal amount, generally the excess is "Bond premium" on that Series 2014 Bond. The tax accounting treatment of Bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Series 2014 Bond will be reduced. The holder of a Series 2014 Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2014 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2014 Bond with Bond premium, even though the Series 2014 Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2014 Bonds with Bond premium, it should consult its tax advisor regarding the tax accounting treatment of Bond premium.

Original Issue Discount. A Series 2014 Bond will have "original issue discount" if the price paid by the original purchaser of such Series 2014 Bond is less than the principal amount of such Series 2014 Bond. Bond Counsel's opinion is that any original issue discount on these Series 2014 as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Series 2014 Bonds will be increased. If a bondholder owns one of these Series 2014 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2014 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2014 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2014 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Series 2014 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Series 2014 Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2014 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal and Congressional committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2014 Bonds or otherwise prevent holders of the Series 2014 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2014 Bonds. For example, various proposals have been made in Congress and by the President which, if enacted, would subject interest on bonds, such as the Series 2014 Bonds, that is otherwise excluded from gross income for federal income tax purposes, to a tax payable by certain bondholders with an adjusted gross income in excess of certain proposed thresholds. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Series 2014 Bonds prior to enactment. In addition, regulatory

actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2014 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2014 Bonds would be impacted. Purchasers of the Series 2014 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2014 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE

General

The Issuer will at the time the Series 2014 Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Series 2014 Bonds to provide certain financial information and operating data relating to the Issuer by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2014 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events and notice of failure to provide any required financial information of the Issuer. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the Issuer with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Prior Undertakings

Except as described in this paragraph, the Issuer has not failed to comply in any material respect with its previous continuing disclosure undertakings in the past five years. The Issuer's audited financial statements for the fiscal year ended June 30, 2009 were due for filing on April 30, 2010 but were not filed until August 17, 2010. The Issuer did not previously file a material event notice related to the Moody's global ratings recalibration that occurred on April 16, 2010 because the recalibration was widely reported in the national news and the action was not deemed to reflect a change in Moody's assessment of the Issuer's creditworthiness; the Issuer filed material event notices relating to these rating recalibrations on November 4, 2014. On November 10, 2010, Moody's downgraded the credit rating relating to Fifth Third Bank (who provided letter of credit for certain no longer outstanding bonds of the Issuer) which led to a downgrade in the short-term rating of such bonds of the Issuer; the Issuer did not file a material event notice with respect to such rating downgrade. On September 16, 2014, the Authority's Telecommunications System Refunding Revenue Bond, Series 2013 were upgraded by Standard and Poor's to "AA," but the Issuer did not file a material event notice with respect to such upgrade until November 4, 2014. The Issuer has established procedures with respect to all Continuing Disclosure filings to ensure proper and timely filings of such reports with the MSRB in the future.

Annual Report

The Issuer's Annual Report shall contain or incorporate by reference the financial statements of the Issuer for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in Appendix C to this Official Statement as follows.

1. "Summary of Senior Lien Obligations;
2. "Historical Debt Service Coverage;"

3. "Current Rates and Charges;"
4. "Ten Largest Electric Customers;"
5. "Number of Customers;" and
6. "Megawatt Hours of Electricity Sold."

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events

The Issuer will file notice regarding certain significant events with the MSRB and SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the Issuer shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2014 Bonds pursuant to the Resolution.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the Issuer shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. 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 2014 Bonds or other material events affecting the tax status of the Series 2014 Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;

- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation

The Issuer's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014 Bonds.

Amendment/Waiver

Notwithstanding any other provision of the Disclosure Certificate, the Issuer may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be 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 an obligated person with respect to the Series 2014 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2014 Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the respective Holders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Series 2014 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default

In the event of a failure of the Issuer to comply with any provision of the Disclosure Certificate, any Bondholder or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Issuer to comply with the Disclosure Certificate shall be an action to compel performance.

Termination of Reporting Obligation

The Issuer's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014 Bonds.

RATING

Moody's Investors Service (the "Rating Agency") has assigned the Series 2014 Bonds a rating of "Aa2". An explanation of the significance of such rating may be obtained from the Rating Agency. This rating is not a recommendation to buy, sell or hold the Series 2014 Bonds. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies. There is no assurance that this rating will be maintained for any given period of time or that this rating will not be revised downward or withdrawn entirely by the Rating Agency if, in such agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of this rating may have an adverse effect on the market price of the Series 2014 Bonds. Neither the Issuer nor the Underwriter has undertaken any responsibility to oppose any revision or withdrawal of the rating.

FINANCIAL ADVISOR

The Issuer has engaged Stephens Inc. as its Financial Advisor in connection with the issuance of the Series 2014 Bonds. The Financial Advisor's fees for services rendered with respect to the sale of the Series 2014 Bonds are contingent upon the issuance and delivery of the Series 2014 Bonds. Stephens Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2014 Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

Hutchinson, Shockey, Erley & Co., Chicago, Illinois (the "Underwriter") acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2014 Bonds for an aggregate purchase price of \$30,171,348.06, which is par, less \$220,296.84 underwriter's discount, plus net original issue premium of \$3,271,644.90. The Underwriter may offer and sell the Series 2014 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2014 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

INDEPENDENT AUDITORS

The financial statements of the Issuer as of June 30, 2014 and for the year then ended, attached hereto as Appendix B, have been audited by Alexander Thompson Arnold PLLC, Jackson, Tennessee, independent auditors, as stated in their report thereon and are included in reliance upon the authority of such firm as independent auditors. Alexander Thompson Arnold PLLC has not been engaged to perform and has not performed, since the date of its report included herein, any procedure on the financial statements addressed in that report and has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

Use of the words "shall" or "will" in this Official Statement in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2014 Bonds.

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AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The Official Statement has been authorized by the Board of Directors of the Issuer. Concurrently with the delivery of the Series 2014 Bonds, the undersigned will furnish an Agreement to the effect that nothing has come to the undersigned's attention which would lead the undersigned to believe that this Official Statement contained, as of the date of delivery of the Series 2014 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

Jim Ferrell, President

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

GLOSSARY OF CERTAIN DEFINED TERMS FROM THE RESOLUTIONS

"Accreted Value" means, with respect to each Compound Interest Bond, the principal amount of such Compound Interest Bond, plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Compound Interest Bond, and, with respect to any calculation on a date other than a compounding date, the Accreted Value means the Accreted Value as of the preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Compound Interest Bond.

"Acquired System" means any other electric system or facility, including any distribution, general or transmission facility, acquired by the Authority pursuant to State law.

"Additional Interest" means, for any period during which any Pledged Bonds are owned by a Credit Issuer pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal principal amount of Bonds at the Bond Rate.

"Additional Obligations" means Revenue Obligations issued pursuant to Section 5.02, 5.03 or 5.04 of the Master Resolution.

"Annual Budget" means the annual budget of the Authority relating to the System (which shall specify all costs, obligations, and expenses properly allocable to the System), as amended or supplemented in accordance with established procedures of the Authority, adopted or in effect for a particular Fiscal Year.

"Authority" means Jackson Energy Authority, a Tennessee governmental entity and public corporation.

"Authority Act" means Chapter 55 of the Tennessee Private Acts of 2001, as amended.

"Balloon Date" means any Principal Maturity Date or Put Date for Balloon Obligations in a Balloon Year.

"Balloon Obligations" means any Revenue Obligations 25% or more of the original principal amount of which (i) is due in any 12-month period or (ii) may, at the option of the holders thereof, be required to be redeemed, prepaid, purchased directly or indirectly by the Authority, or otherwise paid in any 12-month period; provided that, in calculating the principal amount of such Revenue Obligations due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such principal amount shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

"Balloon Year" means any 12-month period in which more than 25% of the original principal amount of related Balloon Obligations mature or are subject to mandatory redemption or could, at the option of the holders thereof, be required to be redeemed, prepaid, purchased directly or indirectly by the Authority, or otherwise paid.

"Beneficial Owner" shall have the meaning specified in Section 2.10.

"Beneficiaries" means the holders of any Revenue Obligations, any Telecom Bonds Trustee and the parties to Contracts.

"Bond Counsel" means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing retained by the Authority.

"Bondholder" or "holder" means the registered owner or the holder of one or more Revenue Obligations.

"Bond Rate" means the rate of interest per annum payable on specified Revenue Obligations other than Pledged Bonds.

"Bond Register" means the registration books maintained and to be maintained by the Bond Registrar.

"Bond Registrar" means any bank or trust company designated as such by the Authority with respect to any of the Bonds. Such Bond Registrar shall perform the duties required of the Bond Registrar in the Resolution.

"Bonds" means any revenue bonds or notes authorized by and authenticated and delivered pursuant to the Resolution.

"Book Value" means the value of the real property and the personal property comprising the System, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of the System which have been prepared in accordance with generally accepted accounting principles.

The term "category" or "category of Revenues" means an objectively definable portion of Revenues related to a particular type of service, activity or facility, including the categories of General Revenues, Released Revenues and Special Purpose Revenues and subcategories within such categories. A "category of Revenues," unless otherwise determined by the Authority, includes Investment Earnings or other moneys in funds or amounts derived from such portion of Revenues.

"Code" means the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

"Commitment," when used with respect to Balloon Obligations, means a binding written commitment from a financial institution, surety, or insurance company to refinance such Balloon Obligations on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Balloon Obligations.

"Compound Interest Bonds" means Bonds that bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

"Conditional Redemption" means an optional redemption described in Section 3.05.

"Conduit Bonds" means bonds, notes or other obligations issued by a Conduit Issuer to provide proceeds to be loaned by the Conduit Issuer to the Authority pursuant to a Loan Agreement.

"Conduit Issuer" means a governmental entity or instrumentality of any governmental entity that issues Conduit Bonds at the request of the Authority.

"Consulting Engineer" means (i) an engineering firm or individual engineer employed by the Authority with substantial experience in advising utilities similar to the System operated by the Authority as to the construction and maintenance of the System and in the projection of relative costs of expansion in the System or (ii) an engineer or engineers who are employees of the Authority whose reports or projections are certified by a Financial Adviser.

"Contracts" means all Credit Facility Agreements, including any related Reimbursement Obligations, all agreements with respect to Reserve Account Credit Facilities, including any related Reimbursement Obligations and all Qualified Hedge Agreements.

"Contract Payments Account" means the Contract Payments Account within the Sinking Fund established in Article IV.

"Costs," with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, install or otherwise implement the Project, including improvements to another Project, and shall include, but shall not be limited to, the following costs and expenses relating to such Project and the reimbursement to the Authority for any such items previously paid by the Authority:

- (i) the cost of all lands, real or personal properties, rights, easements and franchises acquired;
- (ii) the cost of all financing charges and interest prior to, during construction and after;

- (iii) the cost of the acquisition, construction, reconstruction, implementation or installation of any Project;
- (iv) the cost of engineering, architectural, planning, development, and supervisory services, fiscal agents' and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of any Project, administrative expenses, and such other expenses as may be necessary or incident to any financing with proceeds of Revenue Obligations;
- (v) the cost of placing any Project in operation;
- (vi) the cost of condemnation of property necessary for construction implementation and operation;
- (vii) the costs of issuing any Revenue Obligations to finance or to refinance any Project;
- (viii) any other costs which may be incident to any Project prior to completion and implementation; and
- (ix) interest on the Revenue Obligations during the construction and installation of any Project and for up to six (6) months thereafter; and
- (x) any other costs permitted by the Authority Act.

"Credit Facility" means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or any entity that is used by the Authority to perform one or more of the following tasks: (i) enhancing the Authority's credit by assuring owners of any of the Revenue Obligations that principal of and interest on such Revenue Obligations will be paid promptly when due; (ii) providing liquidity for the owners of Revenue Obligations through undertaking to cause Revenue Obligations to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Supplemental Resolution; or (iii) remarketing any Revenue Obligations so submitted to the Credit Issuer (whether or not the same Credit Issuer is remarketing the Revenue Obligations). The term Credit Facility shall not include a Reserve Account Credit Facility.

"Credit Facility Agreement" means an agreement between the Authority and a Credit Issuer pursuant to which the Credit Issuer issues a Credit Facility and may include a related Reimbursement Obligation. The term Credit Facility Agreement shall not include an agreement with respect to a Reserve Account Credit Facility.

"Credit Issuer" means any issuer of a Credit Facility then in effect for all or part of the Revenue Obligations. The term Credit Issuer shall not include any Reserve Account Credit Facility Provider. Whenever in the Resolution the consent of the Credit Issuer is required, such consent shall only be required from the Credit Issuer whose Credit Facility is issued with respect to the Revenue Obligations for which the consent is required.

"Current Interest Bonds" means those Bonds which are not Compound Interest Bonds.

"Debt Service Requirement" means the total principal and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Authority or the Trustee), in any specified period, provided:

- (i) If any Revenue Obligations Outstanding or proposed to be issued shall bear interest at a Variable Rate, including Hedged Obligations if the interest thereon calculated as set forth below is expected to vary and Revenue Obligations secured by a Credit Facility if the interest thereon calculated as set forth below is expected to vary, the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled, at the option of the Authority either (1) the average of the actual Variable Rates which were in effect (weighted according to the length of the period during which each such Variable Rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual

fixed rate of interest on securities of similar quality having a similar maturity date as certified by a Financial Adviser.

(ii) If any Compound Interest Bonds are Outstanding or proposed to be issued, the total principal and interest coming due in any specified period shall be determined in accordance with the Supplemental Resolution of the Authority authorizing such Compound Interest Bonds.

(iii) With respect to any Revenue Obligations secured by a Credit Facility, the Debt Service Requirement therefor shall include (1) any commission or commitment fee obligations with respect to such Credit Facility, (2) the outstanding amount of any Reimbursement Obligation and interest thereon, (3) any Additional Interest owed on Pledged Bonds, and (4) any remarketing agent fees; provided if (a) the Credit Facility requires the Credit Issuer to make all interest payments on the Revenue Obligations, (b) the Reimbursement Obligation provides for payments by the Authority or the Credit Issuer based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, and (c) the Credit Issuer, upon the execution of the Credit Facility Agreement, would qualify as a Qualified Hedge Provider if the Credit Facility Agreement were to be construed as a Hedge Agreement and the related Revenue Obligations as Hedged Obligations, then interest on such Revenue Obligations shall be calculated by adding (x) the amount of interest payable on such Revenue Obligations pursuant to their terms and (y) the amount of payments for interest to be made by the Authority under the Credit Facility Agreement, and subtracting (z) the amounts payable by the Credit Issuer to the Authority or as interest on such Revenue Obligations as specified in the Credit Facility Agreement; but only to the extent the Credit Issuer is not in default under the Credit Facility and if such default has occurred and is continuing, interest on such Revenue Obligations shall be calculated as if there were no Credit Facility. In determining the amounts described in this paragraph for any future period, the Authority (A) may assume that any Credit Facility presently in effect will remain in effect even if such Credit Facility has an expiration date prior to the maturity of the related Revenue Obligations and (B) may assume that the current payments relating to the Credit Facility will remain in effect or may estimate such payments in the future provided that the Authority obtains a certificate from a Financial Adviser that such estimates are reasonable.

(iv) With respect to any Hedged Obligations, the interest on such Hedged Obligations during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the Authority on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the Authority under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Authority on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(v) For the purpose of calculating the Debt Service Requirement on Balloon Obligations (1) which are subject to a Commitment or (2) which do not have a Balloon Year commencing within 12 months from the date of calculation or (3) which are issued in anticipation of the issuance of Bonds that are not Balloon Obligations, at the option of the Authority, the actual principal and interest on such Balloon Obligations shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Authority could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Obligations and with a 20-year term); provided, however, that if the maturity of such Balloon Obligations (taking into account the term of any Commitment) is in excess of 20 years from the

date of issuance, then such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Obligations to maturity (including the Commitment) and at the interest rate applicable to such Balloon Obligations. For the purpose of calculating the Debt Service Requirement on Balloon Obligations not described in the preceding sentence, the principal payable on such Bonds during the Balloon Year shall be calculated as if paid on the Balloon Date.

(vi) The principal of and interest on Revenue Obligations, amounts for interest under a Credit Facility and Hedge Payments shall be excluded from the determination of Debt Service Requirement to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or proceeds of Revenue Obligations to be deposited on the date of issuance of proposed Revenue Obligations) in a fund under the Resolution.

(vii) With respect to a Revenue Obligation that is a Loan Agreement, the Debt Service Requirement shall be calculated in a manner consistent with the calculation of the Debt Service Requirement on other Revenue Obligations and shall include payments under the Loan Agreement which consist of principal, interest, payments made in connection with a Hedge Agreement entered into by a Conduit Issuer in connection with the Conduit Bonds, fees and expenses of any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, remarketing agreement, legal fees and expenses, trustee fees, fees and expenses of the Conduit Issuer, fees and expenses of any administration, rating agency fees, rebate and similar obligations of the Conduit Issuer with respect to the Conduit Bonds, but excluding any Termination Payments to be made in connection with a Hedge Agreement entered into by a Conduit Issuer.

"Debt Service Reserve Account" means the Debt Service Reserve Account within the Sinking Fund established in Article IV.

"Debt Service Reserve Requirement" means an amount determined from time to time by the Authority as a reasonable reserve, if any, for the payment of principal of and interest on Revenue Obligations for which a subaccount in the Debt Service Reserve Account is created or added to pursuant to a Supplemental Resolution.

"Defeasance Obligations" means Government Obligations and such other investments that are from time to time permitted by applicable law to be used by the Authority to provide for the payment of Revenue Obligations in connection with the refunding of such Revenue Obligations.

"Depository" means any depository of a fund established under the Resolution selected in the discretion of the Authority.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, or its successors and assigns, or any other depository performing similar functions under the Resolution.

"Event of Default" means any of the events defined as such in Article VII.

"Financial Adviser" means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is retained by the Authority for the purpose of passing on questions relating to the availability and terms of specified types of Revenue Obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the Authority, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

"Finance Officer" means the Chief Financial Officer of the Authority or such other official that serves as the chief financial officer of the Authority.

"Fiscal Year" means the 12-month period used by the Authority for its general accounting purposes, as it may be changed from time to time; currently, July 1 to the following June 30.

"Fitch" means Fitch Ratings, a subsidiary, or, if entity is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Authority.

"Forecast Period" means a period beginning with the first Fiscal Year beginning after the later of (i) the Fiscal Year in which any proposed Additional Obligations are to be issued or (ii) the Fiscal Year in which any Project to be financed with the proceeds of any proposed Additional Obligations is, in the judgment of the Authority, expected to be completed and ending on the last day of the fifth (5th) Fiscal Year thereafter.

"General Revenue Account" means the General Revenue Account within the Revenue Fund established in Article IV.

"General Revenue Obligations" means Revenue Obligations secured by a Senior Lien on General Revenues.

"General Revenue Facilities" means the System, but not including all Special Purpose Facilities and Released Revenue Facilities.

"General Revenues" means all Revenues other than Released Revenues and Special Revenues.

"Governing Body" means the Board of Directors of the Authority.

"Government Obligations" means (i) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged or (ii) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and the interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (i) or (ii) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, (y) are not subject to redemption or prepayment prior to maturity except at the option of the holder of such obligations and (z) may include U.S. Treasury Trust Receipts.

"Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Authority determines is to be used, or is intended to be used, to manage or reduce the cost of any Revenue Obligations, to convert any element of any Revenue Obligations from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

"Hedged Obligations" means any Revenue Obligations for which the Authority shall have entered into a Qualified Hedge Agreement.

"Hedge Payments" means amounts payable by the Authority pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Hedge Payments Account" means the Hedge Payments Account within the Sinking Fund established in Article IV.

"Hedge Period" means the period during which a Hedge Agreement is in effect.

"Hedge Receipts" means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Independent Certified Public Accountant" means a certified public accountant, or a firm of certified public accountants, who or which are "independent" as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote their full time to the Authority (but who or which may be regularly retained by the Authority).

"Interest Payment Date" means each date on which interest is to become due on any Revenue Obligations, as established in the Supplemental Resolution for such Revenue Obligations.

"Interest Account" means the Interest Account within the Sinking Fund established in Article IV.

"Investment Earnings" means all interest received on and profits derived from investments made with Revenues or any other moneys in the funds and accounts established under Article IV or Article XII of the Master Resolution.

"Letter of Representations" means a Blanket Issuer Letter of Representations, between the Authority and DTC.

"Loan Agreement" means any agreement or contract entered into by the Authority whereby another governmental entity or instrumentality of a governmental entity agrees to advance funds to the Authority and the Authority agrees to repay those funds with interest and all costs associated with the Loan Agreement and any bonds, notes or other obligations issued to fund the Loan Agreement.

"Master Resolution" means this Master Resolution adopted on March 27, 2003 by the Authority.

"Moody's" means Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Authority.

"Net General Revenues" means Net Revenues that are General Revenues.

"Net Revenues" means, for each category of Revenues, Revenues net of related Operating Expenses.

"Operating Expenses" means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of Revenue Obligations), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Authority, any payments made by the Authority during any fiscal year to purchase electrical power for distribution and sale during or after the end of that fiscal year, and other payments made under any electrical power supply contract or commodity swap or other hedging mechanism, and any principal or interest payments made by the Authority during any fiscal year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on Revenue Obligations or Contracts of the Authority, on behalf of the Authority, payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of the Authority or expenses of an Acquired System if revenues of the Acquired System are not included in Revenues at the election of the Authority.

"Other System Obligations" means obligations of any kind, including but not limited to, revenue bonds, capital leases, Hedge Agreements which are not Qualified Hedge Agreements, installment purchase agreements, or notes (but excluding Revenue Obligations and Contracts), incurred or issued by the Authority to finance or refinance

the cost of acquiring, constructing, reconstructing, improving, bettering, or extending any part of the System or any other cost relating to the System, which do not have a lien on any category of Revenues.

"Outstanding" means, when used in reference to the Revenue Obligations, all Revenue Obligations that have been duly authenticated and/or delivered under the Resolution, with the exception of (a) Revenue Obligations in lieu of which other Revenue Obligations have been issued under agreement to replace lost, mutilated, stolen, or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under the Supplemental Resolution, and (c) Revenue Obligations for the payment of which provision has been made in accordance with Article IX. In determining the amount of Compound Interest Bonds Outstanding under the Resolution, the Accreted Value of such Compound Interest Bonds at the time of determination shall be used.

The term "parity" or "parity secured" when applied to two or more series of Revenue Obligations means each such Revenue Obligation has a lien of equal rank on the same category of Revenues.

"Paying Agent" shall mean the paying agent with respect to any Revenue Obligations issued hereunder.

"Permitted Investments" means obligations selected by the Authority in which the Authority is permitted to invest moneys pursuant to applicable law.

"Person" or "person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, body, government, or agency or political subdivision thereof.

"Pledged Bond" means any Revenue Obligation purchased and held by a Credit Issuer pursuant to a Credit Facility Agreement. A Revenue Obligation shall be deemed a Pledged Bond only for the actual period during which such Revenue Obligation is owned by a Credit Issuer pursuant to a Credit Facility Agreement.

"Pledged Bond Rate" means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

"Pledged Revenues" means all Net Revenues and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the funds and accounts specified in Section 4.02, but excluding (i) amounts in the Revenue Fund required to be used to pay Operating Expenses and (ii) any amounts required in the Resolution to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Fund.

"President and CEO" means the President of the Authority.

The term "principal" means the principal amount of any Revenue Obligations and includes the Accreted Value of any Compound Interest Bonds. All references to principal shall be construed as if they were also references to Accreted Value with respect to Compound Interest Bonds.

"Principal Maturity Date" means each date on which principal is to become due on any Revenue Obligations, by maturity or mandatory sinking fund redemption, as established in the Supplemental Resolution for such Revenue Obligations.

"Principal Account" means the Principal Account within the Sinking Fund established in Article IV.

"Project" means the construction of improvements and extensions to and the equipping of improvements to the System, in whole or in part, and the acquisition of all property, real and personal, related thereto, with the proceeds of any Revenue Obligations.

"Project Fund" means the Authority's System Project Fund established in Article IV.

"Put Date" means any date on which a holder may elect to have Balloon Obligations redeemed, prepaid, purchased directly or indirectly by the Authority, or otherwise paid.

"Qualified Hedge Agreement" means any Hedge Agreement with a Qualified Hedge Provider.

"Qualified Hedge Provider" means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as the second highest Rating category of each Rating Agency (ignoring any gradations within a Rating category), but, if there is no Credit Facility with respect to the related Hedged Obligations, in no event lower than any Rating on the related Hedged Obligations at the time of execution of the Hedge Agreement, or (ii) in any such lower Rating categories which each Rating Agency indicates in writing to the Authority will not, by itself, result in a reduction or withdrawal of its Rating on the related Hedged Obligations that is in effect prior to entering into the Hedge Agreement. An entity's status as a "Qualified Hedge Provider" is determined only at the time the Authority enters into a Hedge Agreement with such entity and will not be redetermined with respect to that Hedge Agreement.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or "Rating Agency" means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Revenue Obligations at the request of the Authority. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Revenue Obligations, then a reference to Rating Agency or Rating Agencies shall not include such Rating Agency.

"Rebate Fund" means the Rebate Fund, established in Article IV.

"Record Date" shall mean the 15th day of the calendar month next preceding any Interest Payment Date.

"Reimbursement Obligation" means the obligation of the Authority to directly reimburse any Credit Issuer for amounts paid by such Credit Issuer under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument. The term Reimbursement Obligation includes obligations pursuant to a Credit Facility Agreement either to make payments for interest based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, in return for the Credit Issuer's fixed obligations under the Credit Facility or to make fixed payments for interest in return for the Credit Issuer's payments based on such variables.

The term "related" means, when used to refer to Revenue Obligations, subaccounts, category of Revenues or liens, the item modified by such term has a definite relationship to the subject as described in the Resolution. The term "related" means, when used to refer to Operating Expenses, (i) for Released Revenue Obligations or Released Revenues, Operating Expenses with respect to Released Revenue Facilities, (ii) for Special Purpose Revenue Obligations or Special Purpose Revenues, Operating Expenses with respect to Special Purpose Facilities, and (iii) for General Revenue Obligations or General Revenues, all Operating Expenses of the System less Operating Expenses with respect to Related Revenue Facilities and Special Purpose Facilities.

"Released Revenue Account" means the Released Revenue Account within the Revenue Fund established in Article IV.

"Released Revenue Facilities" means the portion of the System with respect to which Released Revenues arise or from which they are generated.

"Released Revenue Obligations" means Revenue Obligations secured by a Senior Lien on one or more categories of Released Revenues.

"Released Revenues" means particular categories of Revenues which would otherwise be General Revenues but have been identified in accordance with Section 5.05 and therefore do not constitute a part of General Revenues, until the Authority has acted to include such categories of Revenues within General Revenues.

"Renewal and Extension Fund" means any System Renewal and Extension Fund established pursuant to Article IV.

"Reserve Account Credit Facility" means any letter of credit, insurance policy, line of credit, surety bond, or similar obligation, arrangement or instrument issued by a bank, insurance company, or other financial institution, together with any substitute or replacement therefor, if any, complying with the provisions of the Resolution, thereby fulfilling all or a portion of a Debt Service Reserve Requirement, if any.

"Reserve Account Credit Facility Provider" means any provider of a Reserve Account Credit Facility.

"Resolution" means the Resolution as it may from time to time be modified, supplemented, or amended by Supplemental Resolutions.

"Revenue Fund" means the Revenue Fund established in Article IV.

"Revenue Obligations" means any revenue bonds, notes or other obligations authorized by and authenticated and delivered or any loan agreement executed and delivered pursuant to the Resolution.

"Revenues" means (i) all revenues, rentals, income, receipts, accounts receivable and money derived from the ownership and operation of the System, received by the Authority, Investment Earnings and all other income earned and accreted from, and deferred gain from, securities and other investments and amounts earned on amounts deposited in funds and accounts under the Resolution or otherwise maintained with respect to the System, computed in accordance with generally accepted accounting principles (excluding any investment earnings from construction or improvement funds created for the deposit of Revenue Obligation proceeds pending use, to the extent such income is applied to the purposes for which the Revenue Obligations were issued, and funds created to refund any outstanding obligations payable from Revenues of the System), and (ii) all gifts, grants, reimbursements or payments received from governmental units or public agencies for the benefit of the System which are (y) not restricted by law or the payor to application for a particular purpose and (z) otherwise lawfully available for payment of Revenue Obligations or Contracts. The term "Revenues" also does not include proceeds of insurance so long as such proceeds are to be paid to a party separate from the Authority, in respect of a liability or are to be used to repair or replace portions of the System and extraordinary gains from the sale of assets or similar one-time sources of income.

"Senior Lien" means a lien on one or more categories of Revenues that entitles the Beneficiaries of such lien to have a claim on such Revenues prior to any other Person and ahead of the use of such Revenues for any purpose other than payment of Operating Expenses; provided one or more series of Revenue Obligations, Contracts and related Beneficiaries may have parity Senior Liens on the same categories of Revenues pursuant to the terms of the Resolution.

"Senior Lien Revenue Obligations" means General Revenue Obligations and Released Revenue Obligations but not Subordinate Lien Obligations provided "Senior Lien Obligations" also includes Additional Senior Lien Obligations issued in compliance with Section 5.02 of the Master Resolution and obligations secured by a Senior Lien pursuant to Section 5.02(c) of the Master Resolution.

"Sinking Fund" means the Sinking Fund established in Article IV.

"Special Purpose Facilities" means facilities which (i) will not result, upon completion or acquisition, in a material reduction in Net General Revenues in the judgment of the Board of the Authority, (ii) will not be of such a type or design that the subsequent closing thereof will materially impair the general operations of the System and (iii) the Authority has designated in a Supplemental Resolution, as "Special Purpose Facilities" and may include an Acquired System.

"Special Purpose Revenue Account" means the Special Purpose Revenue Account within the Revenue Fund established in Article IV.

"Special Purpose Revenue Obligations" means Obligations secured by a Senior Lien on Special Purpose Revenues.

"Special Purpose Revenues" means Revenues arising from or generated by one or more Special Purpose Facilities. At the election of the Authority, Special Purpose Revenues shall include all fees, notes, rates, charges and income received from an Acquired System.

"Standard and Poor's" or "S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Authority.

"State" means the State of Tennessee.

"Subordinate Lien" means a lien on one or more categories of Revenues which is not a Senior Lien.

"Subordinate Lien Obligations" means Revenue Obligations or Telecom Loan Obligations which only have a Subordinate Lien and obligations secured by a Subordinate Lien pursuant to Section 5.03(g) of the Mater Resolution.

"Supplemental Resolution" means a resolution supplemental to the Master Resolution (which itself may be supplemented by one or more resolutions) to be adopted prior to and authorizing the issuance and delivery of any series of Revenue Obligations or any Telecom Loan Obligation. Such a resolution as supplemented shall establish or shall establish a method or procedure for establishing the date or dates of the pertinent series of Revenue Obligations, the schedule of maturities of such Revenue Obligations, whether any such Revenue Obligations will be Compound Interest Bonds, the rate or rates of interest to be borne thereby (or a range thereof), whether fixed or variable, the interest payment dates for such Revenue Obligations, the terms and conditions, if any, under which such Revenue Obligations may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Revenue Obligations, the liens relating to such Revenue Obligations, the Contracts, if any, relating to such Revenue Obligations, and such other details as the Authority may determine.

"System" means the complete electrical system and facilities of the Authority, including, without limitation, all electric distribution, generation and transmission facilities of the Authority, together with all electric system properties of every nature hereafter owned by the Authority, including all improvements and extensions made by the Authority while the Revenue Obligations remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the electric system, all administrative and operational support facilities, and including all appurtenances, contracts, leases, franchises and other intangibles; provided, however, at the election of the Authority, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Authority, not become a part of the System but be operated as a separate and independent system by the Authority with the continuing right, upon the election of the Authority, to incorporate such separately Acquired System within the System.

"Tax-Exempt Bonds" means any Revenue Obligations the interest on which has been determined, in an unqualified opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.

"Telecom Bonds" means bonds issued by the Authority to finance or refinance assets of its telecommunications system if such bonds are secured by a Telecom Loan Obligation which has a Subordinate Lien.

"Telecom Bonds Trustee" means any trustee for the holders of Telecom Bonds.

"Telecom Loan Obligation" means an obligation of the Authority to lend money from the System to the Authority's telecommunications system in accordance with the provisions of the Master Resolution or any Supplemental Resolution.

"Telecom Loan Obligation Account" means the Telecom Loan Obligation Account within the Sinking Fund established in Article IV.

"Termination Payments" means an amount payable by the Authority or a Qualified Hedge Provider upon termination of a Hedge Agreement and similar payments made by a Conduit Issuer under a Loan Agreement.

"Trustee" means a bank or trust company designated as such by the Authority with respect to the Revenue Obligations issued hereunder. Such Trustee shall perform the duties required of the Trustee in the Resolution and any Supplemental Resolution authorizing Revenue Obligations.

"U.S. Treasury Trust Receipts" means receipts or certificates which evidence an undivided ownership interest in the right to the payment of portions of the principal of or interest on obligations described in clauses (i) or (ii) of the term Government Obligations, provided that such obligations are held by a bank or trust company organized under the laws of the United States acting as custodian of such obligations, in a special account separate from the general assets of such custodian.

"Variable Rate" means a rate of interest applicable to the Revenue Obligations, other than a fixed rate of interest which applies to a particular maturity of Revenue Obligations so long as that maturity of Revenue Obligations remains Outstanding.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

Additional Senior Lien Revenue Obligations

The Resolution permits the issuance of additional Senior Lien Revenue Obligations on parity with other Senior Lien Revenue Obligations for the following purposes and under the following conditions:

- (i) Any portion or all of a series of Senior Lien Revenue Obligations may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Senior Lien Revenue Obligations, and the refunding Revenue Obligations so issued shall constitute Senior Lien Revenue Obligations secured on a parity with any Revenue Obligations secured on a parity with the refunded Revenue Obligations, if all of the following conditions are satisfied:
 - (1) the Authority shall have obtained a report from the Independent Certified Public Accountant or a Financial Advisor demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Lien Revenue Obligations, including payments on related Contracts, which are parity secured with the Revenue Obligations to be refunded on a present value basis; or
 - (2) as an alternative to, and in lieu of, satisfying the requirements of (1), all Outstanding Senior Lien Revenue Obligations which are secured on a parity with the Revenue Obligations to be refunded are being refunded under arrangements which immediately result in making provision for the payment of such Revenue Obligations; and
 - (3) requirements of (ii)(2), (5), and (6) below are met with respect to such refunding Revenue Obligations.
- (ii) Additional Senior Lien Revenue Obligations may also be issued on a parity with Outstanding Senior Lien Revenue Obligations pursuant to a Supplemental Resolution, and the Revenue Obligations so issued shall be secured on a parity with Outstanding Senior Lien Revenue Obligations, if the following conditions are satisfied:
 - (1) There shall have been procured and filed with the Authority either:
 - (A) a report by a Financial Advisor or a certificate by the President and Chief Executive Officer of the Authority to the effect that the historical related Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Additional Obligations or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the average annual Debt Service Requirement on all related Senior Lien Revenue Obligations which will be Outstanding immediately after the issuance of the proposed Additional Obligations and secured on a parity therewith, in the

then current and each succeeding Fiscal Year, provided, however, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Additional Obligations and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the Authority has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the Authority has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract; or

- (B) a report by a financial advisor to the effect that (1) in each Fiscal Year of the Forecast Period the forecasted related Net Revenues (which forecast can take into account any planned increase in the rates, fees and charges for the services and facilities furnished by the System and any revenues projected to be received from any Acquired Systems as to which the Authority has entered into a contract to purchase or otherwise acquire) are expected to equal at least 120% of the Debt Service Requirement during such period on all related Senior Lien Revenue Obligations which will be Outstanding immediately after the issuance of the proposed Additional Obligations and secured on a parity therewith, or (2) the forecasted related Net Revenues (which forecast can take into account any planned increases in the rates, fees and charges for the services and facilities furnished by the System and any revenues projected to be received from any Acquired Systems as to which the Authority has entered into a contract to purchase or otherwise acquire) are expected to equal at least 120% of the average annual Debt Service Requirement for such Forecast Period on all related Senior Lien Revenue Obligations which will be Outstanding immediately after the issuance of the proposed Additional Obligations and secured on a parity therewith.
- (2) The Authority shall have received, at or before issuance of the Additional Obligations, a report from a Financial Adviser or a certificate of the President and Chief Executive Officer of the Authority, or his designee, to the effect that the payments required to be made into each account or subaccount of the Sinking Fund have been made and the balance in each account or subaccount of the Sinking Fund is not less than the balance required by the Resolution as of the date of issuance of the proposed Additional Obligations.
- (3) The Supplemental Resolution authorizing the proposed Additional Obligations must require (i) that the amount to be accumulated and maintained in the subaccount of the Debt Service Reserve Account for Senior Lien Revenue Obligations which are to be secured on a parity with such Additional Obligations, if any, be increased to not less than 100% of the Debt Service Reserve Requirement, if any, computed on a basis which includes all Senior Lien Revenue Obligations which will be Outstanding and secured on a parity with the Additional Obligations immediately after the issuance of the proposed Additional Obligations and (ii) that the amount of such increase be deposited in such subaccount prior to or at the end of the period and at least as fast as the rate specified in the prior resolutions for the System.
- (4) The Supplemental Resolution authorizing the proposed Additional Obligations must require the proceeds of such proposed Additional Obligations to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Additional Obligations, to refund other obligations issued for such purposes, for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Additional Obligations.
- (5) The Secretary of the Authority shall have certified, by written certificate dated as of the date of issuance of the Additional Obligations, that the Authority is in compliance with all requirements of the applicable resolutions.

- (6) The Authority, shall have received an opinion of Bond Counsel, dated as of the date of issuance of the Additional Obligations, to the effect that the supplemental resolution authorizing the issuance of Additional Obligations has been duly adopted by the Authority.

Obligations which would be Other System Obligations (as defined in the Resolution) but for the existence of a Senior Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Senior Lien Revenue Obligations, if all of the conditions of (B)(2) through (6) above are satisfied treating such obligations as Additional Obligations and the issuance and security documents therefore as supplemental resolutions.

General Covenants

Rate Covenant.

The Authority shall continuously own, and the Authority shall continuously control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

- (a) for 100% of the Operating Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the Authority; and
- (b) such that Net Revenues in each Fiscal Year:
 - (1) will equal at least 120% of the Debt Service Requirement on all Senior Lien Revenue Obligations and 100% of the Debt Service Requirement on all other Revenue Obligations then Outstanding for such Fiscal Year, any Telecom Loan Obligations payable during such Fiscal Year which are secured by a lien on Pledged Revenues and any Termination Payments due during such Fiscal Year which are secured by a lien on the Pledged Revenues;
 - (2) will enable the Authority to make all required payments, if any, into any Debt Service Reserve Account and the Rebate Fund and on any Contract or Other System Obligation;
 - (3) will enable the Authority to accumulate an amount to be held in the Renewal and Extension Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;
 - (4) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Resolution from prior Fiscal Years; and
 - (5) will permit the Authority to comply with the terms of any agreement that the Authority has entered into to purchase or sell electric power;

If the Authority fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, as provide above in any Fiscal Year, but the Authority in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by a Consulting Engineer or Financial Adviser retained by the Authority to review the operations of the System, there shall be no Event of Default until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this section.

The rates, fees, and other charges shall be classified in a reasonable manner to cover users of the services and facilities furnished by the System so that, as nearly as practicable, such rates, fees, and other charges shall be uniform in application to all users falling within any reasonable class.

Maintenance of the System in Good Condition. The Authority covenants that it has and will continue to enforce reasonable rules and regulations governing the System and the operation thereof, that all compensation, salaries, fees, and wages paid by it in connection with the operation, maintenance, and repair of the System will be reasonable, and that no more persons will be employed by it than are necessary, that it will operate the System in an efficient and economical manner and will at all times maintain the System in good repair and in sound operating condition, that it will make all necessary repairs, renewals, and replacements to the System, and that it will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the System and the Authority's operation thereof.

Insurance. With respect to the System, the Authority will carry adequate public liability, fidelity, and property insurance, such as is maintained by similar Systems as the System; provided, the Authority shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, as amended, and provided further, the Authority may self-insure against any risks that its Governing Body deems appropriate provided the Authority maintains adequate reserves, in such amounts as the Authority determines is reasonable, for such self insurance.

The Authority, without in any way limiting the generality of the following, shall: (a) require each construction contractor and each subcontractor to furnish a bond, or bonds, of such type and in amounts adequate to assure the faithful performance of their contracts and the payment of all bills and claims for labor and material arising by virtue of such contracts; and (b) require each construction contractor or the subcontractor to maintain at all times until the completion and acceptance of the Project adequate compensation insurance for all of their employees and adequate public liability and property damage insurance for the full and complete protection of Authority from any and all claims of every kind and character which may arise by virtue of the operations under their contracts, whether such operations be by themselves or by anyone directly or indirectly for them, or under their control.

All such policies shall be for the benefit of and made payable to the Authority and shall be on deposit with the Authority.

All moneys received for losses under any such insurance policies, except public liability policies, are hereby pledged by the Authority, as security for the Revenue Obligations until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by repairing the property damaged or replacing the property destroyed or by depositing the same in the Renewal and Extension Fund. Adequate provision for making good such loss and damage shall be made within 120 days from the date of the loss, insurance proceeds not used in making such provision shall be deposited in the Renewal and Extension Fund on the expiration of such 120-day period. Such insurance proceeds shall be payable to the Authority by appropriate clause to be attached to or inserted in the policies.

No Sale, Lease, or Encumbrance; Exceptions. Unless consent is given by the holders of at least a majority of the aggregate principal amount of the Revenue Obligations and by any Credit Issuer, the Authority will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof except as may be set forth herein; provided, however, the use of any of the System facilities may at any time be permanently abandoned or the System or any portion of the System or of the System facilities sold or otherwise disposed of, provided that:

(a) All covenants and undertakings in connection with all Revenue Obligations then outstanding and payable from the Revenues of the System are in compliance and any required reserve funds have been fully established and contributions thereto are current;

(b) After the abandonment, sale or other disposal of all or a portion of the System, (i) provision is made for the payment of all the outstanding Revenue Obligations or (ii) the remaining Revenues of the System after such sale shall be sufficient to pay principal of, premium, if any, and interest on the remaining Revenue Obligations and sufficient to be in compliance with the covenants set forth herein as certified by a Consulting Engineer or Financial Adviser;

(c) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System or it is otherwise in the best interests of the Authority to dispose of all or a part of the System as determined by the Governing Body of the Authority; and

(d) The Authority receives an opinion of nationally recognized bond counsel to the effect that the disposition of the System or any portion thereof and use of the proceeds therefrom will not adversely affect the exclusion of interest on the Revenue Obligations from gross income of the holders thereof for purposes of federal income taxation.

This provision is not intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Authority is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

In addition to the transfers permitted above, the Authority shall have the right to sell, lease, transfer or otherwise dispose of the System as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation or governmental agency (each of which shall be included within the term "Transferee" as used herein), provided the transferee thus acquiring the System from the Authority will assume the performance of and be bound by all of the Authority's obligations to the holders of the Revenue Obligations to make the payments into the funds required by the resolutions authorizing the Revenue Obligations and this Resolution and to pay the principal of, premium, if any, and interest on the Revenue Obligations as provided in the covenants and provisions of this Resolution.

Notwithstanding anything elsewhere herein provided, nothing contained herein shall prevent the Authority from combining any or all of the Authority's utility systems into a single unified operation (the "Combined System") and commingling the revenues of the systems so combined in the Combined System without keeping separate accounts of the funds of each of such systems, provided payments from the funds of the Combined System are required to be made into the Sinking Fund created hereunder from time to time in amounts sufficient to comply with provisions thereof and in amounts sufficient to pay the principal of and interest on the Revenue Obligations as such principal and interest becomes due. General Revenue Obligations ("Parity Combined System Obligations") payable from General Revenues of the Combined System may be thereafter issued on a parity with Outstanding Revenue Obligations provided at the time of the issuance of any such Parity Combined System Obligations, the terms and conditions of Article V have been met with respect to the issuance of such Parity Combined System Obligations.

No Impairment of Rights. The Authority shall not enter into any contract or contracts, nor take any action, the results of which might materially impair the rights of the holders of any Revenue Obligations.

Books and Accounts. The Authority shall keep proper books and accounts in compliance with applicable laws and regulations, if any, and shall cause such books and accounts to be audited for each Fiscal Year by an independent certified public accountant or firm of independent certified public accountants. A copy of each annual audit report showing in reasonable detail the financial condition of the System at the close of the Fiscal Year, the income and expenses for such Fiscal Year, including the transactions relating to any and all funds and accounts created pursuant to the Resolution, shall be available to any Bondholder upon request.

Enforcement of Charges and Connections. The Authority shall compel the prompt payment of rates, fees, and charges imposed for service connected with the System, and to that end will vigorously enforce all of the provisions of any resolution or ordinance of the Authority having to do with the same, and all of the rights and remedies permitted the Authority under law. The Authority expressly covenant and agree that such charges will be enforced and promptly collected to the full extent permitted by law.

Payments. All payments falling due on the Revenue Obligations and related Contracts shall be made by the Authority, from the Pledged Revenues or, at the Authority's option, other legally available revenues to the owners thereof when due in full, and all reasonable and authorized charges made by the Bond Registrar, the Trustee and the Paying Agent shall be paid by the Authority, when due.

No Loss of Lien on Revenues. The Authority shall not do, or omit to do, or permit to be done or to be omitted any matter or thing whatsoever whereby the lien of the Resolution on the Pledged Revenues or any part thereof might or could be lost or impaired.

Annual Budget. The Authority agrees to adopt an Annual Budget for the System for each Fiscal Year in compliance with the rate covenant stated above.

Defaults and Remedies

Events of Default. Each of the following events is defined as and declared to be and to constitute an "Event of Default" under the Resolution:

- (a) a failure to pay the principal or redemption price of any Senior Lien Revenue Obligation when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) a failure to pay any installment of interest on any Senior Lien Revenue Obligation when and as such installment of interest shall become due and payable; or
- (c) a court of competent jurisdiction shall enter an order, judgment, or decree appointing a receiver of the System or any of the funds or accounts established under an applicable resolution, or approving a petition seeking reorganization of the Authority under the federal bankruptcy laws or any other applicable law or statute of the United States of America or the State of Tennessee, and such order, judgment, or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or
- (d) the Authority shall fail to perform any of the other covenants, conditions, agreements, and provisions contained in any Senior Lien Revenue Obligations or in the applicable resolution on the part of the Authority to be performed, and such failure shall continue for 90 days after written notice specifying such failure and requiring it to be remedied shall have been given to the Authority by the Trustee or by the owners of not less than or any Credit Issuer securing not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Senior Lien Revenue Obligations; provided, however, if the failure stated in such notice can be corrected, but not within such 90 day period, the Authority shall have 180 days after such written notice to cure such default if corrective action is instituted by the Authority within such 90 day period and diligently pursued until the failure is corrected; or; or
- (e) a default by the Authority under a Hedge Agreement related to a series of Bonds; or
- (f) an Event of Default under any supplemental resolution relating to Senior Lien Revenue Obligations shall occur;

provided if the Event of Default relates solely to Revenue Obligations related to a particular category of Revenues and no other event has occurred which, with the lapse of time or the delivery of notice or both, could become an Event of Default with respect to any other Revenue Obligations then Outstanding, such Event of Default shall be deemed to apply solely to the related Revenue Obligations and Contracts and the provisions of the resolution shall otherwise remain in full force and effect with respect to all other Revenue Obligations and related Contracts.

Remedies. Upon the occurrence of an Event of Default, the Trustee shall have the power to proceed with any right or remedy available at law or in equity or by statute, as it may deem best, including any suit, action or special proceeding in equity or at law for the collection of amounts due and to become due hereunder and under the Senior Lien Revenue Bonds or the performance of any covenant or agreement contained in the applicable resolution or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law. The rights specified in each resolution are to be cumulative to all other available rights, remedies or powers.

Without limiting the foregoing, upon the request of the holders of not less than twenty-five percent (25%) of the Outstanding Senior Lien Revenue Obligations, the Trustee shall, in addition to all other remedies and rights upon or hereunder, have the right, by appropriate proceedings in any court of competent jurisdiction to obtain the appointment of a receiver for the System, which receiver may enter upon and take possession of the System, operate and maintain the System, fix rates and collect all revenues arising therefrom in his full a manner and to the same extent as the Authority itself might do. The receiver shall deposit all moneys collected by him in a separate account or accounts and shall dispose of such revenues in accordance with the terms and conditions of the resolutions authorizing Senior Lien Revenue Obligations and the applicable resolution and as the court shall direct.

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 and remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee, any Credit Issuer, the Insurer or by the Bondholders, shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

Rights of Bondholders. Upon the occurrence of an Event of Default and if requested so to do by the Holders of more than fifty percent (50%) in aggregate principal amount of the Senior Lien Revenue Obligations then Outstanding and if indemnified for its costs and expenses, the Trustee, subject to the rights of Bondholders to direct proceedings in accordance with the applicable resolution, shall be obligated to exercise such one or more of the rights and remedies conferred by the applicable provisions of such resolution as the Trustee, being advised by counsel, deems most expedient in the interests of the Bondholders.

Right of Bondholders to Direct Proceedings. Anything in a resolution to the contrary notwithstanding, the Holders of more than fifty percent (50%) in aggregate principal amount of the Senior Lien Revenue Obligations then Outstanding under such resolution shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct (as between such Bondholders and the Trustee) the time, method and place of conducting all proceedings otherwise permitted to be taken in connection with the enforcement of the terms and conditions of such resolution, or for the appointment of a receiver or any other proceedings under such resolution, provided the Trustee is indemnified as provided in such resolution.

Application of Moneys After Default.

If an Event of Default occurs and shall not have been remedied, the Authority or a receiver appointed for the purpose shall apply all Pledged Revenues in the following order:

(a) To the payment of the reasonable and proper expenses of the receiver and the Trustee under the resolution, if related to a particular series and therefore to a particular category of Revenues, first from such category and second from other categories of Revenues in amounts as determined by the receiver or the Trustee, and if not so related to a particular series or category of Revenues, then from all Revenues as determined by the Receiver or the Trustee;

(b) Within each category of Revenues, to the payment of all reasonable and necessary related Operating Expenses;

(c) Then, within each category of Revenues, to the payment of the interest and principal or redemption price then due on the related Senior Lien Revenue Obligations and payments under related Contracts (other than Termination Payments), as follows:

(1) Unless the principal of all the Senior Lien Revenue Obligations related to such category of Revenues shall have become due and payable due to the maturity thereof, all such moneys shall be applied as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Senior Lien Revenue Obligations and Hedge Payments then due if such Hedge Payments are on a parity with Senior Lien Revenue Obligations, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Lien Revenue Obligations with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full any particular installment and such Hedge Payments, then to the payment ratably, according to the amounts due on such installment and such Hedge Payments, to the persons entitled thereto, without any discrimination or preference. If some of the Senior Lien Revenue Obligations and Hedge Payments which have parity with Senior Lien Revenue Obligations bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Account securing such Revenue Obligations and Hedge Payments which have parity with Senior Lien Revenue Obligations must be used to pay any such interest and Hedge Payments, the moneys in any subaccount of the Debt Service Reserve Account shall be applied (to the extent necessary) to the payment

of all interest and Hedge Payments falling due on the dates upon which such interest and Hedge Payments is payable to and including the date six months after the date of application of such moneys. After such period, (1) moneys in any subaccount of the Debt Service Reserve Account securing such Revenue Obligations plus any other moneys available in the Interest Account shall be set aside for the payment of interest on Senior Lien Revenue Obligations of each class (a class consisting of all Senior Lien Revenue Obligations payable as to interest on the same dates) pro rata among Senior Lien Revenue Obligations of the various classes on a daily basis so that there shall accrue to each owner of a Senior Lien Revenue Obligation throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Senior Lien Revenue Obligation as shall so accrue to every other owner of a Senior Lien Revenue Obligation during such Fiscal Year., and (2) moneys in any subaccount of the Debt Service Reserve Account securing Hedge Payments which have parity with Senior Lien Revenue Obligations plus any other moneys available in the Hedge Payments Account shall be set aside for the payment of Hedge Payments which have parity with Senior Lien Revenue Obligations of each class (a class consisting of all such Hedge Payments payable on the same dates) pro rata among such Hedge Payments of the various classes on a daily basis so that there shall accrue to each person entitled to such a Hedge Payment throughout each Fiscal Year the same proportion of the total Hedge Payments to such person entitled to such a Hedge Payment as shall so accrue to every other person entitled to such a Hedge Payment during such Fiscal Year. As to any Compound Interest Bond which is a Senior Lien Revenue Obligation, such interest shall accrue on the Accreted Value of such Senior Lien Revenue Obligation and be set aside on a daily basis until the next compounding date for such Senior Lien Revenue Obligations, whereupon it shall be paid to the owner of such Senior Lien Revenue Obligation as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as principal of such Senior Lien Revenue Obligation.

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any of the Senior Lien Revenue Obligations which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Lien Revenue Obligations called for redemption for the payment of which moneys are held), in the order of their due dates, with interest upon such Senior Lien Revenue Obligations from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Senior Lien Revenue Obligations due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Senior Lien Revenue Obligations mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such principal falling due, the moneys in the Debt Service Reserve Account not required to pay interest under paragraph first above shall be applied to the extent necessary to the payment of all principal falling due prior to the date 12 months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account not required to pay interest plus any other moneys available in the Principal Account shall be set aside for the payment of principal of Senior Lien Revenue Obligations of each class (a class consisting of all Senior Lien Revenue Obligations payable as to principal on the same date) pro rata among Senior Lien Revenue Obligations of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total principal payable on each such Senior Lien Revenue Obligation as shall be equal among all classes of Senior Lien Revenue Obligations maturity or subject to mandatory redemption within such Fiscal Year.

THIRD: to the payment of the redemption premium on and the principal of any Senior Lien Revenue Obligations called for optional redemption pursuant to their terms.

(2) If the principal of all the Senior Lien Revenue Obligations shall have become due and payable, all such moneys shall be applied

FIRST: to the payment of the principal and interest then due and unpaid upon the Senior Lien Revenue Obligations, with interest thereon as aforesaid, and due and unpaid payments under related Contracts (excluding Termination Payments) and due and unpaid payments under Loan Agreements other than principal and interest (excluding Termination Payments), without preference or priority of principal over interest or payments on Contracts and other payments on Loan Agreements (excluding Termination Payments) or of interest over principal or payments on Contracts and other payments on Loan Agreements,

or of payments on Contracts (excluding Termination Payments) over principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Lien Revenue Obligation over any other Senior Lien Revenue Obligations, or of any such payment under a Contract and other payments on Loan Agreements (excluding Termination Payments) over any other such payment under a Contract and other payments on Loan Agreements (excluding Termination Payments), ratably, according to the amounts due respectively for principal, interest, and payments under Contracts and other payments on Loan Agreements (excluding Termination Payments), to the persons entitled thereto without any discrimination or preference, and

SECOND: to the payment of other obligations of the Authority, including Subordinate Lien Obligations and Termination Payments, as may be provided in a Supplemental Resolution.

Rights and Remedies Vested in Trustee. All rights of action and remedies under a resolution or under any of the Senior Lien Revenue Obligations may be enforced by the Trustee without the possession of any of the Senior Lien Revenue Obligations or the production thereof in any trial or other proceedings relating 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 Holders of the Senior Lien Revenue Obligations or any Credit Issuer, and any recovery of judgment shall, subject to the terms of the applicable resolution, be for the equal benefit of the Holders of the Senior Lien Revenue Obligations issued pursuant thereto, or any Credit Issuer as their interests appear.

Rights and Remedies of Bondholders. No Holder of any Senior Lien Revenue Obligation shall have any right to institute any suit, action or proceeding in equity or law for the enforcement of the resolution pursuant to which such Senior Lien Revenue Obligation was issued, for the execution of any trust hereof or for the appointment of a receiver or to enforce any other right or remedy thereunder, unless (a) a Default has occurred of which the Trustee has been notified in the manner prescribed, or of which it is deemed to have notice, (b) such Default shall have become an Event of Default and the Holders of more than fifty percent (50%) in aggregate principal amount of Senior Lien Revenue Obligations issued pursuant thereto and then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity to the Trustee either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and (c) such Bondholders have offered to the Trustee indemnity as provided in the applicable resolution and the Trustee shall thereafter fail or refuse to exercise the powers herein before granted, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of such resolution, and to any action or cause of action for the enforcement of such resolution, or for the appointment of a receiver or for any other right or remedy under the applicable resolution; it being understood and intended that no one or more Holders of the Senior Lien Revenue Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of a resolution by its, his or their action or to enforce any right or remedy thereunder except in the manner provided in such resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit, first, of the Holders of all Senior Lien Revenue Obligations issued pursuant to such resolution and, second, of the Bank and the Insurer. Nothing contained in a resolution shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal and redemption or purchase price of, and interest on, any Senior Lien Revenue Obligation at and after the date such payment is due, or the obligation of the Authority or the Trustee to pay the principal and redemption or purchase price of, and interest on, each of the Senior Lien Revenue Obligations issued thereunder to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Senior Lien Revenue Obligations.

Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy hereunder by any action at law or in equity, 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 to the Trustee, then and in every such case the Authority, the Trustee, any Credit Issuer, and the Bondholders and the trustee for any Telecom Bonds secured by Telecom Loan Obligations shall be restored to their former positions and rights hereunder, respectively, with respect to the Pledged Revenues, and all rights, remedies and powers of the Trustee, any Credit Issuer and the Bondholders and the trustee for any Telecom Bonds secured by Telecom Loan Obligations, respectively, shall continue as if no such proceedings had been taken.

Waivers of Events of Default. The Trustee shall waive any Event of Default under the applicable resolution and its consequences upon receipt of the written request of the Holders of more than fifty percent (50%) in aggregate

principal amount of all Senior Lien Revenue Obligations then Outstanding thereunder, provided, however, there shall not be waived:

(i) any Event of Default pertaining to the payment of the principal or redemption price of any Senior Lien Revenue Obligation at its maturity or Redemption Date; or

(ii) any Event of Default pertaining to the payment when due of the interest on any Senior Lien Revenue Obligation unless prior to such waiver, all arrears of interest and all principal or redemption price payments in respect of which such Event of Default shall have occurred, with interest thereon, (to the extent permitted by law) for the period from the occurrence of such Event of Default until paid in full at a rate per annum equal to the interest rate payable on the Senior Lien Revenue Obligations from time to time during such period in accordance with the terms of the Senior Lien Revenue Obligations, and all expenses of the Trustee in connection; with such Event of Default, shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, any Credit Issuer, the Insurer and the Bondholders and any Telecom Bonds Trustee shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

Supplemental Resolutions

Supplemental Resolutions Not Requiring Consent of Bondholders. The Authority may adopt one or more Supplemental Resolutions which thereafter shall form a part of the prior applicable resolutions, for the following purposes:

(a) to add to the covenants and agreements in the Resolution other covenants and agreements thereafter to be observed or to surrender, restrict, or limit any right or power reserved in such Resolution to or conferred upon the Authority (including but not limited to the right to issue Additional Obligations);

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in the Resolution;

(c) to subject to the lien and pledge of the Resolution additional revenues, receipts, properties, or other collateral;

(d) to evidence the appointment of successors to the Trustee;

(e) to modify, amend, or supplement the Resolution in such manner as to permit the qualification of the Resolution under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Resolution such other terms, conditions, and provisions as may be permitted or required by such Trust Indenture Act of 1939 or any similar federal statute;

(f) to make any modification or amendment of the Resolution required in order to make any Revenue Obligations eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Revenue Obligations or interests therein in book-entry form;

(g) to modify any of the provisions of the Resolution in any respect if such modification shall not become effective until after all the Outstanding Revenue Obligations immediately prior to the effective date of such Supplemental Resolution shall cease to be Outstanding and if any Revenue Obligations issued contemporaneously with or after the effective date of such Supplemental Resolution shall contain a specific reference to the modifications contained in such subsequent proceedings;

(h) to modify the provisions of the Resolution with respect to the disposition of any moneys remaining in the Project Fund upon the completion of any Project or to revise, enlarge or reduce the definition or description of any particular Project;

(i) to create additional subaccounts or to abolish any subaccounts within any account;

(j) to modify the Resolution to permit the qualification of any Revenue Obligations for offer or sale under the securities laws of any state in the United States of America;

(k) to modify the Resolution in connection with the issuance of Additional Obligations or Subordinate Lien Obligations permitted to be issued under the Resolution prior to such modification, and such modification may deal with any subjects and make any provisions relating to the Additional Obligations, Subordinate Lien Obligations or Telecom Loan Obligations which the Authority deems necessary or desirable for that purpose; provided that no such modification shall have a material adverse effect upon the security for the Obligations other than that implicit in the authorization of Additional Obligations and shall not affect the restrictions applicable to the issuance of Additional Obligations;

(l) to make such modifications in the provisions of the Resolution as may be deemed necessary by the Authority to accommodate the issuance of Revenue Obligations which (i) are Compound Interest Senior Lien Revenue Obligations (including, but not limited to, provisions for determining the Debt Service Requirement for such Compound Interest Senior Lien Revenue Obligations and for treatment of Accreted Value in making such determination) or (ii) bear interest at a Variable Rate;

(m) to make such modifications as are necessary to permit the combination of the System with the other utility systems operated by the Authority for purposes of collecting and accounting for revenues; or

(n) to modify any of the provisions of the Resolution in any respect (other than a modification requiring the unanimous written consent of the holders); provided that for (i) any Outstanding Revenue Obligations which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, each Rating Agency shall have given written notification to the Authority that such modification will not cause the then applicable Rating on any Revenue Obligations to be reduced or withdrawn, and (ii) any Outstanding Revenue Obligations which are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each Credit Issuer shall have consented in writing to such modification.

No Amendment set forth in subsections (i) and (m) above, may be made without the consent of the Insurer.

Supplemental Resolutions Requiring Consent of Bondholders

With the consent of the owners of not less than a majority in aggregate principal amount of the Outstanding Revenue Obligations of each class (senior and subordinate), voting separately by class, of each series of Revenue Obligations related to an affected category of Revenues or related Revenue Obligations, the Authority may from time to time and at any time adopt a Supplemental Resolution for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Resolution or of any Supplemental Resolution; provided, however, that no such Supplemental Resolution shall: (a) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Revenue Obligations Outstanding under the Resolution; (b) reduce or extend the time for payment of principal of, redemption premium, or interest on any Revenue Obligations Outstanding under the Resolution; (c) reduce any premium payable upon the redemption of any Revenue Obligations under the Resolution or advance the date upon which any Revenue Obligations may first be called for redemption prior to its stated maturity date; (d) give to any Revenue Obligation or Revenue Obligations (or related Contracts) a preference over any other Revenue Obligation or Revenue Obligations (or related Contracts) not already permitted by the Resolution; (e) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the Resolution for the Senior Lien Revenue Obligations; (f) reduce the percentage of owners of Revenue Obligations required to approve any such Supplemental Resolution; or (g) deprive the owners of the Revenue Obligations of the right to payment of the Revenue Obligations or from the Pledged Revenues, without, in each case, the consent of the owners of all the Revenue Obligations then Outstanding of the category of Revenue Obligations affected thereby. No amendment may be made which affects the rights or duties of any Credit Issuer securing any of the Revenue Obligations or any Qualified Hedge Provider under any Hedge Agreement without its written consent.

Insurer is Deemed Holder

Any provision of the Resolution granting or expressly recognizing rights to the Insurer may not be amended without the written consent of the Insurer. The Insurer's consent shall be required, in addition to the consent of the holders of the Senior Lien Revenue Obligations, for any supplemental resolution, any other amendment to the Resolution or any action that requires the consent of the owners of the Senior Lien Revenue Obligations. Upon the occurrence and continuance of an Event of Default under the Resolution, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to owners of the Senior Lien Revenue Obligations or to the Trustee. If at any time the maturity of the Senior Lien Revenue Obligations may be accelerated pursuant to the terms of the Resolution, the maturity of Senior Lien Revenue Obligations insured by the Insurer shall not be accelerated without the consent of the Insurer. If the Insurer defaults in its payment obligations under the Insurance Policy and such default is continuing, the Insurer shall not be entitled to exercise any rights or to otherwise demand any right to consent to or direct any action under the Resolution.

Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid and shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Resolution. The Insurer shall, to the extent it makes any payment of principal of or interest on the Senior Lien Revenue Obligations, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. No Resolution shall be discharged unless all amounts due or to become due to the Insurer with respect to the Senior Lien Revenue Obligations issued pursuant thereto have been paid, in full or duly provided for.

Resolution a Contract

The provisions of the Resolution constitute a contract between the Authority and the registered owners of the Senior Lien Revenue Obligations and after the issuance of such Senior Lien Revenue Obligations, no change, variation or alteration of any kind in the provisions of such resolution shall be made in any manner until such time as such Senior Lien Revenue Obligations and interest due thereon shall have been paid in full except as permitted in such resolution.

Provision For Payment and Release of Pledge

All or any portion of the Senior Lien Revenue Obligations for the payment, prepayment or redemption of which sufficient moneys or sufficient Defeasance Obligations shall have been deposited with the Trustee or an escrow agent selected by the Authority (whether upon or prior to the maturity or the redemption date) shall be deemed to be paid and no longer Outstanding under the Resolution; provided, however, that if such Senior Lien Revenue Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable arrangements shall have been made for the giving of such notice. Defeasance Obligations shall be sufficient: (i) if such Defeasance Obligations are not callable by the issuer of the Defeasance Obligations prior to their stated maturity, and (ii) if such Defeasance Obligations fall due and bear interest in such amounts and at such times as will assure sufficient cash (whether or not such Defeasance Obligations are redeemed by the Authority pursuant to any right of redemption) to pay currently maturing interest and to pay principal and redemption premiums, if any, when due on the Senior Lien Revenue Obligations without rendering the interest on any Tax-Exempt Senior Lien Revenue Obligations includable in gross income of any owner thereof for federal income tax purposes.

If all Senior Lien Revenue Obligations have been paid and provision for payment thereof made, then at the option of the Authority, the term and provisions of the Resolution relating solely to such category of Revenues may be determined as void and of no further force or effect; provided the other terms and provisions of the applicable resolution shall remain in effect until the election of the Authority, after payment or provision for payment of all Revenue Obligations and obligations secured by a lien created pursuant to the Resolution on any Revenues.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014

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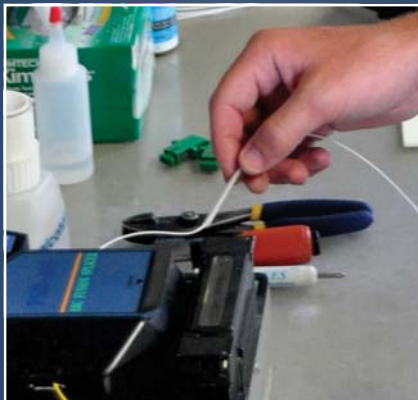


JACKSON ENERGY AUTHORITY

FOCUSED & PREPARED FOR TOMORROW

FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION

FOR FY
ENDING JUNE 30, 2014





FROM THE PRESIDENT AND CEO OF JACKSON ENERGY AUTHORITY

As a customer-owned utility, we are responsible for providing utility and telecommunications services within an accountable and sustainable financial framework. Encompassing work initiatives vital to fulfill the Authority's mission, the framework ensures we continue to remain focused on improving reliability and service while staying prepared for economic vitality tomorrow.

Fiscal Year 2014 brought about many global improvements for the Authority. Although these improvements were not system specific, they were an integral part of the day-to-day functions of nearly every department.

The Authority purchased the Patriot Equity Building at 351 Dr. Martin Luther King, Jr. Drive and moved their downtown Customer Center operations to the facility. Renovations were minimal which allowed for business to continue as usual without major interruption. With this move, the Authority was able to maintain a presence downtown and become a complete customer-focused retail facility.

To keep pace with technology and work more efficiently, JEA replaced all hand-held and mobile truck radios for the electric, gas, water and wastewater systems with a more advanced means of communication.

Similarly, in an effort to update JEA's 20-year old legacy customer information system with a more versatile system, migration to new Customer Management Billing (CMB) software was implemented. The new CMB system, which is the core of all our systems, will allow JEA to offer new technological capabilities, applications and services to customers while keeping our maintenance and operational costs in check.

Changes were made to the benefits package as JEA established a new defined compensation pension plan effective January 1, 2014 for all new hires.

FY 2014 also delivered opportunities for growth as the City of Jackson landed a new manufacturing facility, Pacific Industries. For the first time in almost a decade, a new industrial facility will be developed and constructed from the ground up. This new growth represents an increase in commercial as well as residential revenue for JEA.

The electric system worked throughout the year maintaining and upgrading aging substation infrastructure. Because of equipment age, new transformers were installed at South Jackson Unit #2 and North Highland #2. To help protect reliability of the national electric grid, the Federal Energy Regulatory Commission approved new standards for more stringent reporting requirements on equipment. Due to the excessive time and costs required for reporting, 2 JEA substations are undergoing minor modifications which will authorize the Tennessee Valley Authority to fulfill reports.

The gas system experienced the coldest winter in decades during FY 2014, which led to an increase in volume from customer usage during the record-breaking cold winter months. Also, improvements continued on fleet



transportation fuel efficiency as the gas system added natural gas and propane fueled vehicles to their fleet. The vehicles not only save money on fuel costs they also serve as a means of promoting environmentally-friendly alternative fuels.

The final phase of the three-year project of providing Water services to the newly annexed areas came to a close in FY 2014. The Water model study was completed with system improvements set to begin early FY 2015.

Likewise, the final phase of the three-year project of providing Wastewater services to the newly annexed areas came to a close in FY 2014. The Riverside Interceptor Replacement project reached 90% completion while the Collection System Rehabilitation continued.

FY 2014 proved to be a financially stable year for the Telecommunications system. Positive equity was achieved, efforts to increase the emergency fund continued and cash flow continued to strengthen.

Many system improvements were made throughout the year in the Telecommunications system. New signal processing equipment was installed, additional telephone features were launched, including hosted Private Branch Exchange (PBX.), TDM phone circuits were migrated to

SIP technology, all headend video processing was moved to an IP platform and all telephony provisioning and billing systems were moved to a single, all-inclusive billing and operating system software.

Our responsibility of giving in FY2014 exceeded all expectations of best practices of corporate philanthropy. It's evident in the many wellness opportunities, nutritional support and healthy lifestyle programs we provide to not only employees but also retirees. It's also visible in the countless volunteer hours, service projects and financial contributions our employees make to dozens of organizations in our community. We know that giving back helps keep our employees healthy and our community strong.

As technological innovations are reshaping how utilities do business, our mission at JEA has not changed. With a commitment to continue to invest in solutions that benefit our community, our company and our employees, I am confident that Fiscal Year 2015 will have us focused and prepared for what lies ahead.

Jim Ferrell
President/CEO, Jackson Energy Authority

CONTENTS

BOARD & MANAGEMENT	4
SYSTEM HIGHLIGHTS.....	5-8
FINANCIALS	
Independent Auditor's Report	10
Management's Discussion and Analysis	12
Financial Statements	
Statement of Net Position	30
Statement of Revenues, Expenses and Changes in Net Position	32
Statement of Cash Flows.....	33
Notes to Financial Statements.....	35
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	
Employee Retirement System.....	76
Post Retirement Medical Plan	77
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Operating Revenues and Expenses	79
Schedule of Long-Term Debt	88
Rates in Force	93
Schedule of Unaccounted for Water - Unaudited.....	105
Schedule of Expenditures of Federal Awards.....	106
Largest Customers by Yearly Revenue - Unaudited.....	107
Historical Bond Coverage - Unaudited.....	111
INTERNAL CONTROL & COMPLIANCE	
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	117
Independent Auditor's Report on Compliance for Each Major Program; Report in Internal Control over Compliance in Accordance with OMB Circular A-133.....	119
Schedule of Findings and Questioned Costs	121



BOARD OF DIRECTORS

*(Top Row, L-R) Ken Marston, Chairman; Howard Bond, Vice Chair;
(Bottom Row, L-R) Bob Campbell; Pam Finney; and Monte Jones*

MANAGEMENT TEAM

Jim Ferrell, President & Chief Executive Officer

Nancy Nanney, Senior Vice President & Chief Financial Officer

David Middlebrooks, Senior Vice President, Electric Division

Randy Nipp, Senior Vice President, Gas Division

Steve Raper, Senior Vice President, Water & Wastewater Divisions

Ben Lovins, Senior Vice President, Telecommunications Division

Aletza Boucher, Corporate Secretary

Michael Baughn, Vice President, Information Systems

Monte Cooper, Vice President, Distribution

Lara Coleman, Vice President, Operations

Barry Cross, Vice President, Human Resources

Ted Austin, Vice President, Customer Service & Community Relations

Rowland Fisher, Vice President, Engineering

John Nanney, Vice President, Economic & Industrial Development

COUNSEL

Teresa Cobb

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander, Thompson, Arnold PLLC - Jackson, Tennessee



JACKSON ENERGY AUTHORITY

STRENGTHENING OUR COMPANY THROUGH SOUND INVESTMENTS

With advancements in technology and an increasing customer base, Fiscal Year 2014 brought about a major system software migration that touched every facet of Jackson Energy Authority.

The system deemed “CMB” for Customer Management Billing, is the customer information and billing system which is the largest, most complex and most-used system the Authority has. The CMB system, which replaced the existing 20-year old ECIS system, is more modern, user-friendly and utilizes ubiquitous, cost-efficient hardware. It is the core of all our systems and is very critical to all other ancillary systems integrated into it. The new system will allow customers to take advantage of new technology as well as keep maintenance and operational costs in down.

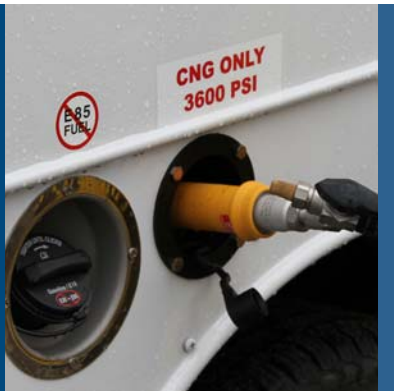
Not only were improvements made in Customer Management but also Customer Service, as JEA purchased and renovated the Patriot Equity property in downtown Jackson to become a JEA Customer Center. This purchase kept the Authority visible downtown and provided a full customer service retail facility to accommodate customers living in the downtown and South Jackson areas.

ELECTRIC During Fiscal Year 2014, work completed on the electric system included projects to keep the system up-to-date, increase reliability and ensure system sustainability.

By the end of FY2014, every customer premise was equipped and functioning with smart meters as the Automated Metering Infrastructure (AMI) project was completed. Each meter (about 35,000 total) continues to gather data, but full automation will follow the completion of the aforementioned CMB conversion.

One of the major accomplishments for the electric system was replacing the failed, out-of-service unit at South Jackson #2 substation with a larger more current model. Additionally, in a proactive measure to replace aging equipment that could potentially fail, two new transformers were installed at North Highland #2 substations.

To increase reliability and create a redundant loop, a distribution feeder line was built from the McKellar substation into the Jackson Madison County Industrial Park. From an economic development standpoint, the redundancy and reliability factors play an important role in anchoring new commercial and industrial developments in our community.



In conjunction with the Industrial Park, dirt work was started for the new Flex Drive substation that will feed the entire Industrial Park. This new substation will replace the current antiquated system that was installed in the 1960's and is scheduled to be completed Fiscal Year 2015.

Another boost to help drive economic development was the designation of the Tiger Jones site as an Enterprise Data Center site. The ability of the electric system to provide the capacity and reliability within a required timeframe was critical in helping obtain the designation.

A major system improvement in FY2014 leads to the completed, fully functioning Distribution Automation system. Through technology, this system can determine outages and make minor repairs without human intervention, resulting in decreased outage times.

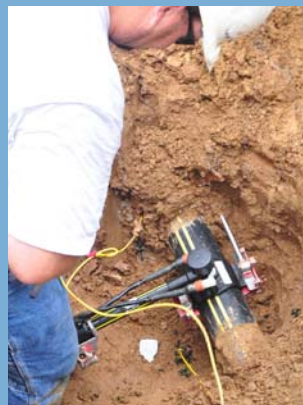
System improvements, technological advancements and equipment upgrades are all a part of the everyday work that goes on at JEA to maintain a safe, reliable electric system. And these efforts have not gone unnoticed as the Authority



was awarded Reliable Public Provider Diamond designation by the American Public Power Association (APPA) for an unprecedented, history-making 5th consecutive time. This designation not only demonstrates that JEA provides excellent service now with a focus on the future but also a

commitment to the overall mission of Jackson Energy Authority. Our mission has not changed, but has adapted to changing times, technology and circumstances.

NATURAL GAS^{JEA} crews



and contractors installed almost 12 miles of main and 1,150 services during Fiscal Year 2014. Of these totals, 8 miles were new main associated with system expansion projects and 4 miles included main replaced as part of our system replacement projects.

The Five Points Community (southeast Madison County) system expansion project was completed, providing service to over 98 potential customers. In eastern Madison County, a system integrity extension along Cobb Road was also completed, providing increased system pressures and reliability to this portion of Madison County.

Weather had an impact on customer usage this winter as our area experienced a winter colder than any seen since the late 1980's. These colder temperatures led to increased gas usage as it was 22% colder than the 30 year average. Unlike many competitors, JEA propane service operated without interruption and delivered on-time.

The interest of natural gas usage by both residential and industrial customers continues to gain momentum. In part, by the attraction of cost efficient alternative fueling. JEA continued to move fleet vehicles to CNG and propane fuel for cost savings and greater fuel efficiency. The City of Jackson became equipped with 3 propane fueled

E



police cruisers and carried out plans to purchase 3 CNG cruisers in FY2015. Discussions continued with private investors toward the construction of a public CNG fueling station in Madison County.



To help bring awareness to CNG and Propane as vehicle fuels, JEA completed design and installation of colorful, professional advertising prominently placed on the applicable fleet vehicles.

In similar fashion, an aggressive branding project was completed to help promote ProGas propane as the choice for home heating, water heating, and cooking. ProGas tank trucks were fitted with custom-designed decals in an effort to bring attention to the brand, product and service.

WATER The water system successfully completed the final phase of their 3-year project of installing water main infrastructure in the newly annexed areas of Jackson. With the infrastructure in place, customer connections will occur gradually over time.

Throughout Fiscal Year 2014, water well rehabilitation was also performed and 3 wells were converted to water lube.

The long range planning water model study, which determines the status of the water system from pipe size, flow, capacity and fire flow, was completed in FY2014. System improvements resulting from the study will begin early FY2015.

Installations for FY2014 included 4.54 miles of water main, 68 fire hydrants, 371 water service lines and 315 customer connects.

WASTEWATER

Correspondingly, the final phase of the 3-year wastewater main infrastructure installation project in the newly annexed areas was also completed. Just as with the water project, customer connections will occur over time.

Improvements to the wastewater collection system resulting from the flow study continued throughout Fiscal Year 2014. The highest priority



improvement, the Riverside Interceptor project, reached 90% completion and is expected to be complete early FY2015.

FY2014 also found the Wastewater system focused on a means to produce an

EPA Class A soil amendment from the biosolids that settle out during the wastewater treatment process. This initiated the beginning of the biosolids master plan study with the help of third party industry professionals. Results from the study should give direction to the best means, most efficient and cost effective way to create the soil amendment.

Equipment replacement continued at the Miller Avenue treatment plant with the refurbishing of a screw pump and the removal of Andritz presses.

The Wastewater system closed FY2014 with 2 miles of gravity main installed, 286 gravity laterals installed, 286 gravity lateral customer connects, 1.68 miles of force main, 1 large lift station and 56 individual lift stations.



TELECOM Fiscal Year 2014 was a successful year for the Telecommunications system. Positive equity was achieved, efforts to increase the emergency fund continued and cash flow continued to strengthen, which allowed capital investment in plant and processing equipment without increasing borrowing.

In a means to increase the High Definition (HD) channel lineup and commercial insertion capability, the Telecommunications system installed new signal processing equipment. Also, additional telephone features were launched including hosted Private Branch Exchange (PBX.) This will now allow commercial customers to forgo capital investment in premise phone switches by using IP phones from EPlus Broadband.

Many technological accomplishments for the Telecommunications system were achieved throughout the year. TDM phone circuits were migrated to SIP technology to provide increased diversity and reliability for long distance traffic. All headend video processing was moved to an IP platform for increased redundancy, bandwidth capacity and to support additional channels for ad insertion. Plus, all telephony provisioning and billing was moved to a single, all-encompassing third

party operating system software which brought all elements under one platform for greater efficiencies and opportunities.

The Telecommunications system also had a significant impact in Jackson's first Enterprise data center site designation. Because of the extensive, redundant fiber infrastructure, the Tiger Jones Technology Park received the designation and became the only Enterprise data center site in TVA's seven state region. This Enterprise site now positions our community to meet or exceed the needs of a major data center facility.

Currently, EPlus Broadband serves 15,000 residential and commercial customers with high-speed, fiber-to-the-home (FTTH) broadband, offering 100 megabits per second (Mbps) of symmetrical data services with additional circuits to local businesses at one Gigabit per second (Gbps) and above. Plans are in progress to install new FTTH equipment which will allow Jackson to become a full gigabit city, meaning every EPlus Broadband customer has access to receive one gigabit per second Internet speeds. This lightning-fast 1Gbps service will be available to customers in late Fall of Fiscal Year 2015.





JACKSON ENERGY AUTHORITY
FINANCIALS

**Members of:**

American Institute of Certified Public Accountants
 AICPA Center for Public Company Audit Firms
 AICPA Governmental Audit Quality Center
 AICPA Employee Benefit Plan Audit Quality Center
 Tennessee Society of Certified Public Accountants
 Kentucky Society of Certified Public Accountants



Certified Public Accountants
 Offices in Tennessee & Kentucky

227 Oil Well Rd.
 Jackson, TN 38305

Phone 731.427.8571
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Independent Auditor's Report

To the Board of Directors
 Jackson Energy Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Jackson Energy Authority, (the Authority), a component unit of the City of Jackson, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Jackson Energy Authority, as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress – employee retirement system and post-retirement medical plan on pages 12 through 29 and 76 through 77, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and financial information listed as supplementary information in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The supplementary and other information which has not been marked unaudited including 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information which has not been marked unaudited including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the supplementary and other information which has been marked unaudited 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
October 29, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Jackson Energy Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in actual dollars.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions, and other management tools were used for this analysis. The Financial Statements and Supplementary Information are made up of four sections: 1) the introductory section, 2) the financial section 3) the supplementary and other information section, and 4) the internal control and compliance section. The introductory section includes the Authority's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes and the required supplementary information. The other supplementary information includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position presents the financial position of the Authority on a full-accrual historical-cost basis. The statement of financial position includes all of the Authority's assets, liabilities, and deferred inflows/outflows of resources provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. The Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness. The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises. The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL HIGHLIGHTS – ELECTRIC FUND

Management believes the Fund's financial condition is strong. The Fund is well within its debt covenants, and stringent financial policies and guidelines have been set by the Board and management. The following are key financial highlights.

- Total assets and deferred outflows of resources at year-end were \$192.5 million and exceeded liabilities and deferred inflows of resources in the amount of \$127.4 million (i.e. net position).
- Net position increased \$3.6 million during the current year. Restricted net position is \$2.2 million.
- Operating revenues were \$147.7 million, a decrease from 2013 in the amount of \$1.4 million or 0.95%.
- Operating expenses were \$143.6 million, an increase from year 2013 in the amount of \$631 thousand or 0.44%.



FINANCIAL ANALYSIS - ELECTRIC FUND

The table below focuses on the Fund's net position and the changes in net position during 2014. Current and other assets decrease of \$1.5 million was driven by the Telecommunications Fund's payoff of the subsequent loans of \$752 thousand. In addition, the Fund increased the reserve for bad debts by \$426 thousand and decreased the materials and supplies inventory by \$262 thousand. Major capital expenditures during the fiscal year included the following:

- Installation of South Jackson #2 substation 161-46kV transformer \$1.5 million
- Purchase of 4,000 electric remote disconnect meters \$718 thousand
- Installation of North Highland #1 unit substation \$752 thousand

Long-term liabilities decreased by \$1.9 million. The decrease was mainly due to bond payments of \$1.8 million. The table below indicates that 75.4% of the Electric Fund's net position was related to capital assets, which includes land and easements, structures and improvements, infrastructure, and equipment, net of related debt. Net position restricted for debt service are limited to specific uses by the Fund's bond covenants or through resolutions passed by the Authority's Board of Directors.

Table I

CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Current and other assets	\$ 59,710,511	\$ 61,170,056	\$ (1,459,545)	-2.39%
Capital assets	132,788,276	128,960,952	3,827,324	2.97%
Total assets	192,498,787	190,131,008	2,367,779	1.25%
Deferred Outflows of Resources	997,309	1,081,588	(84,279)	-7.79%
Long-term liabilities	37,889,800	39,757,578	(1,867,778)	-4.70%
Other liabilities	28,215,445	27,687,458	527,987	1.91%
Total liabilities	66,105,245	67,445,036	(1,339,791)	-1.99%
Net position:				
Net investment in capital assets	96,057,813	89,918,517	6,139,296	6.83%
Restricted for capital projects	22,920	-	22,920	
Restricted for debt service	334,332	305,356	28,976	9.49%
Other restricted net position	1,865,147	2,943,543	(1,078,396)	-36.64%
Unrestricted	29,110,639	30,600,144	(1,489,505)	-4.87%
Total net position	\$ 127,390,851	\$ 123,767,560	\$ 3,623,291	2.93%



FINANCIAL ANALYSIS - ELECTRIC FUND (Continued)

The following table summarizes the variances in the Statement of Revenues, Expenses and Changes in Net Position between fiscal years 2014 and 2013:

Table 2
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

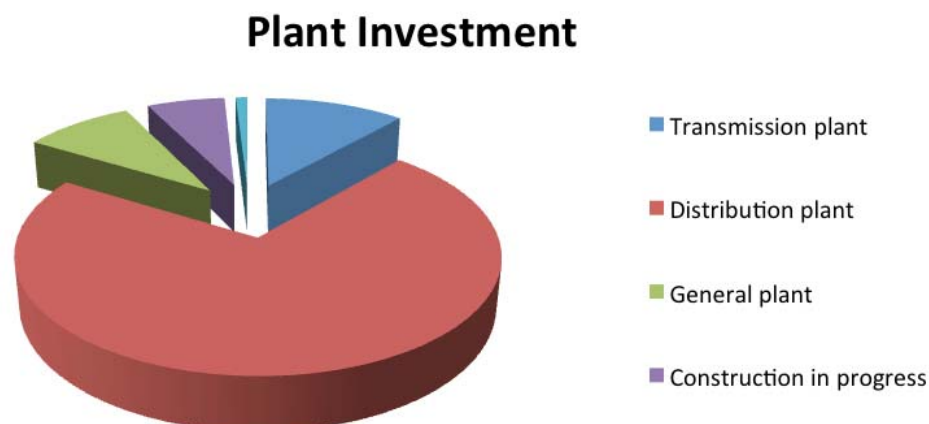
	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Operating revenues	\$ 147,734,960	\$ 149,152,252	\$ (1,417,292)	-0.95%
Non-operating revenues	261,558	(931,292)	1,192,850	-128.09%
Contributions	409,282	2,637,210	(2,227,928)	-84.48%
Total revenues	148,405,800	150,858,170	(2,452,370)	-1.63%
Operating expenses	143,558,093	142,927,377	630,716	0.44%
Non-operating expenses	1,224,416	1,074,925	149,491	13.91%
Total expenses	144,782,509	144,002,302	780,207	0.54%
Change in net position	3,623,291	6,855,868	(3,232,577)	-47.15%
Beginning net position	123,767,560	116,911,692	6,855,868	5.86%
Ending net position	\$ 127,390,851	\$ 123,767,560	\$ 3,623,291	2.93%

Operating revenues decreased as general power – over 50kW and economy surplus power revenues showed a decrease between the two of \$1.4 million. The number of customers in this category decreased from 1,027 in 2013 to 1,018 in 2014. Non-operating revenues in 2013 included a loss recorded from The Tennergy Corporation in the amount of \$1.2 million. The \$2.2 million decrease in contributions was the result of \$2 million in funds received from the TVA in 2013 that were used for a specific project related to load reduction. Non-operating expenses increased due to recognizing the Fund's share (\$184 thousand) of the write-off of the old administration building.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following chart summarizes the Fund's capital assets, net of accumulated depreciation, for the year ended June 30, 2014. These changes are presented in detail in Note 3D to the financial statements. This investment in capital assets provides the infrastructure necessary to distribute electric power to the customers and to expand the fund with customer growth.





CAPITAL ASSET AND DEBT ADMINISTRATION - ELECTRIC FUND (Continued)

Debt Administration

The Fund has outstanding Revenue Bonds and Notes Payable of \$33,680,000 and \$2,639,166, respectively, as of June 30, 2014. Principal payments are due in the upcoming fiscal year in the amount of \$2,221,161 with interest payments totaling approximately \$959,924 also due. As of June 30, 2014, the debt service restricted assets were \$502,065 for the 2005, 2008 and 2010 bond issues. Details relating to the outstanding debt can be found in Note 3E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES - ELECTRIC FUND

Supply

The Tennessee Valley Authority has provided electricity for the Authority since the late 1930's. The Authority's power supply contract with TVA is an all requirements contract, under which the Electric Fund is required to purchase all of the electricity needs of its retail customers from TVA, and TVA is obligated to provide all the electricity requirements of the Authority to serve those customers. TVA has been, and continues to be, an extremely reliable provider of electricity. Of the top 100 U.S. utilities, TVA ranks 37nd for low average retail and industrial rates. TVA plans to implement rate increases at lower levels and regular frequency and reduce the work force to be more in line with their peers.

Distribution System

Jackson continues as a retail, medical and entertainment center for over 400,000 people throughout rural West Tennessee. Historically, electric consumption grew at an average annual rate of 2%. However, the effects of the recessionary trend began to negatively impact sales and customer growth beginning in FY07 and continuing until FY11. From 2011 until present total system energy usage has grown at a rate of approximately 0.4%. As the economic recovery continues, industrial production has rebounded but energy used by those industries has not. Residential growth is expected to remain relatively flat for the near future and use per customer is projected to decline due to conservation.

During the past few years of limited expansion, the Electric Division made efforts to reinforce its electric system by replacing aging substation infrastructure, improving existing transmission lines, improving major distribution feeder lines, and planning for future growth and reliability for industrial parks. The most recent upgrades include replacement of South Jackson unit #2, a new substation to replace North Highland #2, rebuild of unit at East Park #1, a new transmission line for proposed Hospital Sub, new feeder lines for the new Armstrong Sub, preliminary dirt work on new Flex Substation, new lines from the McKellar Substation into Jackson Madison County Industrial Park, complete reconductor of the downtown network, and conductor change-out of transmission lines that will more than double their current carrying capacity.

Budget

The fiscal year 2015 budget was approved unanimously at the May, 2014, Board meeting. The budget projected an average of 34,947 customers and capital expenditures of \$13,922,000. No increase in base rates was projected. A \$10 million bond issue was included.



FINANCIAL HIGHLIGHTS - GAS FUND

Management believes the Fund's financial condition is strong. The Fund is well within its debt covenants, and stringent financial policies and guidelines have been set by the Board and management. The following are key financial highlights.

- Total assets and deferred outflows of resources at year-end were \$131.9 million and exceeded liabilities and deferred inflows of resources in the amount of \$86.7 million (i.e. net position).
- Net position increased \$5.6 million during the current year. Unrestricted net position increased by \$2.2 million.
- Operating revenues were \$42.7 million, an increase from year 2013 in the amount of \$6.5 million or 18.1%. This was due to a colder than normal winter in 2014. Mcf sold increased by 15.0% from 2013.
- Operating expenses were \$36.2 million, an increase from year 2013 in the amount of \$3.4 million or 10.54%.

FINANCIAL ANALYSIS - GAS FUND

The \$4.6 million increase in current and other assets was due primarily to an increase in cash resulting from increased earnings from the abnormally cold heating season. In addition, the Fund increased its emergency reserve fund by \$603 thousand and its bond sinking fund by \$994 thousand. The Fund's investment in The Tennergy Corporation increased by \$621 thousand based on earnings of The Tennergy Corporation. Major capital expenditures during the fiscal year included the following:

- Gas system expansion to Harts Bridge, Diamond Grove and Sells Roads \$546 thousand
- Preliminary work on the ANR/TRANSCANADA interconnect \$438 thousand
- Gas service replacement project \$2.0 million

The table indicates that 52.7% of the Fund's net position was related to capital assets, which includes land and easements, structures and improvements, infrastructure, and equipment, net of related debt. Restricted net position increased by \$1 million during fiscal year 2014, due to continued funding of the Debt Service Fund. These assets are limited to specific uses by the Fund's bond covenants or through resolutions passed by the Energy Fund's Board of Directors.

Table I
CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Current and other assets	\$ 52,111,546	\$ 47,594,799	\$ 4,516,747	9.49%
Capital assets	75,068,725	72,908,215	2,160,510	2.96%
Total assets	127,180,271	120,503,014	6,677,257	5.54%
Deferred Outflows of Resources	4,705,756	4,658,803	46,953	1.01%
Long-term liabilities	37,032,325	36,799,327	232,998	0.63%
Other liabilities	4,265,662	3,482,657	783,005	22.48%
Total liabilities	41,297,987	40,281,984	1,016,003	2.52%
Deferred Inflows of Resources	3,856,988	3,743,466	113,522	3.03%
Net position:				
Net investment in capital assets	45,678,728	43,335,841	2,342,887	5.41%
Restricted for debt service	8,003,668	6,996,609	1,007,059	14.39%
Unrestricted	33,048,656	30,803,917	2,244,739	7.29%
Total net position	\$ 86,731,052	\$ 81,136,367	\$ 5,594,685	6.90%



FINANCIAL ANALYSIS - GAS FUND (Continued)

Table 2

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Operating revenues	\$ 42,670,224	\$ 36,147,024	\$ 6,523,200	18.05%
Non-operating revenues	452,202	452,786	(584)	-0.13%
Contributions in aid	76,666	108,045	(31,379)	-29.04%
Total revenues	43,199,092	36,707,855	6,491,237	17.68%
Operating expenses	36,156,908	32,709,569	3,447,339	10.54%
Non-operating expenses	1,447,499	1,204,960	242,539	20.13%
Total expenses	37,604,407	33,914,529	3,689,878	10.88%
Change in net position	5,594,685	2,793,326	2,801,359	100.29%
Beginning net position	81,136,367	78,343,041	2,793,326	3.57%
Ending net position	\$ 86,731,052	\$ 81,136,367	\$ 5,594,685	6.90%

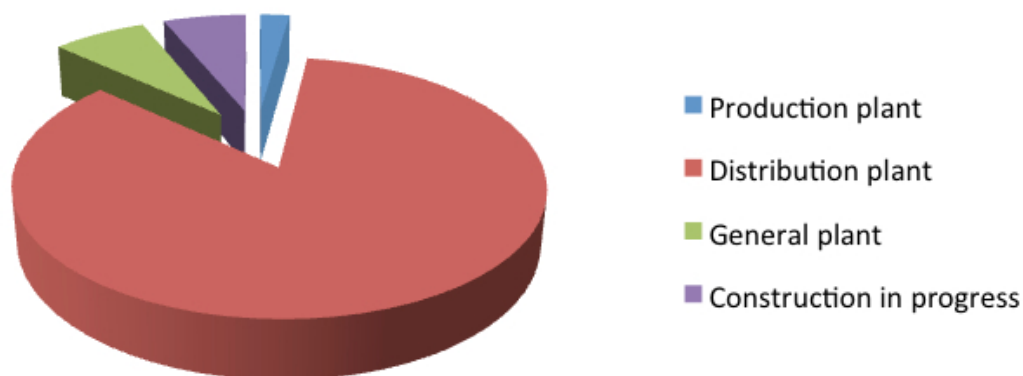
Operating revenues increased because the heating season was colder than normal in 2014. Actual degree days for the season were 4,357 compared to a normal 3,486. Mcf sold increased 15% from 3,638,792 in 2013 to 4,182,841 in 2014. The number of customers increased from 29,663 in 2013 to 30,419 in 2014. Operating expenses increased due mainly to purchased gas cost which increased 15.2% from \$19.7 million in 2013 to \$22.7 million in 2014. In addition, operating and maintenance expenses increased by \$284 thousand or 3.5%.

CAPITAL ASSETS AND DEBT ADMINISTRATION – GAS FUND

Capital Assets

The following chart summarizes the Fund's capital assets, net of accumulated depreciation, for the year ended June 30, 2014. These changes are presented in detail in Note 3D to the financial statements. This investment in capital assets provides the infrastructure necessary to distribute natural gas and propane to the customers and to expand the system with customer growth.

Plant Investment





CAPITAL ASSETS AND DEBT ADMINISTRATION – GAS FUND (Continued)

DEBT ADMINISTRATION

The Fund has outstanding Revenue Bonds of \$29,460,000 as of June 30, 2014. Principal payments and FDA purchases are due in the upcoming fiscal year in the amount of \$544,341 with interest payments totaling approximately \$1,045,605 also due. As of June 30, 2014, the debt service restricted assets were \$8,117,266 for the 2007 and 2009 bond issues. Details relating to the outstanding debt can be found in Note 3E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES - GAS FUND

Supply

All of the Gas Division's gas supply is purchased from The Tennergy Corporation. Eighty percent of our total requirement is acquired under the 2006 ten-year prepay agreement. This gas is priced at a discount of eight cents (\$.08) below the monthly index, with up to an additional ten cents (\$.10) per MMBtu annual refund. The remainder of our requirement is purchased at the monthly index price.

The natural gas market remains a good value, although the price curve has moved up over the past year. The 2013 summer strip is trading in the \$4.40 per MMBtu range. The 2013/2014 winter strip is trading in the \$4.62 range. This compares to the 2012 summer strip of \$2.44 and the 2012/2013 winter strip of \$3.22.

Propane, which normally tracks the crude oil market, has been relatively stable this year. Our current weighted average cost of propane (WACOG) is estimated at \$1.52 per gallon through fiscal year 2013. The WACOG for fiscal year 2014 is projected to be in the \$1.30 to \$1.35 range (11% decrease). If these prices persist through the summer, our retail price for next winter could decrease by 8%.

Distribution System

JEA crews and contractors will install almost 15 miles of main and 1,177 services by the end of fiscal year 2013. Of these totals, 12 miles are new main associated with system expansion projects and 3 miles are main replaced as part of our system replacement projects. Regarding service installations, 165 services are associated with new customer growth and 1,012 services are replacements. During fiscal year 2013, a system expansion project was completed in northwest Madison County, providing service to over 60 potential customers. A system integrity extension was also completed in southeast Madison County, providing increased system pressures and reliability to this portion of Madison County.

During fiscal year 2014, we are projecting to install over 6 miles of new main and 200 new services. Our fiscal year 2014 budget includes continued funding of our system replacement projects, including replacement of 2 miles of main and 1,100 services. Our budgeted main extensions will be located in both northeast and southeast Madison County.

ProGas is projected to serve 2,956 customers by the end of FY 2013. Propane sales for FY 2013 are projected to total 1.14 million gallons.

Budget

The fiscal year 2015 budget was approved unanimously at the May, 2014, Board meeting. Customer growth of 1.0% was projected to yield an average of 30,189 natural gas customers. The budget included a new industrial sales rate and base rate increases from 1.45% to 5.73% for some customer classes. Capital expenditures of \$6,593,000 were approved with no new bond issues.



FINANCIAL HIGHLIGHTS - WATER FUND

Management believes the Fund's financial condition is strong. The Fund is well within its debt covenants and stringent financial policies and guidelines have been set by the Board and management. The following are key financial highlights.

- Total assets and deferred outflows of resources at year-end were \$121.8 million and exceeded liabilities and deferred inflows of resources in the amount of \$80.8 million (i.e. net position).
- Net position increased \$4.1 million during the current year. Restricted net position increased by \$1.3 million.
- Operating revenues were \$15.5 million, a decrease from year 2013 in the amount of \$31 thousand or 0.20%.
- Operating expenses were \$11.3 million, an increase from year 2013 in the amount of \$75 thousand or 0.66%.

FINANCIAL ANALYSIS - WATER FUND

The table below focuses on the Fund's net position and the changes in net position during 2014. The increase in current and other assets is due to an increase in the emergency reserve fund of \$201 thousand and an increase in the bond sinking fund of \$1.3 million. The increase in the bond sinking fund also explains the increase in net position restricted for debt service. These assets are limited to specific uses by the Fund's bond covenants or through resolutions passed by the Fund's Board of Directors. Major capital expenditures during the fiscal year included the following:

- Phase 3 or the Northwest annexation \$499 thousand
- Phase 2 of the Northwest annexation \$217 thousand
- New backhoes \$170 thousand

The table below indicates that 78.0% of the Fund's net position was related to capital assets, which includes land and easements, structures and improvements, infrastructure, and equipment, net of related debt.

Table 1
CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Current and other assets	\$ 19,921,363	\$ 18,295,402	\$ 1,625,961	8.89%
Capital assets	97,456,587	95,286,741	2,169,846	2.28%
Total assets	117,377,950	113,582,143	3,795,807	3.34%
Deferred Outflows of Resources	4,470,951	4,605,281	(134,330)	-2.92%
Long-term liabilities	36,098,119	36,401,913	(303,794)	-0.83%
Other liabilities	897,910	979,878	(81,968)	-8.37%
Total liabilities	36,996,029	37,381,791	(385,762)	-1.03%
Deferred Inflows of Resources	4,049,397	4,136,736	(87,339)	-2.11%
Net position:				
Net investment in capital assets	63,061,241	60,403,681	2,657,560	4.40%
Restricted for debt service	11,142,065	9,813,205	1,328,860	13.54%
Unrestricted	6,600,169	6,452,011	148,158	2.30%
Total net position	\$ 80,803,475	\$ 76,668,897	\$ 4,134,578	5.39%



FINANCIAL ANALYSIS - WATER FUND (Continued)

The following table summarizes the variances in the Statement of Revenues, Expenses and Changes in Net Position between fiscal years 2014 and 2013:

Table 2
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

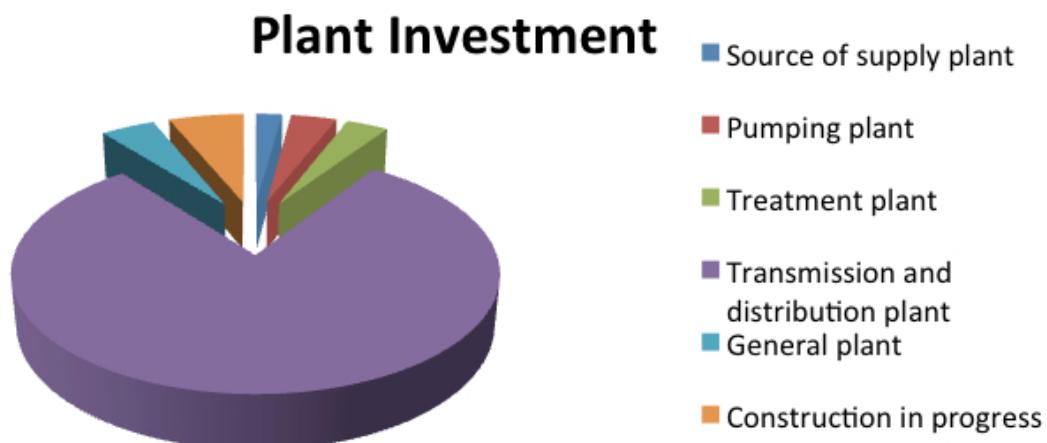
	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Operating revenues	\$ 15,454,299	\$ 15,485,162	\$ (30,863)	-0.20%
Non-operating revenues	601,334	540,509	60,825	11.25%
Contributions	727,474	1,003,413	(275,939)	-27.50%
Total revenues	16,783,107	17,029,084	(245,977)	-1.44%
Operating expenses	11,355,076	11,280,554	74,522	0.66%
Non-operating expenses	1,293,453	1,223,431	70,022	5.72%
Total expenses	12,648,529	12,503,985	144,544	1.16%
Change in net position	4,134,578	4,525,099	(390,521)	-8.63%
Beginning net position	76,668,897	72,143,798	4,525,099	6.27%
Ending net position	\$ 80,803,475	\$ 76,668,897	\$ 4,134,578	5.39%

In 2013, the Fund received the final installment on an EDA grant in the amount of \$250 thousand. That is the primary reason for the decrease in contributions in 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION – WATER FUND

Capital Assets

The following chart summarizes the Fund's capital assets, net of accumulated depreciation, for the year ended June 30, 2014. These changes are presented in detail in Note 3D to the financial statements. This investment in capital assets provides the necessary plant and infrastructure to deliver water service to the customers and to expand the system with customer growth.





FINANCIAL HIGHLIGHTS - WATER FUND (CONTINUED)

Debt Administration

The Fund has outstanding revenue bonds of \$34,525,158 as of June 30, 2014. Principal payments and FDA purchases in the amount of \$1,243,989 are due in the upcoming fiscal year with interest payments totaling approximately \$1,184,258 also due. As of June 30, 2014, the debt service restricted assets were \$11,232,846 for the 2008 and 2009 bonds. Details relating to the outstanding debt can be found in Note 3E.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES – WATER FUND

Supply

Water treatment capacity is sufficient for the coming five years, and there is ample aquifer capacity to supply JEA's existing system and any anticipated growth. As part of the long-range plan to consider a future third water treatment plant, JEA has completed a Phase I Hydrology Study within the targeted portion of Madison County. High Service Pump #1 located at the South Plant will be refurbished in FY14. On-going efforts continue with raw water well refurbishing to like-new condition in both the North and South Well fields, and JEA will convert 3 raw water wells from oil-based lubrication to water lubrication. JEA's current growth pattern does not uniformly surround existing treatment facilities. JEA will, therefore, have to balance the cost of new transmission piping versus building and operating new treatment facilities as growth continues.

Distribution System

Water system expansions (Phase II Annexation) continued in FY14 to provide fire protection and residential water service in the City approved annexation areas in the Northwest portion of Madison County. Phase I of the expansion involved six annexed areas and the installation of approximately 21,000 feet of water pipe. Capital expenditures are planned for the next one to two years as new water infrastructure is designed and constructed in the approved annexed areas in accordance with JEA's plan of service.

The distribution system is monitored for lost water (leaks). JEA staff also continually monitors system trends for both quantity and quality problems. JEA continues its joint flushing program with the Jackson Fire Department and we continue to make improvements to minimize low flow fire hydrants.

Maintenance and/or replacement of aging infrastructure are on-going efforts. Replaced and new water main installations in FY13 totaled 9.4 miles and 142 fire hydrants. New service lines installed in FY14 totaled 375. Work continues on new and existing fire hydrant installations, auxiliary fire hydrant valves, main line valves, and service line repairs/replacements along with upgrades to some of our large industrial meter installations.

Opportunities

There are eleven (11) areas in the Northwest Annexation area that have not been annexed since they did not border the existing City limits as of April 26, 2011; however the City does plan to pursue annexation once the court approves. JEA's five-year plan includes funds for anticipated water system expansion within these eleven areas. New developments within the service territory continue to be slow and we anticipate this trend to continue.



ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES - WATER FUND (Continued)

Opportunities (Continued)

County-Wide Utility District continues to rely on JEA to provide wholesale water to assist in meeting the demands of their customers. The City of Lexington to our east has reduced their need to purchase wholesale water from JEA due to water line expansions to the west along Hwy 412 toward Madison County. JEA water system growth continues to be primarily in the Northwest Annexation areas and developing areas of Three-Way and Medina.

Mid-way through FY14 JEA Water and Wastewater Services, DBA WaterPro, ceased to provide operational and maintenance services for other water and wastewater systems. The reason for this is due to the majority of the systems now having certified employees who meet the State requirements for plant operations.

Budget

The fiscal year 2015 budget was approved unanimously at the May, 2014, Board meeting. The budget projected slight customer growth in annexed areas for an average of 36,751 customers. Capital expenditures of \$4,759,000 were approved with no rate increases and no new bond issues expected in FY 2015.

FINANCIAL HIGHLIGHTS - WASTEWATER FUND

Management believes the Fund's financial condition is strong. The Fund is well within its debt covenants and stringent financial policies and guidelines have been set by the Board and management. The following are key financial highlights.

- Total assets and deferred outflows of resources at year-end were \$144.6 million and exceeded liabilities and deferred inflows of resources in the amount of \$83.8 million (i.e. net position).
- Net position increased \$6.3 million during the fiscal year. Restricted net position increased by \$2.3 million.
- Operating revenues were \$16.3 million, an increase from year 2013 in the amount of \$9 thousand or 0.06%.
- Operating expenses were \$13.2 million, an increase from year 2013 in the amount of \$329 thousand or 2.54%.

FINANCIAL ANALYSIS - WASTEWATER FUND

The table below focuses on the Fund's net position and the changes in net position during 2014. The increase in current and other assets is due to an increase in bond sinking funds of \$1.9 million and grants receivable from EDA of \$803 thousand. The bond sinking fund increase is also reflected in the increase in net position restricted for debt service. These assets are limited to specific uses by the Fund's bond covenants or through resolutions passed by the Fund's Board of Directors. Major capital expenditures during the fiscal year included the following:

- | | |
|---|----------------|
| • 54" Riverside interceptor replacement | \$5.5 million |
| • 48" Riverside interceptor replacement | \$2.1 million |
| • Sewer rehab phase I | \$817 thousand |

The increase in long-term liabilities is due to State Revolving Fund loans of \$4.3 million. The table indicates that 69.2% of the Fund's total net position was related to capital assets, which includes land and easements, structures and improvements, infrastructure, and equipment, net of related debt.


FINANCIAL ANALYSIS - WASTEWATER FUND (Continued)

Table 1
CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Current and other assets	\$ 29,489,874	\$ 26,224,867	\$ 3,265,007	12.45%
Capital assets	110,187,472	102,890,119	7,297,353	7.09%
Total assets	<u>139,677,346</u>	<u>129,114,986</u>	<u>10,562,360</u>	<u>8.18%</u>
Deferred Outflows of Resources	4,914,064	5,070,302	(156,238)	-3.08%
Long-term liabilities	55,152,569	51,013,464	4,139,105	8.11%
Other liabilities	944,801	874,413	70,388	8.05%
Total liabilities	<u>56,097,370</u>	<u>51,887,877</u>	<u>4,209,493</u>	<u>8.11%</u>
Deferred Inflows of Resources	4,725,621	4,859,470	(133,849)	-2.75%
Net position:				
Net investment in capital assets	57,041,316	53,646,702	3,394,614	6.33%
Restricted for capital projects	894,846	894,846	-	0.00%
Restricted for debt service	19,035,508	16,706,095	2,329,413	13.94%
Unrestricted	6,796,749	6,190,298	606,451	9.80%
Total net position	<u>\$ 83,768,419</u>	<u>\$ 77,437,941</u>	<u>\$ 6,330,478</u>	<u>8.17%</u>

The following table summarizes the variances in the Statement of Revenues, Expenses and Changes in Net Position between fiscal years 2014 and 2013:

Table 2
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Operating revenues	\$ 16,299,490	\$ 16,290,229	\$ 9,261	0.06%
Non-operating revenues	1,005,019	962,643	42,376	4.40%
Contributions	4,046,335	494,506	3,551,829	718.26%
Total revenues	<u>21,350,844</u>	<u>17,747,378</u>	<u>3,603,466</u>	<u>20.30%</u>
Operations expense	13,245,135	12,916,594	328,541	2.54%
Non-operating expenses	1,775,231	1,872,820	(97,589)	-5.21%
Total expenses	<u>15,020,366</u>	<u>14,789,414</u>	<u>230,952</u>	<u>1.56%</u>
Change in net position	6,330,478	2,957,964	3,372,514	114.01%
Beginning net position	77,437,941	74,479,977	2,957,964	3.97%
Ending net position	<u>\$ 83,768,419</u>	<u>\$ 77,437,941</u>	<u>\$ 6,330,478</u>	<u>8.17%</u>

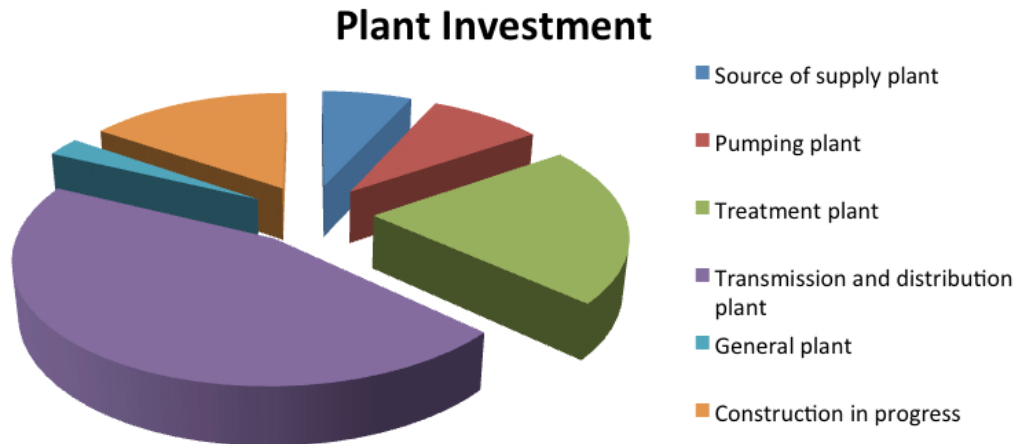
Increase in contributions is due to recording in 201 of \$3.1 million in EDA grants and \$334 thousand in forgiveness of debt on the State Revolving Fund loan.



FINANCIAL ANALYSIS - WASTEWATER FUND

Capital Assets

The following chart summarizes the Fund's capital assets, net of accumulated depreciation, for the year ended June 30, 2014. These changes are presented in greater detail in Note 3D to the financial statements. This investment in capital assets provides the plant and infrastructure to collect, treat and dispose of wastewater.



Debt Administration

The Fund has outstanding Revenue Bonds and Notes Payable of \$49,260,000 and \$3,988,230, respectively, as of June 30, 2014. Principal payments and FDA purchases in the amount of \$985,724 are due in the upcoming fiscal year with interest payments totaling approximately \$1,825,380 on the Revenue Bonds and \$27,117 on the Notes Payable also due. As of June 30, 2014, the debt service restricted assets total \$19,184,202 for the 2002 and 2012 bond issues. Details relating to the outstanding debt can be found in Note 3E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES – WASTEWATER FUND

Treatment (Supply)

JEA's Wastewater Division operates three treatment facilities. All three facilities produce effluent meeting all state and federal standards.

The Miller Avenue plant currently runs at just over half capacity which will allow for expansion of existing or future industrial customers. Plant maintenance work totaled \$342,000 which involved large pump bearing rehabilitation on the Miller Avenue 2nd stage screw pump, river pump station grinder system replacement, and the removal and sale of three presses in order to make room for expansion and future dewatering technologies. JEA continues with orderly replacement and/or renewal of major plant components as they reach life expectancies. This plant has ample capacity for growth assuming a 2% to 2.5% growth rate per year for the next 10-year period.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES – WASTEWATER FUND (CONTINUED)

Middle Fork plant is at 60% capacity or 3.6 MGD. Application to the State was approved in June of 2013 to expand the plant to its designed capacity of 8.0 MGD. Middle Fork's sequential batch plant continues to operate as expected, producing a high-quality effluent with capacity for additional growth. JEA uses the bio-solids from this plant to produce high-quality Hybrid Bermuda hay grown on the 60 acres of buffer land surrounding the plant. Bio-solids not used on the plant site are applied to nearby farmland.

Pinson Lagoon is nearing capacity at 40,000 GPD. JEA monitors the inflow and infiltration entering the Pinson system, removing all that is economically feasible.

Collection System

Wastewater system expansions (Phase III Annexation) were completed in FY14 to provide residential wastewater service in the City-approved annexation areas in the Northwest portion of Madison County. Phase III of the wastewater expansion involves six annexed areas: Rolling Hills, Windwood Hills, Whispering Hills, Leisure Lane, Singing Tree, and Quail Creek. Capital expenditures for wastewater infrastructure expansion will be planned within the next few years as the City decides to approve additional areas for annexation in the Northwest portion of Madison County.

JEA's grease trap pumping program continues to generate savings for our customers by reducing grease related stop-ups. The program provides a revenue stream in excess of \$100,000 per year and eliminates an estimated \$150,000 in collection system maintenance.

Maintenance and/or replacement of aging infrastructure are on-going efforts. New wastewater gravity main installations in FY14 totaled 2.0 miles and new force main installed totaled 1.68 miles. Fifty-seven new lift stations were installed primarily in the annexation areas. New service lines installed in FY14 totaled 286. Our collection system maintenance programs include main line CCTV inspections, jet-wash cleaning, debris removal, grease and tree root removal, ditch crossing inspections and point repairs. Our customer service line program includes regular and after-hours support by our crews.

JEA continues its proactive approach and comprehensive master plan rehabilitation program to make improvements to the collection system. JEA began work in FY14 to replace approximately 11,391 feet of gravity sewers along the Riverside Interceptor in the area of South Highland, Riverside Drive, and Airways Boulevard. This area was ranked in our flow study as the highest priority area needing attention due to the influence of rainfall derived inflow and infiltration. Rehabilitation work will also begin and continue in the Medina area and the East Industrial Park.

JEA's five-year plan includes funding to rehabilitate, replace, and continue sanitary services evaluations (SSES) within the prioritized basins. The study represents the first time JEA has taken such a comprehensive approach to evaluate the collection system in order to map out a long-term strategic / master plan for improvements.

Opportunities

Eleven (11) areas in the Northwest Annexation area remain un-annexed by the City. These areas did not border the existing City limits as of April 26, 2011. The City may pursue annexation once the court approves. JEA's five-year plan includes funds for anticipated wastewater system expansion within these eleven areas. New developments within the service territory continue to be slow and we anticipate this trend to continue.

JEA's compost operation continues to produce a product that is in demand from homeowners and commercial landscapers. In the past 12 months JEA's compost program generated revenues in excess of \$22,600.

Budget

The fiscal year 2015 budget was approved unanimously at the May, 2014, Board meeting. The budget projected slight customer growth in annexed areas for an average of 28,700 customers. Capital expenditures of \$7,384,000 were approved with no rate increases and no new bond issues expected. Loan proceeds from State Revolving Funds and grant funding from EDA and CDBG were projected to provide \$5,550,000 in FY 2015.



FINANCIAL HIGHLIGHTS - TELECOMMUNICATIONS FUND

The following are key financial highlights.

- Total assets and deferred outflows of resources at year-end were \$64.1 million and exceeded liabilities and deferred inflows of resources in the amount of \$528 thousand (i.e. net position).
- Operating revenues were \$28.2 million, an increase from year 2013 in the amount of \$1.3 million or 4.7%.
- Operating expenses were \$20.6 million, an increase from year 2013 in the amount of \$1.7 million or 9.24%.

The table below focuses on the Fund's net position and the changes in net position during 2014. A number of factors contributed to the increase in current and other assets. The debt service fund increased by \$456 thousand. The emergency reserve fund increased by \$501 thousand. Cash increased by \$2.4 million due to the improved net income and lower capital spending. Capital spending in the Telecommunications Fund remained light in 2014. Depreciation charges of \$5.2 million resulted in a net decrease in plant. Major capital expenditures during the fiscal year included the following:

- IP Multiplexing \$357 thousand
- Brocade edge routers \$129 thousand
- Converter boxes \$110 thousand

Long-term liabilities decreased \$3.5 million in 2014 primarily due to the Fund transferring \$4.1 million in bond payments from long-term to current liabilities. A \$4.3 million bond payment was made in 2014. The restricted net position represents debt service reserves. These assets are limited to specific uses by the Fund's bond covenants or through resolutions passed by the Fund's Board of Directors.

Table I
CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Current and other assets	\$ 20,551,208	\$ 17,784,830	\$ 2,766,378	15.55%
Capital assets	39,866,209	41,832,951	(1,966,742)	-4.70%
Total assets	<u>60,417,417</u>	<u>59,617,781</u>	<u>799,636</u>	1.34%
Deferred Outflows of Resources	<u>3,726,523</u>	<u>4,043,674</u>	<u>(317,151)</u>	-7.84%
Long-term liabilities	57,598,136	61,457,354	(3,859,218)	-6.28%
Other liabilities	<u>6,017,737</u>	<u>6,574,227</u>	<u>(556,490)</u>	-8.46%
Total liabilities	<u>63,615,873</u>	<u>68,031,581</u>	<u>(4,415,708)</u>	-6.49%
Net position:				
Net investment in capital assets	(14,442,464)	(22,958,103)	8,515,639	-37.09%
Restricted for debt service	6,580,535	6,304,424	276,111	4.38%
Unrestricted	<u>8,389,996</u>	<u>12,283,554</u>	<u>(3,893,558)</u>	-31.70%
Total net position	<u>\$ 528,067</u>	<u>\$ (4,370,125)</u>	<u>\$ 4,898,192</u>	-112.08%



FINANCIAL HIGHLIGHTS - TELECOMMUNICATIONS FUND (CONTINUED)

The following table summarizes the variances in the Statement of Revenues, Expenses and Changes in Net Position between fiscal years 2014 and 2013:

Table 2

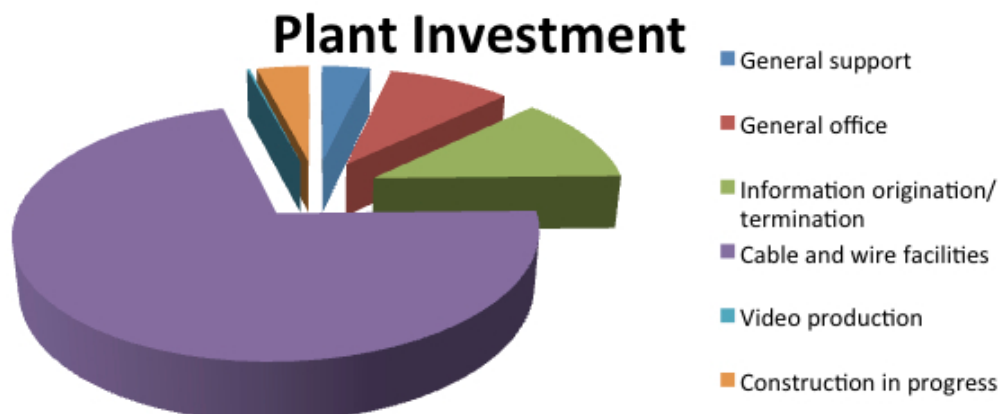
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
Operating revenues	\$ 28,176,781	\$ 26,912,529	\$ 1,264,252	4.70%
Non-operating revenues	95,091	78,818	16,273	20.65%
Contributions	75,685	65,817	9,868	14.99%
Total revenues	28,347,557	27,057,164	1,290,393	4.77%
Operating expenses	20,604,288	18,861,669	1,742,619	9.24%
Non-operating expenses	2,845,077	2,656,814	188,263	7.09%
Total expenses	23,449,365	21,518,483	1,930,882	8.97%
Change in net position	4,898,192	5,538,681	(640,489)	-11.56%
Beginning net position	(4,370,125)	(9,908,806)	5,538,681	-55.90%
Ending net position	\$ 528,067	\$ (4,370,125)	\$ 4,898,192	-112.08%

Operating revenues showed a 4.7% increase from 2013 to 2014, which was due to a 5.8% increase in cable rates in fiscal year 2014. Some of the increase was negated as more subscribers opted for inclusion in discounted bundled packages. Cable subscribers decreased 15,599 in 2013 to 14,886 in 2014. Data subscriber numbers increased from 11,738 from June, 2013 to 12,027 in June, 2014. Telephone subscribers remained relatively flat. Operating expenses increased as programming costs increased by 8.1% from \$7.3 million in 2013 to \$7.9 million in 2014. In addition, customer service expenses increased by \$359 thousand over 2013 due to additional field service costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION - TELECOMMUNICATIONS FUND

The following chart summarizes the Fund's capital assets, net of accumulated depreciation, for the year ended June 30, 2014. The changes are presented in detail in Note 3D to the financial statements. This investment in capital assets provides the infrastructure necessary to distribute telecommunication service to the customers and to expand the system with customer growth.





DEBT ADMINISTRATION

The Fund has outstanding Revenue Bonds of \$54,550,000 as of June 30, 2014. The Fund has a note payable to the Electric Fund in the amount of \$5,500,000. Principal payments are due in the upcoming fiscal year in the amount of \$4,100,000 with interest payments totaling \$1,309,263 also due. As of June 30, 2014, the debt service restricted assets total \$6,920,007 for the 2013 bond issues. Details relating to the outstanding debt can be found in Note 3E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES - TELECOMMUNICATIONS FUND

Supply

The Telecommunications Division purchases most of the programming for its Cable system from the National Cable Television Cooperative (NCTC). The NCTC leverages its nearly 1000-member video subscriber base to negotiate programming contracts on par with large cable television providers, such as the Division's chief competitor, Charter Communications. The Telecommunications Division purchases a smaller amount of programming directly from over two dozen other network and service providers, such as Discovery Networks, Fox Sports Networks, and local broadcast stations. JEA has entered into long-term contracts for the majority of its programming, with negotiations underway with local broadcast stations for the next Retransmission Consent three-year period.

The Telecommunications Division currently operates as an Internet Service Provider (ISP) and as a competitive local exchange carrier (CLEC). JEA provides Internet service, email service, and technical help desk support to JEA's retail Internet customers. Long-term contracts for Internet backhaul, email solutions, and support are in place.

In an effort to increase service reliability, features, and reduce costs, JEA moved all telephone switching facilities and operations in-house. The migration of all JEA telephone customers from its previous third-party solution was completed in February, 2012.

Fiber Optic Distribution System

The demand for telecommunications services within the commercial, industrial, and medical communities has grown in recent years. Incumbent telecommunications providers continue to use last generation copper-based infrastructure to deliver telecommunications services to our community. The Telecommunications Division's total fiber-optic system represents one of the nation's most advanced broadband telecommunications networks, delivering triple-play services – cable television, telephone, and high-speed Internet – to Jackson area residents. The unparalleled communications capabilities of this system gives Jackson a strategic economic advantage in attracting world-class companies, as well as providing existing large and small businesses with new tools for growth and efficiency.

In its first five years of operation, the Telecommunications Division experienced rapid growth and is at a current level of over 16,000 residential and nearly 1,800 commercial customers. The majority of JEA's customers are in the residential sector, but now an increasing number of industrial and commercial customers are signing on to data and telephone services offered over this high capacity network infrastructure in Jackson.

The residential market penetration for JEA's cable television service is 51% of available households and slight increases are expected to continue over the next several years. Internet penetration levels have increased over the year, with telephone remaining constant. Commercial customer activity is demonstrating steady growth in both business data services and telephone. Because of the unsurpassed bandwidth capacity of JEA's fiber broadband network and JEA's superior customer support, Internet and associated data services are seen as the major growth areas for Telecommunications.

To date JEA has invested over \$75,000,000 to construct its fiber broadband network and install its growing customer base. JEA will continue to invest in future customer growth and technology, with over \$10 million committed to technological improvements over the next five years, enabling the Division to continue to serve our community with industry leading fiber-based telecommunications capability for the next ten years.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES - TELECOMMUNICATIONS FUND (Continued)

Threats and Opportunities

From its inception, JEA's fiber project has met with competitive challenges from incumbent providers. Charter Communications has mounted aggressive marketing campaigns to regain lost customers through short-term triple-play (cable, Internet and telephone) offers featuring highly-discounted service. Direct TV has made a competitive showing through its extensive array of High Definition programming and competitive pricing.

Bandwidth needed for new digital applications such as file-sharing, You Tube, Netflix, and other "Over-the-Top" (OTT) IP-based video services continues to grow at an exponential rate. JEA is well positioned to accommodate these new applications through the extensive bandwidth capacity of its fiber network. Tremendous opportunities exist for upselling digital, Internet, commercial services, and telephone features in the Jackson market. The investment in fiber-to-the-premise technology coupled with best-in-class customer service will allow the Telecommunication Division to increase revenue and market share and strengthen JEA as a driving force for economic development in Jackson and Madison County.

Budget

The fiscal year 2015 budget was approved unanimously at the May, 2014, Board meeting. The budget projected 15,826 customers by fiscal year end. A 4.2% rate increase was included. Capital expenditures of \$6,581,000 were approved with no new borrowings or bond issues.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Senior Vice President and Chief Financial Officer.



**JACKSON ENERGY AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

	<u>ELECTRIC FUND</u>	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>WASTE- WATER FUND</u>	<u>TELECOMM- UNICATIONS FUND</u>	<u>ELIMINATING ENTRIES</u>	<u>TOTAL</u>
ASSETS							
Current assets:							
Cash and cash equivalents on deposit	\$ 28,825,578	\$ 14,030,776	\$ 6,442,968	\$ 7,280,290	\$ 7,597,721	\$ -	\$ 64,177,333
Temporary investments	7,202,644	2,556,467	-	-	-	-	9,759,111
Accounts receivable (net of allowance for uncollectibles)	14,872,301	1,549,916	1,395,288	1,307,111	2,510,093	-	21,634,709
Grants receivable	99,879	-	-	803,328	3,226	-	906,433
Current portion of long-term notes receivable - interfund	-	-	-	-	700,000	(700,000)	-
Accrued interest receivable	76,586	-	-	-	17,188	-	93,774
Materials and supplies	1,565,421	1,814,298	643,595	158,274	440,008	-	4,621,596
Prepayments and other current assets	473,984	191,951	81,378	98,188	376,900	-	1,222,401
Total current assets	<u>53,116,393</u>	<u>20,143,408</u>	<u>8,563,229</u>	<u>9,647,191</u>	<u>11,645,136</u>	<u>(700,000)</u>	<u>102,415,357</u>
Noncurrent assets:							
Restricted cash, cash equivalents, and investments:							
Debt service fund - investments	-	7,782,874	10,280,131	18,063,216	-	-	36,126,221
Debt service fund - cash and cash equivalents	502,065	334,392	952,715	1,120,986	6,920,007	-	9,830,165
Total restricted assets	<u>502,065</u>	<u>8,117,266</u>	<u>11,232,846</u>	<u>19,184,202</u>	<u>6,920,007</u>	<u>-</u>	<u>45,956,386</u>
Other assets:							
Investment - The Tennergy Corporation	-	21,317,957	-	-	-	-	21,317,957
Investment - Western District Energy Corporation	427,562	-	-	-	-	-	427,562
Investment - Central Services Association	2,405	2,114	1,604	1,166	-	-	7,289
Retainage account	-	36,725	-	352,838	-	-	389,563
Long-term notes receivable (less current portion included above)	-	-	-	-	129,675	-	129,675
Long-term notes receivable - interfund (less current portion included above)	5,500,000	-	-	-	-	(5,500,000)	-
Unrecovered purchased gas cost	-	2,257,308	-	-	-	-	2,257,308
Reimbursable cost - other	537	-	-	-	-	-	537
Regulatory assets:							
Unamortized bond issuance costs	161,549	236,768	123,684	304,477	199,211	-	1,025,689
Unamortized expenditures (net of accumulated amortization of \$1,602,190 at June 30, 2014)	-	-	-	-	1,657,179	-	1,657,179
Total other assets	<u>6,092,053</u>	<u>23,850,872</u>	<u>125,288</u>	<u>658,481</u>	<u>1,986,065</u>	<u>(5,500,000)</u>	<u>27,212,759</u>
Capital assets:							
Plant in service and equipment - at cost	194,229,161	115,690,271	126,827,044	151,353,844	75,366,821	-	663,467,141
Add: Unamortized acquisition adjustment	2,828,601	-	-	-	-	-	2,828,601
Less: Accumulated depreciation	83,527,182	45,274,769	35,380,164	58,107,151	37,081,863	-	259,371,129
Net plant in service and equipment - at cost	<u>113,530,580</u>	<u>70,415,502</u>	<u>91,446,880</u>	<u>93,246,693</u>	<u>38,284,958</u>	<u>-</u>	<u>406,924,613</u>
Construction in progress at cost	<u>19,257,696</u>	<u>4,653,223</u>	<u>6,009,707</u>	<u>16,940,779</u>	<u>1,581,251</u>	<u>-</u>	<u>48,442,656</u>
Total capital assets (net of accumulated depreciation)	<u>132,788,276</u>	<u>75,068,725</u>	<u>97,456,587</u>	<u>110,187,472</u>	<u>39,866,209</u>	<u>-</u>	<u>455,367,269</u>
Total noncurrent assets	<u>139,382,394</u>	<u>107,036,863</u>	<u>108,814,721</u>	<u>130,030,155</u>	<u>48,772,281</u>	<u>(5,500,000)</u>	<u>528,536,414</u>
Total assets	\$ 192,498,787	\$ 127,180,271	\$ 117,377,950	\$ 139,677,346	\$ 60,417,417	\$ (6,200,000)	\$ 630,951,771
Deferred outflows of resources							
Interest rate swaps	\$ -	\$ 3,856,988	\$ 4,049,397	\$ 4,725,621	\$ -	\$ -	\$ 12,632,006
Unamortized debt refunding differences	997,309	848,768	421,554	188,443	3,726,523	-	6,182,597
Total deferred outflows of resources	<u>\$ 997,309</u>	<u>\$ 4,705,756</u>	<u>\$ 4,470,951</u>	<u>\$ 4,914,064</u>	<u>\$ 3,726,523</u>	<u>\$ -</u>	<u>\$ 18,814,603</u>



JACKSON ENERGY AUTHORITY
STATEMENT OF NET POSITION (Continued)
AS OF JUNE 30, 2014

	ELECTRIC FUND	GAS FUND	WATER FUND	WASTEWATER FUND	TELECOMM- UNICATIONS FUND	ELIMINATING ENTRIES	TOTAL
LIABILITIES							
Current liabilities:							
Current portion of long-term notes payable	\$ 396,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 396,161
Accounts payable	24,026,817	3,868,253	177,077	306,643	968,281	-	29,347,071
Other accounts payable and accrued expense	1,787,910	109,512	145,292	403,973	630,522	-	3,077,209
Current portion of bonds payable - USDA	-	-	9,593	-	-	-	9,593
Gas supply imbalances	-	(21,601)	-	-	-	-	(21,601)
Total current liabilities	<u>26,210,888</u>	<u>3,956,164</u>	<u>331,962</u>	<u>710,616</u>	<u>1,598,803</u>	<u>-</u>	<u>32,808,433</u>
Current liabilities payable from restricted assets:							
Accrued revenue bond interest	144,813	113,598	90,781	148,694	339,472	-	837,358
Current maturities of long-term debt (net of discount of \$80,170 plus premiums of \$60,934 for the year ended June 30, 2014)	<u>1,859,744</u>	<u>195,900</u>	<u>475,167</u>	<u>85,491</u>	<u>4,079,462</u>	<u>-</u>	<u>6,695,764</u>
Total current liabilities payable from restricted assets	<u>2,004,557</u>	<u>309,498</u>	<u>565,948</u>	<u>234,185</u>	<u>4,418,934</u>	<u>-</u>	<u>7,533,122</u>
Noncurrent liabilities:							
Notes payable (net of current portion)	2,243,005	-	-	3,988,230	-	-	6,231,235
OPEB payable (net of current portion)	2,290,984	1,910,272	1,523,011	1,440,434	492,719	-	7,657,420
Compensated absences	1,124,257	752,456	655,851	651,471	320,935	-	3,504,970
Notes payable- interfund (net of current portion)	-	-	-	-	6,200,000	(6,200,000)	-
Bonds payable (less current maturities, net of discount of \$803,288 and net premiums of \$690,606 for the year ended June 30, 2014)	32,231,554	29,194,098	33,530,022	49,072,434	50,229,211	-	194,257,319
Bonds payable - USDA (net of current portion)	-	-	380,565	-	-	-	380,565
Customer deposits	<u>-</u>	<u>5,175,499</u>	<u>8,670</u>	<u>-</u>	<u>355,271</u>	<u>-</u>	<u>5,539,440</u>
Total noncurrent liabilities	<u>37,889,800</u>	<u>37,032,325</u>	<u>36,098,119</u>	<u>55,152,569</u>	<u>57,598,136</u>	<u>(6,200,000)</u>	<u>217,570,949</u>
Total liabilities	<u>66,105,245</u>	<u>41,297,987</u>	<u>36,996,029</u>	<u>56,097,370</u>	<u>63,615,873</u>	<u>(6,200,000)</u>	<u>257,912,504</u>
Deferred inflows from interest rate swaps	<u>-</u>	<u>3,856,988</u>	<u>4,049,397</u>	<u>4,725,621</u>	<u>-</u>	<u>-</u>	<u>12,632,006</u>
NET POSITION							
Net investment in capital assets	96,057,813	45,678,728	63,061,241	57,041,316	(14,442,464)	-	247,396,634
Restricted for capital projects	22,920	-	-	894,846	-	-	917,766
Restricted for debt service	334,332	8,003,668	11,142,065	19,035,508	6,580,535	-	45,096,108
Restricted for other	1,865,147	-	-	-	-	-	1,865,147
Unrestricted	<u>29,110,639</u>	<u>33,048,656</u>	<u>6,600,169</u>	<u>6,796,749</u>	<u>8,389,996</u>	<u>-</u>	<u>83,946,209</u>
Total net position	<u>\$ 127,390,851</u>	<u>\$ 86,731,052</u>	<u>\$ 80,803,475</u>	<u>\$ 83,768,419</u>	<u>\$ 528,067</u>	<u>\$ -</u>	<u>\$ 379,221,864</u>



JACKSON ENERGY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	ELECTRIC FUND	GAS FUND	WATER FUND	WASTE- WATER FUND	TELECOMM- UNICATIONS FUND	TOTAL
Operating revenues:						
Charges for sales and services	\$ 143,429,141	\$ 42,670,224	\$ 15,454,299	\$ 16,299,490	\$ 28,176,781	\$ 246,029,935
Other revenue	<u>4,305,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,305,819</u>
Total operating revenues	<u>147,734,960</u>	<u>42,670,224</u>	<u>15,454,299</u>	<u>16,299,490</u>	<u>28,176,781</u>	<u>250,335,754</u>
Operating expenses:						
Cost of sales and services	119,321,073	22,705,459	-	-	8,896,259	150,922,791
Operations expense	10,189,609	7,336,374	7,153,304	7,541,019	6,381,843	38,602,149
Maintenance expense	2,726,255	1,155,914	1,047,361	1,674,449	-	6,603,979
Provision for depreciation	7,150,163	3,415,358	2,781,838	3,614,178	5,158,870	22,120,407
Payroll taxes	336,021	255,781	207,284	245,099	167,316	1,211,501
Other taxes	29,604	2,888	454	-	-	32,946
In lieu of taxes	<u>3,805,368</u>	<u>1,285,134</u>	<u>164,835</u>	<u>170,390</u>	<u>-</u>	<u>5,425,727</u>
Total operating expenses	<u>143,558,093</u>	<u>36,156,908</u>	<u>11,355,076</u>	<u>13,245,135</u>	<u>20,604,288</u>	<u>224,919,500</u>
Operating income (loss)	<u>4,176,867</u>	<u>6,513,316</u>	<u>4,099,223</u>	<u>3,054,355</u>	<u>7,572,493</u>	<u>25,416,254</u>
Nonoperating revenues (expenses):						
Interest and other income	261,558	452,202	601,334	1,005,019	95,091	2,415,204
Interest, amortization, and other expense	(1,034,428)	(1,191,882)	(1,211,055)	(1,882,005)	(2,845,077)	(8,164,447)
Gain (loss) on disposition of capital assets	<u>(189,988)</u>	<u>(255,617)</u>	<u>(82,398)</u>	<u>106,774</u>	<u>-</u>	<u>(421,229)</u>
Total nonoperating revenues (expenses)	<u>(962,858)</u>	<u>(995,297)</u>	<u>(692,119)</u>	<u>(770,212)</u>	<u>(2,749,986)</u>	<u>(6,170,472)</u>
Contributions						
Capital contributions	<u>409,282</u>	<u>76,666</u>	<u>727,474</u>	<u>4,046,335</u>	<u>75,685</u>	<u>5,335,442</u>
Change in net assets	3,623,291	5,594,685	4,134,578	6,330,478	4,898,192	24,581,224
Total net assets - beginning	<u>123,767,560</u>	<u>81,136,367</u>	<u>76,668,897</u>	<u>77,437,941</u>	<u>(4,370,125)</u>	<u>354,640,640</u>
Total net assets - ending	<u>\$ 127,390,851</u>	<u>\$ 86,731,052</u>	<u>\$ 80,803,475</u>	<u>\$ 83,768,419</u>	<u>\$ 528,067</u>	<u>\$ 379,221,864</u>



**JACKSON ENERGY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	ELECTRIC FUND	GAS FUND	WATER FUND	WASTE- WATER FUND	TELECOMM- UNICATIONS FUND	TOTAL
Cash flows from operating activities:						
Receipts from customers and users	\$ 144,936,575	\$ 42,603,054	\$ 16,064,981	\$ 16,005,947	\$ 28,195,051	\$ 247,805,608
Other receipts	469,056	37,116	74,866	251,275	20,152	852,465
Payments to suppliers	(124,965,672)	(25,698,329)	(4,262,638)	(4,811,057)	(12,822,297)	(172,559,993)
Payments to employees	(6,962,961)	(5,100,412)	(3,759,571)	(4,473,689)	(2,560,020)	(22,856,653)
Payments in lieu of taxes	(3,805,368)	(1,285,134)	(164,835)	(170,390)	-	(5,425,727)
Net cash provided (used) by operating activities	<u>9,671,630</u>	<u>10,556,295</u>	<u>7,952,803</u>	<u>6,802,086</u>	<u>12,832,886</u>	<u>47,815,700</u>
Cash flows from capital and related financing activities:						
Construction and acquisition of plant	(11,412,141)	(5,674,345)	(4,953,608)	(10,871,273)	(3,281,891)	(36,193,258)
Plant removal cost	(242,942)	(189,717)	(106,456)	(59,069)	(10)	(598,194)
Proceeds from salvage of property, plant, and equipment	487,609	32,578	25,980	125,575	89,772	761,514
Cash contributions in aid of construction	409,102	76,666	113,758	3,577,821	75,685	4,253,032
Principal paid on bonds	(1,770,000)	(190,000)	(502,751)	(100,000)	(4,250,000)	(6,812,751)
Loan proceeds	-	-	-	3,988,230	-	3,988,230
Interest expense	(971,665)	(1,202,583)	(1,118,013)	(1,798,567)	(1,346,544)	(6,437,372)
Installment note repayments	(507,512)	-	-	-	-	(507,512)
Repayment of subsequent loans	752,918	-	-	-	(752,918)	-
Net cash provided (used) by capital and relating financing activities	<u>(13,254,631)</u>	<u>(7,147,401)</u>	<u>(6,541,090)</u>	<u>(5,137,283)</u>	<u>(9,465,906)</u>	<u>(41,546,311)</u>
Cash flows from investing activities:						
Purchase of cash investment	(7,202,642)	(3,083,806)	(748,225)	(866,278)	-	(11,900,951)
Interest earned	240,377	33,264	13,687	16,324	23,038	326,690
Net cash provided (used) by investing activities	<u>(6,962,265)</u>	<u>(3,050,542)</u>	<u>(734,538)</u>	<u>(849,954)</u>	<u>23,038</u>	<u>(11,574,261)</u>
Net increase (decrease) in cash and cash equivalents	(10,545,266)	358,352	677,175	814,849	3,390,018	(5,304,872)
Cash and cash equivalents - beginning of year	<u>39,872,909</u>	<u>14,006,816</u>	<u>6,718,508</u>	<u>7,586,427</u>	<u>11,127,710</u>	<u>79,312,370</u>
Cash and cash equivalents - end of year	<u>\$ 29,327,643</u>	<u>\$ 14,365,168</u>	<u>\$ 7,395,683</u>	<u>\$ 8,401,276</u>	<u>\$ 14,517,728</u>	<u>\$ 74,007,498</u>



**JACKSON ENERGY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	ELECTRIC FUND	GAS FUND	WATER FUND	WASTE- WATER FUND	TELECOMM- UNICATIONS FUND	TOTAL
Cash and cash equivalents:						
Unrestricted cash and cash equivalents on deposit	\$ 28,825,578	\$ 14,030,776	\$ 6,442,968	\$ 7,280,290	\$ 7,597,721	\$ 64,177,333
Restricted cash and cash equivalents on deposit:						
Debt service fund - cash and cash equivalents	502,065	334,392	952,715	1,120,986	6,920,007	9,830,165
Total cash and cash equivalents	<u>\$ 29,327,643</u>	<u>\$ 14,365,168</u>	<u>\$ 7,395,683</u>	<u>\$ 8,401,276</u>	<u>\$ 14,517,728</u>	<u>\$ 74,007,498</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 4,176,867	\$ 6,513,316	\$ 4,099,223	\$ 3,054,355	\$ 7,572,493	\$ 25,416,254
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization expense	7,150,163	3,415,358	2,781,838	3,614,178	5,158,870	22,120,407
Provision for and recoveries of doubtful accounts	902,209	250,538	151,698	133,947	455,575	1,893,967
Amortization of costs	466,444	75,797	47,085	61,038	51,248	701,612
(Increase) decrease in accounts receivable	(2,845,381)	(179,564)	69,997	292,535	2,023	(2,660,390)
(Increase) decrease in materials and supplies	263,494	300,122	209,473	13,034	58,516	844,639
(Increase) decrease in prepayments and other current assets	(54,009)	(12,712)	(13,603)	(13,610)	(60,275)	(154,209)
Increase (decrease) unrecovered purchased gas cost	-	71,963	-	-	-	71,963
Increase (decrease) in accounts payable	438,729	639,336	(92,218)	(125,675)	87,297	947,469
Increase (decrease) in other accounts payable and accrued expenses	(826,886)	(671,892)	697,478	(227,716)	(501,467)	(1,530,483)
Increase (decrease) in customer deposits	-	154,033	1,832	-	8,606	164,471
Net cash provided (used) by operating activities	<u>\$ 9,671,630</u>	<u>\$ 10,556,295</u>	<u>\$ 7,952,803</u>	<u>\$ 6,802,086</u>	<u>\$ 12,832,886</u>	<u>\$ 47,815,700</u>
Non-cash disclosure:						
Contributed capital assets	\$ 180	-	\$ 613,716	\$ 468,514	-	\$ 1,082,410



**JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jackson Energy Authority (Authority) was formed July 1, 2001, pursuant to Chapter No. 55 of the Private Acts, 2001 cited as the Jackson Energy Authority Act and, as such, is a political subdivision of the State of Tennessee. The legislation creating the Authority amended the acts that established the Jackson Utility Division. The Authority was created as a separate legal entity for the purpose of planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric, gas, water, wastewater, and telecommunications utilities systems within or outside the corporate limits of the City of Jackson, Tennessee, and other such utility systems, such as a municipal water, wastewater, gas, telecommunications, or electric utility is authorized by the general laws of the State of Tennessee to own or operate. Upon creation of the Authority, the City of Jackson was authorized to transfer to the Authority all its rights, title and interest in and to all assets operated for the City by Jackson Utility Division. The accompanying financial statements present the financial position, results of operations and cash flows of Jackson Energy Authority as of and for the period ended June 30, 2014.

The Authority is reported as a discretely presented component unit in the financial statements of the City of Jackson, Tennessee. This presentation is required due to the City's guarantee of bonds issued by the telecommunications fund.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the Authority conform to applicable accounting principles generally accepted in the United States of America as defined in by the Governmental Accounting Standards Board (GASB).

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are charges for sales and services. Operating expenses for the enterprise 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 non-operating revenues and expenses.

The Authority reports the electric, gas, water, wastewater, and telecommunication funds as major proprietary funds. Each fund provides distributions services for their respective operations as described below:

Electric System Fund – The Electric System Fund was created to acquire, construct, improve, furnish, equip, finance, own, operate, and maintain within or outside the corporate limits of the City of Jackson, a system for the furnishing of electrical service and to provide electric service to any person, governmental entity, or other user or consumer of electrical services.

Gas System Fund – The Gas System Fund was created to acquire, construct, improve, furnish, equip, finance, own, operate, and maintain within or outside the corporate limits of the City of Jackson, a system for the furnishing of gas and related products and to provide gas service to any person, governmental entity, or other user or consumer of gas services.

Water System Fund – The Water System Fund was created to acquire, construct, improve, furnish, equip, finance, own, operate, and maintain within or outside the corporate limits of the City of Jackson, a system for the furnishing of water and related products and to provide water service to any person, governmental entity, or other user or consumer of water services.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Wastewater System Fund – The Wastewater System Fund was created to acquire, construct, improve, furnish, equip, finance, own, operate, and maintain within or outside the corporate limits of the City of Jackson, a system for the furnishing of wastewater and related services and to provide wastewater service to any person, governmental entity, or other user or consumer of wastewater services.

Telecommunication System Fund – The Telecommunication System Fund was created to acquire, construct, improve, furnish, equip, finance, own, operate, and maintain within or outside the corporate limits of the City of Jackson, a system for the furnishing of telecommunications and related services and to provide telecommunications service for any person, governmental entity, or other user or consumer of telecommunication services.

C. Assets, Liabilities, and Net Position

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority restricts its investments to the types of investments authorized by the State of Tennessee.

The Public Act creating the Authority authorizes the following investments:

- (1) Direct obligations of the United States government or any of its agencies;
- (2) Obligations guaranteed as principal and interest by the United States government or any of its agencies;
- (3) Certificates of deposit and other devices of deposit at state and federally chartered banks, savings and loan institutions or savings banks deposited and collateralized;
- (4) Repurchase agreements entered into with the United States or its agencies or with any bank, broker-dealer, or other such entity so long as the obligation of the obligated party is secured by perfected pledge of full faith and credit obligations of the United States or its agencies;
- (5) Guaranteed investment contracts or similar agreements providing for a specified rate of return over a specified period of time with entities rated in one (1) of the two (2) highest rating categories of a nationally recognized rating agency;
- (6) The local government investment pool;
- (7) Direct general obligations of a state of the United States, or a political subdivision or instrumentality thereof, having general taxing powers and rated in either of the two (2) highest rating categories by a nationally recognized rating agency of such obligations; or
- (8) Obligations of any state of the United States or a political subdivision or instrumentality thereof, secured solely by revenues received by, or on behalf of, the state or political subdivision or instrumentality thereof irrevocably pledged to the payment of the principal and interest of such obligations, rated in the two (2) highest rating categories by a nationally recognized rating agency of such obligations.

Accounts Receivable

Trade receivables result from unpaid billings for service to customers and from unpaid billings related to work performed for or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the Authority is based on past history of uncollectible accounts and management's analysis of current accounts.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Position (Continued)

Inventories and Prepaid Items

All inventories are valued at weighted average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Certain proceeds of the bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Authority elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, which include property, plant, equipment, and construction in progress, are defined by the Authority as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority are depreciated using the straight line method over the following useful lives:

General plant	3 - 40 years
Transmission plant	28 - 33 years
Distribution plant I	6 - 40 years

Compensated Absences

The Authority grants annual leave and sick leave based on longevity of service. Employees may accumulate up to 320 hours of annual leave, which is fully vested. Up to 160 hours of unused annual leave is paid to the employee's 401(a) account at retirement. Employees are not vested in sick leave until retirement at which time 30 percent of accumulated sick leave is paid to the employee's 401(a) account. The remaining 70 percent of the employee's accumulated sick leave is credited to the employee's number of years of service. The amount of such additional credit shall be determined by dividing such sick leave hours by 2,080 hours. In no event may such additional credit exceed one additional year of service, with each such day deemed equal to eight (8) hours. A liability of \$3,504,970 has been accrued for the year ended June 30, 2014, for future compensated absences earned to date.

Long-term Obligations

Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest or straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as regulatory assets and amortized over the term of the related debt.

The Authority has entered into interest swap agreements to modify interest rates on some of its outstanding, variable rate debt.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Position (Continued)

Net Position

Equity is classified as net position and displayed in the following three components:

- Net Investment in capital assets— consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted – consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.
- Unrestricted – all other net position that do not meet the description of the above categories.

Deferred outflow/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows of resources for interest rate swaps and unamortized debt refunding differences.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item that qualifies for reporting in this category: deferred inflows from interest rate swaps.

Impact of Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB No. 65 established accounting and financial reporting standards that reclassify, as deferred outflow or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. This statement resulted in the classification of deferred interest rate swaps to deferred inflows as compared to previously being presented as a liability and unamortized debt refunding differences and interest rate swaps as deferred outflows compared to previously being presented as assets. The Authority will continue to report bond issuance costs as an asset and amortize those over the life of the bond instead of expensing those costs in the current year in accordance with certain provisions included in GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB AND AICPA pronouncements. This regulatory option as part of GASB 65 is available due to the above mentioned cost being used for rate setting by the Authority. As of June 30, 2014 and 2013, the Authority reports any bond issuance costs.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Authority adopts annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Authority's plans to collect and expend funds for operation, maintenance, interest, certain general functions, and other charges for the fiscal year. The capital budget details plans to receive and expend cash basis capital contribution fees and funds from special assessments, grants, borrowings, and other revenues for capital projects.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

All unexpended appropriations in the operating and capital budget remaining at the end of the fiscal year lapse. Management submits a proposed budget to the Board prior to the June meeting and the budget is then adopted for the next fiscal year. During the year, management is authorized to transfer budgeted amounts between line items.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2014, the Authority had the following investments:

	<u>Cost</u>	<u>Fair Value</u>
Temporary Investments		
Electric Fund		
FHLB	\$ 475,000	\$ 476,568
Ohio State BAB	447,879	449,284
San Luis Obispo Cnty	517,234	528,950
Chicago Hsg Aut BAB	698,047	702,558
Grain Vly Mo	500,696	500,000
Maryland St Comm	533,868	533,868
So Dakota Hsg Auth	1,086,977	1,091,448
Bristol VA Public Imprv	585,196	586,880
Normandy MO Sch	260,400	261,274
Fl St Hurricane	1,010,191	1,007,400
Manatee Cnty FL PU	1,087,156	1,092,600
	<u>\$ 7,202,644</u>	<u>\$ 7,230,830</u>
Gas Fund		
NY St Dorm Auth	555,000	555,000
NY St Mtg Agy	1,004,500	1,002,000
New York City GO	996,967	991,699
	<u>\$ 2,556,467</u>	<u>\$ 2,548,699</u>
Other Investments		
Electric Fund		
Western District Energy Corporation	\$ 427,563	\$ 427,562
Central Services Association	3,007	2,405
Gas Fund		
Tennergy Corporation	257,000	21,317,957
Central Services Association	2,642	2,114
Water Fund		
Central Services Association	2,005	1,604
Wastewater Fund		
Central Services Association	1,458	1,166



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

B. Deposits and Investments (Continued)

Custodial Credit Risk

The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute required that all deposits with financial institutions be collateralized. Financial institutions may achieve the requisite collateralization through participation in the Tennessee Bank Collateral Pool. Deposits at non-participating financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. Collateral must be held by the Authority's agent in the Authority's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, none of the Authority's deposits were exposed to custodial credit risk.

C. Receivables

Authority receivables as of the fiscal year end were made up of the following:

Electric Fund	
Billed services for utility customers	\$ 16,573,420
Allowance for doubtful accounts	(1,701,119)
Gas Fund	
Billed services for utility customers	1,966,956
Allowance for doubtful accounts	(417,040)
Water Fund	
Billed services for utility customers	1,576,107
Allowance for doubtful accounts	(180,819)
Wastewater Fund	
Billed services for utility customers	1,482,503
Allowance for doubtful accounts	(175,392)
Telecommunications Fund	
Billed services for utility customers	2,736,074
Allowance for doubtful accounts	(225,981)
	\$ 21,634,709



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

C. Restricted Assets

Authority restricted assets for the fiscal year end was made up of the following:

Cash and cash equivalents - debt service fund	\$ 502,065
Gas Fund	
Cash and cash equivalents - debt service fund	334,392
Cash investments - debt service fund	7,782,874
Water Fund	
Cash and cash equivalents - debt service fund	952,715
Cash investments - debt service fund	10,280,131
Wastewater Fund	
Cash and cash equivalents - debt service fund	1,120,986
Cash investments - debt service fund	18,063,216
Telecommunications Fund	
Cash and cash equivalents - debt service fund	6,920,007
	\$ 45,956,386

The total of these funds is represented by bank accounts and Merrill Lynch security purchases held by US Bank.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets - Electric Fund

Electric Fund capital asset activity during the year ended June 30, 2014, was as follows:

Description	Balance at June 30, 2013	Additions	Disposals (Net of Salvage)	Balance at June 30, 2014
Capital assets, not being depreciated				
Transmission plant	\$ 371,679	\$ -	\$ -	\$ 371,679
Distribution plant	428,180	181,600	-	609,780
General plant	533,492	22,987	-	556,479
Construction in progress	15,810,706	3,446,990	-	19,257,696
Total capital assets not being depreciated	✓ 17,144,057	✓ 3,651,577	✓ -	✓ 20,795,634
Capital assets, being depreciated				
Transmission plant	22,488,630	1,337,223	199,239	23,626,614
Distribution plant	147,558,887	5,706,776	904,386	152,361,277
General plant	17,851,433	1,170,774	2,318,875	16,703,332
Total capital assets being depreciated	✓ 187,898,950	✓ 8,214,773	✓ 3,422,500	✓ 192,691,223
Less accumulated depreciation for				
Transmission plant	9,758,211	737,159	(134,960)	10,630,330
Distribution plant	58,919,142	5,204,534	1,022,778	63,100,898
General plant	10,629,582	1,284,989	2,118,617	9,795,954
Total accumulated depreciation	79,306,935	7,226,682	3,006,435	83,527,182
Total capital assets being depreciated, net	108,592,015	988,091	416,065	109,164,041
Unamortized acquisition adjustment	3,224,880	-	396,279	2,828,601
Total capital assets, net	\$ 128,960,952	\$ 4,639,668	\$ 812,344	\$ 132,788,276

Depreciation expense charged to operations amounted to \$7,150,163 for the fiscal year ended June 30, 2014.

Depreciation expense does not include transportation plant that is charged to a transportation clearing account and then allocated to all funds as operating, maintenance or capital expenses.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets - Gas Fund

Gas Fund capital asset activity during the year ended June 30, 2014, was as follows:

Description	Balance at June 30, 2013	Additions	Disposals (Net of Salvage)	Balance at June 30, 2014
Capital assets, not being depreciated				
Production plant	\$ 42,388	\$ -	\$ -	\$ 42,388
Distribution plant	74,918		-	74,918
General plant	367,980	20,201	-	388,181
Construction in progress	7,233,046	-	2,579,823	4,653,223
Total capital assets not being depreciated	7,718,332	20,201	2,579,823	5,158,710
Capital assets, being depreciated				
Production plant	3,458,146			3,458,146
Distribution plant	91,957,842	7,706,202	538,071	99,125,973
General plant	13,580,312	716,662	1,696,309	12,600,665
Total capital assets being depreciated	108,996,300	8,422,864	2,234,380	115,184,784
Less accumulated depreciation for				
Production plant	1,718,919	117,867	-	1,836,786
Distribution plant	33,638,055	2,810,824	724,804	35,724,075
General plant	8,449,443	675,504	1,411,039	7,713,908
Total accumulated depreciation	43,806,417	3,604,195	2,135,843	45,274,769
Total capital assets being depreciated, net	65,189,883	4,818,669	98,537	69,910,015
Total capital assets, net	\$ 72,908,215	\$ 4,838,870	\$ 2,678,360	\$ 75,068,725

Depreciation expense charged to operations amounted to \$3,415,358 for the fiscal year ended June 30, 2014.

Depreciation expense does not include transportation plant that is charged to a transportation clearing account and then allocated to all funds as operating, maintenance or capital expenses.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets - Water Fund

Water Fund capital asset activity during the year ended June 30, 2014, was as follows:

Description	Balance at June 30, 2013	Additions	Disposals (Net of Salvage)	Balance at June 30, 2014
Capital assets, not being depreciated				
Source of supply plant	\$ 87,734	\$ -	\$ -	\$ 87,734
Pumping plant	24,369	-	-	24,369
Treatment plant	104,029	-	-	104,029
Transmission & distribution plant	65,076	-	-	65,076
General plant	279,393	15,325	-	294,718
Construction in progress	<u>3,820,477</u>	<u>2,189,230</u>	-	<u>6,009,707</u>
Total capital assets not being depreciated	<u>4,381,078</u>	<u>2,204,555</u>	-	<u>6,585,633</u>
Capital assets, being depreciated				
Source of supply plant	2,914,226	70,280	-	2,984,506
Pumping plant	5,411,657	8,837	-	5,420,494
Treatment plant	9,758,411	17,340	-	9,775,751
Transmission & distribution plant	95,563,345	2,301,650	582,112	97,282,883
General plant	<u>11,514,877</u>	<u>537,417</u>	<u>1,264,810</u>	<u>10,787,484</u>
Total capital assets being depreciated	<u>125,162,516</u>	<u>2,935,524</u>	<u>1,846,922</u>	<u>126,251,118</u>
Less accumulated depreciation for				
Source of supply plant	837,077	164,521	-	1,001,598
Pumping plant	1,594,129	164,028	-	1,758,157
Treatment plant	6,282,352	219,998	-	6,502,350
Transmission & distribution plant	18,240,973	1,811,105	665,735	19,386,343
General plant	<u>7,302,322</u>	<u>604,923</u>	<u>1,175,529</u>	<u>6,731,716</u>
Total accumulated depreciation	<u>34,256,853</u>	<u>2,964,575</u>	<u>1,841,264</u>	<u>35,380,164</u>
Total capital assets being depreciated, net	<u>90,905,663</u>	<u>(29,051)</u>	<u>5,658</u>	<u>90,870,954</u>
Total capital assets, net	<u>\$ 95,286,741</u>	<u>\$ 2,175,504</u>	<u>\$ 5,658</u>	<u>\$ 97,456,587</u>

Depreciation expense charged to operations amounted to \$2,781,838 for the fiscal year ended June 30, 2014.

Depreciation expense does not include transportation plant that is charged to a transportation clearing account and then allocated to all funds as operating, maintenance or capital expenses.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets - Wastewater Fund

Wastewater Fund capital asset activity during the year ended June 30, 2014, was as follows:

Description	Balance at June 30, 2013	Additions	Disposals (Net of Salvage)	Balance at June 30, 2014
Capital assets, not being depreciated				
Source of supply plant	\$ -	\$ -	\$ -	\$ -
Pumping plant	27,324	-	-	27,324
Treatment plant	1,300,904	-	-	1,300,904
Transmission and distribution plant	266,635	-	-	266,635
General plant	150,056	-	-	150,056
Construction in progress	8,011,019	8,929,760	-	16,940,779
Total capital assets not being depreciated	<u>9,755,938</u>	<u>8,929,760</u>	<u>-</u>	<u>18,685,698</u>
Capital assets, being depreciated:				
Source of supply plant	8,369,993	297,762	3,867	8,663,888
Pumping plant	13,867,613	697,308	101,385	14,463,536
Treatment plant	47,853,359	121,916	582,208	47,393,067
Transmission and distribution plant	69,328,387	759,783	64,241	70,023,929
General plant	9,802,993	255,411	993,899	9,064,505
Total capital assets being depreciated	<u>149,222,345</u>	<u>2,132,180</u>	<u>1,745,600</u>	<u>149,608,925</u>
Less accumulated depreciation for:				
Source of supply plant	992,001	127,452	3,979	1,115,474
Pumping plant	4,528,427	583,042	101,385	5,010,084
Treatment plant	24,281,455	1,513,381	581,808	25,213,028
Transmission and distribution plant	19,423,719	1,069,045	117,531	20,375,233
General plant	6,862,562	470,505	939,735	6,393,332
Total accumulated depreciation	<u>56,088,164</u>	<u>3,763,425</u>	<u>1,744,438</u>	<u>58,107,151</u>
Total capital assets, being depreciated, net	<u>93,134,181</u>	<u>(1,631,245)</u>	<u>1,162</u>	<u>91,501,774</u>
Total capital assets, net	<u>\$ 102,890,119</u>	<u>\$ 7,298,515</u>	<u>\$ 1,162</u>	<u>\$ 110,187,472</u>

Depreciation expense charged to operations amounted to \$3,614,178 for the fiscal year ended June 30, 2014.

Depreciation expense does not include transportation plant that is charged to a transportation clearing account and then allocated to all funds as operating, maintenance or capital expenses.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets - Telecommunications Fund

Telecommunications Fund capital asset activity during the year ended June 30, 2014, was as follows:

Description	Balance at June 30, 2013	Additions	Disposals (Net of Salvage)	Balance at June 30, 2014
Capital assets not being depreciated				
Construction in progress - at cost	\$ 617,404	\$ 963,847	\$ -	\$ 1,581,251
Capital assets, being depreciated				
General support	2,868,879	254,343	4,543	3,118,679
General office	11,112,827	273,051	7,204	11,378,674
Information origination/termination	21,395,071	410,295	85,931	21,719,435
Cable & wire facilities	36,963,554	1,452,769	16,183	38,400,140
Video production	816,126	19,520	85,753	749,893
Total capital assets being depreciated	<u>73,156,457</u>	<u>2,409,978</u>	<u>199,614</u>	<u>75,366,821</u>
Less accumulated depreciation for:				
General support	1,434,232	226,988	4,543	1,656,677
General office	6,540,836	1,136,437	7,205	7,670,068
Information origination/termination	14,845,612	2,202,208	(752)	17,048,572
Cable & wire facilities	8,387,014	1,671,624	13,104	10,045,534
Video production	733,216	13,549	85,753	661,012
Total accumulated depreciation	<u>31,940,910</u>	<u>5,250,806</u>	<u>109,853</u>	<u>37,081,863</u>
Total capital assets, being depreciated, net	<u>41,215,547</u>	<u>(2,840,828)</u>	<u>89,761</u>	<u>38,284,958</u>
Total capital assets, net	<u>\$ 41,832,951</u>	<u>\$ (1,876,981)</u>	<u>\$ 89,761</u>	<u>\$ 39,866,209</u>

Depreciation expense charged to operations amounted to \$5,158,870 for the fiscal year ended June 30, 2014. Depreciation does not include transportation plant that is charged to a transportation clearing account and then allocated to all funds as operating, maintenance or capital expenses.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Electric Fund

Notes payable at June 30, 2014, consist of the following:

Southwest Electric

Future maturities due Southwest Electric are non-interest bearing notes related to annexation of customers and are payable in annual installments of various amounts. Future maturities of note payable – Southwest Electric are as follows:

<u>Year ended June 30,</u>	
2015	396,161
2016	368,359
2017	368,359
2018	368,359
2019	368,211
2020	368,211
2021	368,211
2022	<u>33,295</u>
Total	<u>\$ 2,639,166</u>

Electric System Revenue Bonds, Series 2005 - On November 30, 2005, the Fund issued \$7,000,000 Series 2005 Revenue Bonds to finance the costs of improvements to and extensions of the Electric system. Net bond proceeds were \$6,870,115 after payment of \$129,885 in issuance costs. The bonds were issued as bank-qualified, tax-exempt, fixed-rate bonds. The Bonds mature serially on May 1 from 2008 through 2027 in amounts ranging from \$240,000 to \$495,000 at maturity on May 1, 2027. Interest is payable semi-annually on May 1 and November 1 of each year, at rates ranging from 3.50% to 4.25% per annum. Bonds maturing on or before May 1, 2014, were not subject to prior redemption. Bonds maturing on and after May 1, 2015, are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on November 1, 2014, and anytime thereafter at a price of par plus accrued interest to the redemption date. The outstanding principal balance on June 30, 2014, was \$5,120,000.

Electric System Revenue Bonds, Series 2008 - On May 27, 2008, the Fund issued \$13,000,000 Series 2008 Revenue Bonds. The bonds were issued to finance the costs of construction of additions, betterments and improvements to and extensions of the Electric system. Net bond proceeds were \$12,820,662 after payment of \$179,338 in issuance costs. The bonds were initially issued bearing interest at a variable weekly rate determined each Thursday by the remarketing agent. Principal payments are due annually on April 1 in amounts ranging from \$140,000 to \$2,780,000 at maturity on April 1, 2029.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Electric Fund (Continued)

On May 1, 2012, the outstanding balance of \$12,545,000 Series 2008 Bonds was converted to an index rate mode. The bonds were reissued as a direct-pay, tax exempt non-bank qualified term loan is held by Fifth Third Bank. Interest on the loan is paid monthly and is indexed to LIBOR plus a margin. The loan is for a term of five (5) years and requires annual principal payments that mirror those of the original Series 2008 Bonds. While in the index rate mode, bonds may be repaid by the Authority at any time, in whole or in part, without penalty, on the interest payment date at a redemption price equal to the principal amount of the bonds outstanding plus interest to the redemption date. As of June 30, 2014, the outstanding balance of the Series 2008 Bond was \$12,250,000.

Electric System Refunding Revenue Bonds, Series 2010 – On May 28, 2010, the Fund issued \$21,210,000 Series 2010 Refunding Revenue Bonds to refinance a 2009 term loan agreement and to pay certain issuance costs for the bonds. Net bond proceeds of \$21,742,661, including a premium of \$735,477, were received after payment of \$202,816 in issuance costs. \$21,714,000 of the proceeds was used to pay the outstanding balance of the 2009 SunTrust Bank Term Loan. The premium is reported in the accompanying financial statements as an addition to long-term debt and is being amortized over the life of the bonds using the straight-line method.

The bonds were issued as bank-qualified, fixed-rate bonds. The bonds mature serially on May 1 beginning on May 1, 2011. Annual maturities vary from \$1,195,000 to \$1,485,000 with final maturity on May 1, 2026. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, and commenced November 1, 2010. Coupons vary from 2.00% to 4.00% per annum. Bonds maturing on or before May 1, 2020, are not subject to prior redemption. Bonds maturing on and after May 1, 2021, are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on May 1, 2020 and anytime thereafter at a price of par plus accrued interest to the redemption date. The outstanding principal balance on June 30, 2014, was \$16,310,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,341,450. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through fiscal year 2026 using the straight-line method.

There are a number of requirements, limitations, and restrictions contained in the bond resolutions. The Electric Fund is in compliance with all significant limitations and restrictions.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Electric Fund (Continued)

The following is a summary of long-term liability transactions for the year ended June 30, 2014:

Description	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Notes and leases payable:					
Southwest Electric	\$ 3,146,678	\$ -	\$ (507,512)	\$ 2,639,166	\$ 396,161
Total notes and leases payable	3,146,678	-	(507,512)	2,639,166	396,161
Revenue bonds payable:					
Series 2005	5,420,000	-	(300,000)	5,120,000	310,000
Series 2008	12,420,000	-	(170,000)	12,250,000	220,000
Series 2010	17,610,000	-	(1,300,000)	16,310,000	1,295,000
Less deferred amounts:					
Issuance (discounts) premiums	445,757	-	(34,460)	411,297	34,744
Net total revenue bonds payable	35,895,757	-	(1,804,460)	34,091,297	1,859,744
Compensated absences	1,173,636	-	(49,379)	1,124,257	-
OPEB payable	1,820,235	470,749	-	2,290,984	-
Total long-term liabilities	<u>\$ 42,036,306</u>	<u>\$ 470,749</u>	<u>\$ (2,361,351)</u>	<u>\$ 40,145,704</u>	<u>\$ 2,255,905</u>



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Electric Fund (Continued)

The scheduled annual requirements for bonds payable at June 30, 2014, including interest are as follows:

Years Ended June 30					2010 Bonds Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2015	310,000	204,030	220,000	156,188	1,295,000	599,706	1,825,000
2016	320,000	192,342	365,000	230,074	1,195,000	560,360	1,880,000
2017	335,000	180,220	140,000	272,669	1,475,000	516,902	1,950,000
2018	345,000	167,383	285,000	484,119	1,385,000	465,802	2,015,000
2019	360,000	153,917	240,000	472,873	1,485,000	417,672	2,085,000
2020-2024	2,025,000	541,376	2,855,000	2,095,108	6,760,000	1,299,133	11,640,000
2025-2029	1,425,000	112,514	8,145,000	1,229,068	2,715,000	142,900	12,285,000
	<u>\$ 5,120,000</u>	<u>\$ 1,551,782</u>	<u>\$ 12,250,000</u>	<u>\$ 4,940,099</u>	<u>\$ 16,310,000</u>	<u>\$ 4,002,475</u>	<u>\$ 33,680,000</u>

E. Long-term Debt – Gas Fund

Bonds payable at June 30, 2014, consist of the following:

Gas System Adjustable Rate Revenue Bonds, Series 2002 - On November 26, 2002, the Gas Fund issued \$25,510,000 Adjustable Rate Revenue Bonds, Series 2002 for the purpose of financing the costs of acquiring from the City of Jackson its Gas Fund and for the construction of improvements to and extensions of the Gas system. The Bonds were refinanced and refunded on July 8, 2009. (See Gas System Refunding Revenue Bonds, Series 2009.)

In order to manage exposure to market risks from fluctuations in interest rates, the Gas Fund entered into multiple pay-fixed, receive-variable interest rate swap agreements at a cost anticipated to be less than what the Fund would have paid to issue fixed-rate debt. Based on the initial terms of the swap agreements, the Fund makes interest payments at various fixed rates on notional amounts approximating the scheduled amortizing bond principal outstanding. In return, the swap providers make interest payments to the Fund at variable rates on the notional amounts. Only the net difference in interest payments is exchanged with the counterparties. Bond principal is not exchanged. As rates vary, variable-rate bond interest payments and net swap payments vary. Arrangements made under the terms of the swap agreements did not alter the Fund's obligation to pay principal and interest on the Series 2002 Bonds. The Fund continued to pay interest to bondholders at a variable rate. Variable rates on three (3) of the original swap agreements are indexed to LIBOR; one is indexed to SIFMA. All swap agreements terminate at bond maturity on April 1, 2027. The Fund executed its original swap transactions with two counterparties, SunTrust Bank and Bank of America. At June 30, 2014, Bank of America held approximately thirty-six percent (36%) of the swaps outstanding. Bank of America's counterparty rating is A/A2. Fifty-four percent (54%) of the swaps outstanding was held by SunTrust Bank whose counterparty rating is BBB/Baa1.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Gas Fund (Continued)

***Gas System Adjustable Rate Revenue Bonds, Series 2002* (Continued)**

On May 7, 2004, the Gas Fund entered into a forward sale agreement with Merrill Lynch Capital Services, Inc. (MLCS) to restructure the 2002 Adjustable Rate Revenue Bonds to balloon maturities, thereby eliminating mandatory bond redemption requirements prior to maturity. The purpose of the agreement was to lock in a guaranteed annual effective yield on future investments in order to provide for retirement of the 2002 Adjustable Rate Revenue Bonds and to avoid the market risks associated with future changes in interest rates. Pursuant to the agreement the Gas Fund will, from time to time, purchase certain tax-exempt, zero-coupon, AA or higher rated securities from MLCS. Proceeds received from the securities upon their maturity are committed to payment of Series 2002 bond principal at maturity on April 1, 2027. The Fund established a special escrow account (the invested sinking fund), pledged for the benefit of the holders of the Series 2002 bonds, and into which the purchased securities are deposited. The forward sale agreement purchase schedule is included as part of this note and is indicated by the heading FDA (Forward Delivery Agreement) in the schedule of annual debt service requirements for bond retirements.

From time to time actual securities delivered to the Fund may mature earlier and in amounts less than the scheduled maturities needed to fully redeem the restructured debt. The agreement provides for reinvestment of early maturities (subsequent sales) at the guaranteed annual effective yield. In the event of subsequent sales, revisions to the FDA purchase schedule are made to correspond to the maturity dates and maturity amounts of reinvested previously-purchased securities.

Following the restructuring and elimination of the mandatory sinking fund requirements for the Series 2002 Bonds, the Fund entered into two (2) accreting pay-fixed, receive-variable interest rate swap agreements, one with SunTrust Bank and one with JP Morgan Chase. The swaps became effective April 1, 2009; the terms are to bond maturity on April 1, 2027. Notional amounts increase in direct proportion to notional decreases of the original swap agreements. Each of the additional swaps is indexed to LIBOR. JP Morgan Chase held approximately nine percent (9%) of swaps outstanding at June 30, 2014, and was rated A+/Aa3 as of the report date.

Gas System Revenue Bonds, Series 2007 - On November 15, 2007, the Gas Fund issued \$5,000,000 Revenue Bonds, Series 2007, to finance the costs of construction of additions, betterments and improvements to and extensions of the Gas system. The bonds were sold at a net original issue premium of \$98,219 which is reported in the accompanying financial statements as an addition to long-term debt and is being amortized over the life of the bonds using the net effective-interest method. Including the premium, net bond proceeds were \$5,012,712 after payment of \$85,507 in issuance costs. The Series 2007 issue consists of \$3,000,000 serial bonds at interest from 4.00% to 4.25%, maturing annually on October 1, 2009 through October 1, 2022; and \$2,000,000 term bonds due October 1, 2028, bearing interest at 5.00%. Interest is payable semi-annually on April 1 and October 1. Bonds maturing on October 1, 2028, are subject to scheduled mandatory redemptions in part prior to maturity at a redemption price equal to 100% of the principal amount specified plus accrued interest to the redemption date. The mandatory redemptions commence October 1, 2023, and continue annually until maturity on October 1, 2028.

Bonds maturing on or before October 1, 2017, mature without option of prior redemption. Bonds maturing on and after October 1, 2018, are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on October 1, 2017, and any time thereafter at a price of par plus accrued interest to the redemption date. The outstanding principal balance on June 30, 2014, was \$4,120,000.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Gas Fund (Continued)

Gas System Refunding Revenue Bonds, Series 2009 – On July 8, 2009, the Gas Fund issued \$25,340,000 Refunding Revenue Bonds, Series 2009, to refund and redeem its Series 2002 Revenue Bonds and to pay costs related to the issuance and sale of the bonds. The bonds bear interest at the weekly rate determined each Wednesday by the remarketing agent, SunTrust Robinson Humphrey, Inc., and payable on the first Wednesday of each month. Subject to satisfaction of certain conditions in the resolution, the Authority may from time to time change the method of determining the interest rate on the bonds to a daily, weekly, commercial paper or long-term interest rate.

Bond discount and issuance costs totaled \$155,958. Bond proceeds of \$24,560,000 were used to redeem and refund the Series 2002 Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,181,617. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the fiscal year 2027 using the straight-line method.

Concurrently with, and as a condition to, issuance of the bonds, SunTrust Bank issued an irrevocable direct-pay letter of credit. A confirming letter of credit was issued by the Federal Home Loan Bank of Atlanta. The credit facility is in the aggregate amount of the outstanding principal of the bonds plus an amount equal to 50 days accrued interest on the bonds outstanding computed at the rate of 12% per annum. Multiple renewals of the initial credit facility extended its term to July 15, 2014. As of June 30, 2014, there had been no unreimbursed draws against the letters of credit. Annual maintenance fees, payable in advance, are recorded as additional interest expense. Fees paid each of the past two fiscal years, FY 2013 and FY 2014, were \$235,029.

Provisions of the Series 2009 Bonds letter of credit agreement require the Fund to deposit into a special escrow account cash, cash equivalents or securities acceptable to the letter of credit bank, to fully fund originally-scheduled maturity amounts of previously purchased securities acquired pursuant to the May 2004 MLCS forward sale agreement. Accordingly, balances in the Fund's invested sinking fund include both securities and cash pledged for the benefit of the holders of the Series 2009 Bonds.

The Series 2009 Bonds mature on April 1, 2027. Thirty-two percent (32%) of the outstanding Bonds are variable; sixty-eight percent (68%) or \$17,192,000 is hedged with swaps. At the time of the 2009 refunding, fixed rates on the Fund's six (6) swap agreements were amended. The composite fixed rate as of June 30, 2014, was 3.79%.

During any daily period or weekly period, the bonds are subject to redemption by the Authority at its option, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the outstanding principal amount thereof plus accrued interest to the redemption date. Outstanding principal of the Series 2009 Bonds on June 30, 2014, was \$25,340,000.

Subsequent to the report date, the outstanding Series 2009 Refunding Revenue Bonds in the amount of \$25,340,000 were converted to an index rate mode, eliminating the need for credit facilities. The bonds were purchased by SunTrust Bank on July 10, 2014. The term of the direct purchase agreement is 13 years to coincide with the final maturity date of the Series 2009 Bonds. Interest, to be paid monthly, is indexed to LIBOR plus a margin. While in the index rate mode, bonds may be repaid by the Authority at any time, in whole or in part, without penalty, on the interest payment date at a redemption price equal to the principal amount of the bonds outstanding plus interest to the redemption date.

There are a number of requirements, limitations, and restrictions contained in the bond resolutions. The Gas Fund is in compliance with all significant limitations and restrictions.

See Interest Rate Swap discussion at the end of the long-term debt section.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Gas Fund (Continued)

The following is a summary of long-term liability transactions for the year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Revenue Bonds payable:					
Series 2007	\$ 4,310,000	\$ -	\$ (190,000)	\$ 4,120,000	\$ 200,000
Series 2009	25,340,000	-	-	25,340,000	-
Less deferred amounts:					
Issuance premiums (discounts)	(73,908)	-	3,905	(70,003)	(4,100)
Total revenue bonds payable	✓ 29,576,092	✓ -	✓ (186,095)	✓ 29,389,997	✓ 195,900
Capital leases	-	-	-	-	-
Compensated absences	820,334	(67,878)	-	752,456	-
OPEB liability payable	1,570,243	340,029	-	1,910,272	-
Total long-term liabilities	✓ \$ 31,966,669	✓ \$ 272,151	✓ \$ (186,095)	✓ \$ 32,052,725	✓ \$ 195,900

The scheduled annual requirements for bonds payable at June 30, 2014 including interest are as follows:

Years Ended June 30,	2007 Bonds		2009 Bonds			FDA Proceeds	Total Debt Service
	Principal	Interest	Principal	FDA	Interest		
2015	\$ 200,000	\$ 180,469		\$ 544,341	\$ 865,136		✓ \$ 1,789,946
2016	210,000	172,169	-	538,588	884,533	-	✓ 1,805,290
2017	215,000	163,619	-	547,326	920,014	-	✓ 1,845,959
2018	225,000	154,719	-	555,250	938,749	-	✓ 1,873,718
2019	235,000	145,419	-	540,000	972,410	-	✓ 1,892,829
2020-2024	1,330,000	567,812	-	2,879,399	4,887,828	-	9,665,039
2025-2029	1,705,000	199,814	25,340,000	10,227,617	2,706,655	(32,975,000)	7,204,086
	✓ \$ 4,120,000	✓ \$ 1,584,021	✓ \$ 25,340,000	\$ 15,832,521	\$ 12,175,324	✓ \$ (32,975,000)	\$ 26,076,866



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Water Fund

Bonds payable at June 30, 2014, consist of the following:

Water System Adjustable Rate Revenue Bonds, Series 2002 - On November 26, 2002, the Water Fund issued \$26,390,000 Adjustable Rate Revenue Bonds, Series 2002 for the purpose of financing the costs of acquiring from the City of Jackson its Water Fund and for the construction of improvements to and extensions of the Water system. The Bonds were refinanced and refunded on July 8, 2009. (See Water System Refunding Revenue Bonds, Series 2009.)

In order to manage exposure to market risks from fluctuations in interest rates, the Water Fund entered into multiple pay-fixed, receive-variable interest rate swap agreements at a cost anticipated to be less than what the Fund would have paid to issue fixed-rate debt. Based on the initial terms of the swap agreements, the Fund makes interest payments at various fixed rates on notional amounts approximating the scheduled amortizing bond principal outstanding. In return, the swap providers make interest payments to the Fund at variable rates on the notional amounts. Only the net difference in interest payments is exchanged with the counterparties. Bond principal is not exchanged. As rates vary, variable-rate bond interest payments and net swap payments vary. Arrangements made under the terms of the swap agreements did not alter the Fund's obligation to pay principal and interest on the Series 2002 Bonds. The Fund continued to pay interest to the bondholders at a variable rate. Variable rates on two (2) of the original swap agreements are indexed to LIBOR; one is indexed to SIFMA. All of the original swap agreements terminate at bond maturity on December 1, 2023. The Fund executed its original swap transactions with two counterparties, SunTrust Bank and Bank of America. At June 30, 2014, Bank of America held approximately forty-two percent (42%) of the notional amount of swaps outstanding. Bank of America's counterparty rating is A/A2. Forty-two percent (42%) of the swaps was held by SunTrust Bank whose counterparty rating is BBB/Baa1.

On May 7, 2004, the Water Fund entered into a forward sale agreement with Merrill Lynch Capital Services, Inc. (MLCS), to restructure the 2002 Adjustable Rate Revenue Bonds to balloon maturities, thereby eliminating mandatory bond redemption requirements prior to maturity. The purpose of the agreement was to lock in a guaranteed annual effective yield on future investments in order to provide for retirement of the 2002 Adjustable Rate Revenue Bonds and to avoid the market risks associated with future changes in interest rates. Pursuant to the agreement the Water Fund will, from time to time, purchase certain tax-exempt, zero-coupon, AA or higher rated securities from MLCS. Proceeds received from the securities upon their maturity are committed to the payment of the Series 2002 bond principal at maturity on December 1, 2023. The Fund established a special escrow account (the invested sinking fund), pledged for the benefit of the holders of the Series 2002 Bonds, and into which the purchased securities are deposited. The forward sale agreement purchase schedule is included as part of this note and is indicated by FDA (Forward Delivery Agreement) in the schedule of annual debt service requirements for bond retirements.

From time to time actual securities delivered to the Fund mature earlier and in amounts less than the scheduled maturities needed to fully redeem the restructured debt. The agreement provides for reinvestment of early maturities (subsequent sales) at the guaranteed annual effective yield. In the event of subsequent sales, revisions to the FDA purchase schedule are made to correspond to the maturity dates and maturity amounts of reinvested previously-purchased securities.

Following the restructuring and elimination of the mandatory sinking fund requirements for the Series 2002 Bonds, the Fund entered into two (2) accreting, pay-fixed, receive-variable interest rate swap agreements, one with SunTrust Bank and one with JPMorgan Chase. The effective date of the swaps was December 1, 2009; the agreements terminate at bond maturity on December 1, 2023. Notional amounts increase in direct proportion to notional decreases of the original swap agreements. Each of the additional swaps is indexed to LIBOR. JP Morgan Chase held approximately sixteen percent (16%) of swaps outstanding at June 30, 2014, and was rated A+/Aa3 as of the report date.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Water Fund (Continued)

Water System Adjustable Rate Revenue Bonds, Series 2004 – On July 9, 2004, the Water Fund issued \$5,000,000 Series 2004 Adjustable Rate Revenue Bonds. The bonds were refunded as part of the Series 2008 issue. (See Water System Revenue Refunding and Improvement Bonds, Series 2008.)

In order to protect against the potential of rising interest rates, the Water Fund entered into a pay-fixed, receive-variable interest rate swap agreement at the time of issuance of the Series 2004 Revenue Bonds. Based on the terms of the swap agreement, the Fund makes interest payments to the counterparty, SunTrust Bank, at a fixed rate on the notional amount. The Fund receives interest from the counterparty based on a variable rate indexed to LIBOR. Only the net difference in interest payments is exchanged with the counterparty. The Series 2004 swap agreement has a termination date of July 1, 2026, and was not terminated as part of the Series 2004 Bond refunding. Instead, it effectively became a hedge for a portion of the Series 2008 Bonds. The notional amount amortizes according to the original Series 2004 principal repayment schedule. On June 30, 2014, the notional was \$3,705,000 or forty-seven percent (47%) of the outstanding balance of Series 2008 Bonds.

Water System Revenue Bond, Series 2005 – On February 15, 2005, the Fund issued a \$489,000 Series 2005 Revenue Bond for the purpose of paying part of the cost of constructing Water system improvements and extensions for Denmark School. The Bond was issued on a parity and equity of lien with the outstanding Water System Revenue Bonds, Series 2002 and Series 2004. The bond is a thirty-eight (38) year tax-exempt, fixed-rate bond held by USDA Rural Development and bears interest at the rate of four and three-eighths percent (4.375%) per annum. The bond is payable in four hundred fifty-six (456) consecutive monthly installments of principal and interest in the amount of \$2,206.00 each commencing March 15, 2005. Prepayment of scheduled installments, or any portion thereof, may be made at any time at the option of the Authority, without penalty, upon thirty (30) days' notice to the registered owner. In order to reduce interest costs and shorten the Bond's term, the Authority began making triple installment payments in October, 2013. As of June 30, 2014, the outstanding balance of the Series 2005 Bond was \$390,158.

Water System Revenue Refunding and Improvement Bonds, Series 2008 – On June 20, 2008, the Fund issued \$10,070,000 Revenue Refunding and Improvement Bonds, Series 2008, to finance the costs of (1) refunding the Fund's Revenue Bonds, Series 2004, and (2) construction of additions, betterments and improvements to and extensions of its Water system. The Series 2008 Bonds were issued at par bearing interest at a variable weekly rate determined each Thursday by the remarketing agent, payable on the first business day of each calendar month commencing July 1, 2008, and continuing for so long as the interest period for the bonds is unchanged. The bonds are subject to mandatory redemption of varying principal amounts, without any premium, plus accrued interest thereon beginning July 1, 2009, and continuing annually on July 1 until maturity on July 1, 2026.

Bond proceeds were \$5,078,168 after payment of \$94,725 in issuance costs and the use of \$4,897,107 to purchase direct obligations of the U.S. Government to be held by U.S. Bank, trustee, in an escrow fund for the purpose of redeeming \$4,835,000 of outstanding Series 2004 Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$94,332. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the fiscal year 2026 using the effective-interest method.

Concurrently with issuance of the Series 2008 Bonds, Fifth Third Bank issued an irrevocable letter of credit (the credit facility) to the Water Fund. The credit facility was terminated on July 1, 2011, and the bonds were reissued as indexed floating rate bonds. (See Water System Revenue Refunding Bonds, Series 2008 reissued.)



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Water Fund (Continued)

Water System Refunding Revenue Bonds, Series 2009 – On July 8, 2009, the Water Fund issued \$26,300,000 Refunding Revenue Bonds, Series 2009 to refund and redeem its Series 2002 Revenue Bonds and to pay costs related to the issuance and sale of the bonds. Subject to the satisfaction of certain conditions in the resolution, the Authority was permitted from time to time to change the method of determining the interest rate on the bonds to a daily, weekly, commercial paper or long-term interest rate. The Series 2009 Bonds mature on December 1, 2023.

Bond discount and issuance costs totaled \$303,581. Bond proceeds of \$25,510,000 were used to redeem and refund the Series 2002 Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,708,439. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the fiscal year 2024 using the straight-line method.

Concurrently with, and as a condition to, issuance of the bonds, U.S. Bank National Association issued an irrevocable direct-pay letter of credit (the credit facility). The credit facility was terminated on July 1, 2011, and the bonds were reissued as indexed floating rate bonds. (See Water System Revenue Bonds, Series 2009 reissued.)

Provisions of the Series 2009 letter of credit agreement required the Fund to deposit into a special escrow account cash, cash equivalents or securities acceptable to the letter of credit bank, to fully fund originally-scheduled maturity amounts of previously purchased securities acquired pursuant to the May 2004 MLCS forward sale agreement. Accordingly, balances in the Fund's invested sinking fund include both securities and cash pledged for the benefit of the holders of the Series 2009 Bonds.

At the time of the 2009 refunding, fixed rates on the Fund's swap agreements were amended. The revised composite rate as of June 30, 2014, was 3.80%. Sixty-eight percent (68%) or \$17,857,000 of the Fund's outstanding Series 2009 Bonds is hedged with swaps as of June 30, 2014.

Water System Revenue Refunding Bonds, Series 2008 and Water System Revenue Bonds, Series 2009 reissued - On July 1, 2011, the Water System Revenue Refunding and Improvement Bonds, Series 2008, and the Water System Revenue Bonds, Series 2009, were reissued as indexed floating rate debt. The bonds were purchased by U.S. Bank, N.A., for a period up to forty-two (42) months (until January 1, 2015) without credit enhancement and without the need for remarketing. Interest on the bonds is indexed to LIBOR plus a margin and is paid monthly. Annual principal payments that mirror those of the original Series 2008 Bonds are required on the Series 2008 Bonds. Pursuant to the 2004 MLCS forward sale agreement, principal payments are not required on the Series 2009 Bonds. As of June 30, 2014, the outstanding balance of the Series 2008 Bonds was \$7,835,000. The outstanding balance of the Series 2009 Bonds was \$26,300,000.

There are a number of requirements, limitations, and restrictions contained in the bond resolutions. The Water Fund is in compliance with all significant limitations and restrictions.

See Interest Rate Swap discussion at the end of the long-term debt section.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Water Fund (Continued)

The following is a summary of the Water Fund's long-term liability transactions for the year ended June 30, 2014.

The following is a summary of the Water Fund's long-term liability transactions for the year ended June 30, 2014.

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Revenue Bonds payable:					
Series 2005 - USDA	\$ 437,909	\$ -	\$ (47,751)	\$ 390,158	\$ 9,593
Series 2008	8,290,000	-	(455,000)	7,835,000	490,000
Series 2009	26,300,000	-	-	26,300,000	-
Less deferred amounts:					
Issuance premiums (discounts)	(144,904)	-	15,092	(129,812)	(14,833)
Net total revenue bonds	34,883,005	-	(487,659)	34,395,346	484,760
Capital lease	-	-	-	-	-
Compensated absences	704,771	-	(48,920)	655,851	-
OPEB payable	1,254,073	268,938	-	1,523,011	-

The scheduled annual requirements for bonds payable at June 30, 2014, including interest are as follows:

Years Ended June 30,	2005 USDA Bonds		2008-2009 Bonds			2010-2014 Bonds			Total Debt Service
	Principal	Interest	Principal	Interest	Principal	FDA	Interest	FDA Proceeds	
2015	9,593	16,879	490,000	242,385	-	744,396	924,994	-	2,428,247
2016	9,975	16,497	510,000	225,866	-	738,588	951,179	-	2,452,105
2017	10,466	16,006	525,000	192,396	-	746,679	999,207	-	2,489,754
2018	10,933	15,539	560,000	191,269	-	746,125	1,023,851	-	2,547,717
2019	11,421	15,051	560,000	185,347	-	750,673	1,069,505	-	2,591,996
2020-2024	65,143	67,217	3,085,000	559,143	26,300,000	8,621,960	4,743,412	(30,405,000)	13,036,875
2025-2029	81,093	51,267	2,105,000	71,050	-	-	-	-	2,308,410
2030-2034	100,891	31,469	-	-	-	-	-	-	132,360
2035-2039	90,642	7,745	-	-	-	-	-	-	98,387
	<u>\$ 390,158</u>	<u>\$ 237,670</u>	<u>\$ 7,835,000</u>	<u>\$ 1,667,456</u>	<u>\$ 26,300,000</u>	<u>\$ 12,348,421</u>	<u>\$ 9,712,149</u>	<u>\$ (30,405,000)</u>	<u>\$ 28,085,852</u>



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Wastewater Fund

Bonds and loans payable at June 30, 2014, consist of the following:

Wastewater System Adjustable Rate Revenue Bonds, Series 2002 - On November 26, 2002, the Wastewater Fund issued \$37,420,000 Adjustable Rate Revenue Bonds, Series 2002 for the purpose of financing the costs of acquiring from the City of Jackson its Wastewater Fund. The Bonds were refinanced and refunded on July 8, 2009. (See Wastewater System Refunding Revenue Bonds, Series 2009.)

In order to manage exposure to market risks from fluctuations in interest rates, the Wastewater Fund entered into multiple pay-fixed, receive-variable interest rate swap agreements at a cost anticipated to be less than what the Fund would have paid to issue fixed-rate debt. Based on the initial terms of the swap agreements, the Fund makes interest payments at various fixed rates on notional amounts approximating the scheduled amortizing bond principal outstanding. In return, the swap providers make interest payments to the Fund at variable rates on the notional amounts. Only the net difference in interest payments is exchanged with the counterparties. Bond principal is not exchanged. As rates vary, variable-rate bond interest and net swap payments vary. Arrangements made under the terms of the swap agreements did not alter the Fund's obligation to pay principal and interest on the Series 2002 bonds. The Fund continued to pay interest to the bondholders at a variable rate. Variable rates on two (2) of the original swap agreements are indexed to LIBOR; one variable rate is indexed to SIFMA. All swap agreements terminate at bond maturity on December 1, 2022. The Fund executed its original swap transactions with two counterparties, SunTrust Bank and Bank of America. At June 30, 2014, SunTrust Bank held approximately fifty-seven percent (57%) of the notional amount of swaps outstanding. The counterparty rating of SunTrust Bank is BBB/Baa 1. Twenty-one percent (21%) of the notional amount outstanding was held by Bank of America whose rating is A/A2.

On May 7, 2004, the Wastewater Fund entered into a forward sale agreement with Merrill Lynch Capital Services, Inc. (MLCS), to restructure the 2002 Adjustable Rate Revenue Bonds to balloon maturities, thereby eliminating mandatory bond redemption requirements prior to maturity. The purpose of the agreement was to lock in a guaranteed annual effective yield on future investments in order to provide for retirement of the 2002 Adjustable Rate Revenue Bonds and to avoid the market risks associated with future changes in interest rates. Pursuant to the agreement the Wastewater Fund will, from time to time, purchase certain tax-exempt, zero-coupon, AA or higher rated securities from MLCS. Proceeds received from the securities upon their maturity are committed to payment of the Series 2002 bond principal at maturity on December 1, 2022. The Fund established a special escrow account (the invested sinking fund), pledged for the benefit of the holders of the Series 2002 Bonds, and into which the purchased securities are deposited. The forward sale agreement purchase schedule is included as part of this note and is indicated by FDA (Forward Delivery Agreement) in the schedule of annual debt service requirements for bond retirements.

From time to time actual securities delivered to the Fund mature earlier and in amounts less than the scheduled maturities needed to fully redeem the restructured debt. The agreement provides for reinvestment of early maturities (subsequent sales) at the guaranteed annual effective yield. In the event of subsequent sales, revisions to the FDA purchase schedule are made to correspond to the maturity dates and maturity amounts of reinvested previously purchased securities.

Following the restructuring and elimination of the mandatory sinking fund requirements for the Series 2002 Bonds, the Fund entered into two (2) accreting, pay-fixed, receive-variable interest rate swap agreements, one with SunTrust Bank and one with JP-Morgan Chase. The effective date of the swaps was December 1, 2009; the agreements terminate at bond maturity on December 1, 2022. Notional amounts are scheduled to increase in direct proportion to notional decreases of the original swap agreements. Each of the additional swaps is indexed to LIBOR. JP Morgan Chase held approximately twenty-one percent (21%) of all swaps outstanding at June 30, 2014, and was rated A+/Aa3 as of the report date.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Wastewater Fund (Continued)

Wastewater System Refunding Revenue Bonds, Series 2009 – On July 8, 2009, the Wastewater Fund issued \$37,425,000 Refunding Revenue Bonds, Series 2009 to refund and redeem its Series 2002 Revenue Bonds and to pay costs related to the issuance and sale of the bonds. Subject to the satisfaction of certain conditions in the resolution, the Authority was permitted from time to time to change the method of determining the interest rate on the bonds to a daily, weekly, commercial paper or long-term interest rate. The 2009 Bonds mature on December 1, 2022.

Bond discount and issuance costs totaled \$380,197. Bond proceeds of \$36,355,000 were used to redeem and refund the Series 2002 Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,245,724. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the fiscal year 2023 using the straight-line method.

Concurrently with, and as a condition to, issuance of the Bonds, Bank of America N.A. issued an irrevocable direct-pay letter of credit (the credit facility). The credit facility was terminated on March 7, 2012, and the bonds were reissued as indexed floating rate bonds. (See Wastewater System Revenue Bonds, Series 2009 reissued.)

Provisions of the Series 2009 Bonds letter of credit agreement required the Fund to deposit into a special escrow account cash, cash equivalents or securities acceptable to the letter of credit bank, to fully fund originally-scheduled maturity amounts of previously purchased securities acquired pursuant to the May 2004 MLCS forward sale agreement. Accordingly, balances in the Fund's invested sinking fund include both securities and cash pledged for the benefit of the holders of the Series 2009 Bonds.

At the time of the 2009 refunding, fixed rates on the Fund's swap agreements were amended. The revised composite rate as of June 30, 2014, was 3.78% with \$25,448,500 or seventy-six percent (76%) of the Fund's outstanding Series 2009 Bonds hedged with swaps.

Wastewater System Revenue Bonds, Series 2009 reissued - On March 7, 2012, the Wastewater System Revenue Refunding Bonds, Series 2009 were reissued as indexed floating rate bonds. The bonds were purchased by U.S. Bank N.A. for a period up to forty-two (42) months (until September 1, 2015) without credit enhancement and without the need for remarketing. Interest on the bonds is indexed to LIBOR plus a margin and is paid monthly. Pursuant to the 2004 MLCS forward sale agreement, principal payments are not required on the Series 2009 Bonds. As of June 30, 2014, the outstanding balance of the Series 2009 Bonds was \$33,460,000.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Wastewater Fund (Continued)

Wastewater System Revenue Bonds, Series 2012 – On March 22, 2012, the Wastewater Fund issued \$16,000,000 Wastewater System Revenue Bonds, Series 2012 to (1) refinance its Revenue Bond Anticipation Note, Series 2010 in the outstanding principal amount of \$7,000,000; (2) refund \$3,965,000 of its outstanding \$37,425,000 Wastewater System Revenue Bonds, Series 2009; (3) finance extensions and improvements to its Wastewater system; and (4) pay certain costs related to the issuance and sale of the Bonds. The Series 2012 Bonds were issued at a net original issue premium of \$171,804 which is reported in the accompanying financial statements as an addition to long-term debt and is amortized over the life of the bonds using the straight-line method. Net bond proceeds were \$5,078,804 after payment of \$128,000 in issuance costs. The Bonds were issued as bank-qualified, tax-exempt, fixed-rate bonds. The Bonds are a limited revenue obligation of the Fund, payable solely from and secured by a pledge of the Net Revenues of the Wastewater System on parity with other Senior Lien Revenue Obligations. Interest on the Bonds is payable semi-annually on June 1 and December 1 of each year. The Bonds mature serially in varying amounts on June 1 of each year beginning June 1, 2013 to final maturity on June 1, 2032. Interest rates range from 2.00% to 4.75% on the various maturities. Bonds maturing on or before June 1, 2022 mature without option of prior redemption. Bonds maturing on June 1, 2023 and thereafter are subject to optional redemption prior to maturity at the option of the Authority, in whole or in part, on and after June 1, 2022 and anytime thereafter at a price of par plus accrued interest to the redemption date. As of June 30, 2014, the outstanding balance of the Series 2012 Bonds was \$15,800,000.

CW0 2013-313 Revolving Fund Loan Agreement – On September 27, 2012, the Tennessee Local Development Authority and the Tennessee Department of Environment and Conservation approved a loan to the Wastewater Fund not to exceed \$2,150,000 to finance the construction of a wastewater facilities project. A portion of the loan totaling \$531,050 is to be forgiven by the State. Interest on loan funds disbursed is calculated at a fixed rate of .34% per annum and is payable each month. An administrative fee equal to .08% (eight basis points) is payable monthly on the outstanding loan balance. Payment of interest and administrative fees began after the first loan disbursement of \$556,645 on October 9, 2013. Total funds drawn as of June 30, 2014, were \$1,353,686, of which \$334,360 had been forgiven. The outstanding loan balance at June 30, 2014 was \$1,019,326.

Principal repayments are to begin within ninety (90) days of project completion, or within one hundred twenty (120) days after ninety percent (90%) of the project loan has been disbursed, whichever event occurs earlier. The term of the loan is twenty (20) years.

All or any portion of the loan may be repaid by the Fund at any time without penalty. The loan is a limited revenue obligation of the Fund, payable solely from and secured by a pledge of the Net Revenues of the Wastewater System on parity with other Senior Lien Revenue Obligations.

SRF 2013-314 Revolving Fund Loan Agreement - On September 27, 2012, the Tennessee Local Development Authority and the Tennessee Department of Environment and Conservation approved a loan to the Wastewater Fund in the amount of

\$5,000,000 for financing the construction of a wastewater facilities project. Interest on loan funds is calculated at a fixed rate of .34% per annum and is payable each month. An administrative fee equal to .08% (eight basis points) is payable monthly on the outstanding loan balance. Payment of interest and administrative fees began after the first loan disbursement on October 24, 2013. Total funds drawn as of June 30, 2014, were \$2,968,904.

On October 24, 2013, the Tennessee Local Development Authority approved an increase of \$3,953,352 in the loan previously approved. The total loan approved as of June 30, 2014 was \$8,953,352.

Principal repayments are to begin within ninety (90) days of project completion, or within one hundred twenty (120) days after ninety percent (90%) of the project loan has been disbursed, whichever event occurs earlier. The term of the loan is twenty (20) years.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Wastewater Fund (Continued)

All or any portion of the loan may be repaid by the Fund at any time without penalty. The loan is a limited revenue obligation of the Fund, payable solely from and secured by a pledge of the Net Revenues of the Wastewater System on parity with other Senior Lien Revenue Obligations.

There are a number of requirements, limitations, and restrictions contained in the bond resolutions. The Wastewater Fund is in compliance with all significant limitations and restrictions.

See Interest Rate Swap discussion at the end of the long-term debt section.

The following is a summary of long-term liability transactions for the fiscal year ended June 30, 2014:

	Balance at <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements*</u>	Balance at <u>June 30, 2014</u>	Due Within <u>One Year</u>
Revenue Bonds payable:					
Series 2009	\$ 33,460,000	\$ -	\$ -	\$ 33,460,000	\$ -
Series 2012	15,900,000	-	(100,000)	15,800,000	100,000
Less deferred amounts:					
Issuance premiums (discounts)	(116,583)	-	14,509	(102,074)	(14,509)
Net total revenue bonds payable	49,243,417	-	(85,491)	49,157,926	85,491
State Revolving Fund Loans:					
CW0 2013-313	-	1,353,686	(334,360)	1,019,326	-
SRF 2013-314	-	2,968,904	-	2,968,904	-
Total state revolving loans	-	4,322,590	(334,360)	3,988,230	-
Capital Lease	-	-	-	-	-
Compensated absences	715,098	-	(63,627)	651,471	-
OPEB payable	1,140,440	299,994	-	1,440,434	-
Total long-term liabilities	<u>\$ 51,098,955</u>	<u>\$ 4,622,584</u>	<u>\$ (483,478)</u>	<u>\$ 55,238,061</u>	<u>\$ 85,491</u>

*Retirements include payments and principal forgiveness



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Wastewater Fund (Continued)

The scheduled annual requirements for bonds payable at June 30, 2014, including interest are as follows:

Years Ended June 30,	Series 2009 Bonds						Total
	Principal	FDA	Interest	FDA Proceeds	Principal	Interest	Debt Service
2015	-	885,724	1,266,747	-	100,000	558,633	2,811,104
2016	-	911,458	1,296,600	-	100,000	556,633	2,864,691
2017	-	940,901	1,349,400	-	100,000	554,633	2,944,934
2018	-	951,746	1,377,199	-	100,000	552,633	2,981,578
2019	-	980,954	1,426,736	-	100,000	550,550	3,058,240
2020-2024	33,460,000	15,876,605	5,178,662	(48,960,000)	1,820,000	2,702,501	10,077,768
2025-2029	-	-	-	-	8,000,000	1,747,019	9,747,019
2030-2032	-	-	-	-	5,480,000	372,342	5,852,342
	<u>\$ 33,460,000</u>	<u>\$ 20,547,388</u>	<u>\$ 11,895,343</u>	<u>\$ (48,960,000)</u>	<u>\$ 15,800,000</u>	<u>\$ 7,594,944</u>	<u>\$ 40,337,675</u>

The scheduled annual requirements for notes payable at June 30, 2014, including interest are as follows:

Years Ended June 30,	CWO 2013-313				Total
	Principal*	Interest	Principal*	Interest	Debt Service
2015	\$ -	\$ 5,629	\$ -	\$ 21,488	\$ 27,117
2016	78,360	6,649	216,495	35,556	337,060
2017	78,627	6,319	434,095	35,860	554,901
2018	78,895	5,988	435,573	34,034	554,490
2019	79,163	5,657	437,056	32,201	554,077
2020-2024	399,878	23,265	2,207,709	133,304	2,764,156
2025-2029	406,735	14,797	2,245,556	86,553	2,753,641
2030-2036	497,292	6,375.00	2,976,868	41,304	3,521,839
	<u>\$ 1,618,950</u>	<u>\$ 74,679</u>	<u>\$ 8,953,352</u>	<u>\$ 420,300</u>	<u>\$ 11,067,281</u>

*The principal amounts shown represent a payment schedule that assumes the Fund will borrow the entire amount approved. As of June 30, 2014, the Fund had borrowed only \$1,019,326 under CWO 2013-313 and \$2,968,907 under SRF 2013-314.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Telecommunications Fund

Term and revolving debt payable at June 30, 2014, consist of the following:

Telecommunications System Term Loan Agreement 2009 - On April 29, 2009, the Fund entered into a \$59,817,500 Term Loan Agreement to refinance and refund the Fund's 2008 term loan agreement. There were multiple amendments and extensions of the agreement. The Term Loan was refunded on May 22, 2013. (See Telecommunications System Refunding Revenue Bonds, Series 2013.)

Telecommunications System Line of Credit – The Telecommunications System has had an unsecured, revolving line of credit with Regions Bank since late 2003. There have been multiple renewals. The credit line has been reduced at each renewal since repayment of principal began in December, 2008. On October 27, 2012, the Fund renewed and reduced its credit line with Regions to \$5,000,000. Interest on the renewed credit line was indexed to LIBOR plus two hundred fifty basis points (2.50%). On October 25, 2013, the credit line was reduced to \$2,500,000 and renewed to October 27, 2014; the interest index did not change. An unused fee of fifteen basis points (0.15%) is due and payable quarterly. There had been no draws on the credit line as of June 30, 2014.

See Note 4 F for discussion of the inter-fund loan from the Electric Fund.

Bonds payable at June 30, 2014, consist of the following:

Telecommunications System Refunding Revenue Bonds, Series 2013 - On May 22, 2013, the Telecommunications Fund issued \$58,800,000 Telecommunications System Refunding Revenue Bonds (federally taxable), Series 2013 to refinance outstanding term indebtedness which in turn refinanced prior indebtedness originally incurred by the Authority through the issuance of its taxable Telecommunications System Revenue Bonds, Series 2003. The original Series 2003 Bonds were issued to finance the construction of a fiber optic broadband network telecommunications system in the City of Jackson. The Series 2013 Bonds are a limited revenue obligation of the Authority, payable from and secured by a pledge of the Net Revenues of the System.

The City of Jackson unconditionally guaranteed to Jackson Energy Authority and the trustee for the beneficiaries that the amount on deposit in the debt service reserve account for the 2013 Bonds shall at all times equal or exceed the debt service reserve requirement. The guaranty is for an amount not to exceed \$60,000,000.

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2013. The Bonds mature serially in various amounts on April 1 of each year commencing April 1, 2014, until final maturity on April 1, 2026. Interest rates on the various maturities range from .60% to 3.40%.

Series 2013 Bonds maturing on or before April 1, 2023, shall mature without option of prior redemption. The Series 2013 Bonds maturing on and after April 1, 2024 shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part, on or after April 1, 2023, at a price of par plus accrued interest to the redemption date. The Authority shall have the right to designate which maturities, or portions thereof, shall be redeemed. The outstanding balance of Series 2013 bonds as of June 30, 2014, was \$54,550,000.

Bond discount and issuance costs totaled \$495,000. Bond proceeds of \$58,817,500 were used to redeem and refund the outstanding term debt. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,070,104. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the fiscal year 2026 using the straight-line method.

There are a number of requirements, limitations, and restrictions contained in the bond resolutions. The Telecommunications Fund is in compliance with all significant limitations and restrictions.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Telecommunications Fund (Continued)

The following is a summary of the Telecommunication Fund's long-term liability transactions for the year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Revenue Bonds payable :					
Series 2013	\$ 58,800,000		\$ (4,250,000)	\$ 54,550,000	\$ 4,100,000
Less deferred amounts:					
Issuance premiums (discounts)	(261,865)	-	20,538	(241,327)	(20,538)
Net total revenue bonds	58,538,135	-	(4,229,462)	54,308,673	4,079,462
Notes payable:					
Electric Fund loan	5,500,000	-	-	5,500,000	-
Electric subsequent loans	752,919	-	(752,919)	-	-
Total notes payable	6,252,919	-	(752,919)	5,500,000	-
Compensated absences	307,184	13,751	-	320,935	-
OPEB payable	157,041	335,678	-	492,719	-
Total long-term liabilities	<u>\$ 65,255,279</u>	<u>\$ 349,429</u>	<u>\$ (4,982,381)</u>	<u>\$ 60,622,327</u>	<u>\$ 4,079,462</u>

The scheduled annual requirements for long-term debt at June 30, 2014, including interest are as follows

Years Ended June 30,	2013 Bonds Payable		Total
	Principal	Interest	Debt Service
2015	\$ 4,100,000	\$ 1,309,263	\$ 5,409,263
2016	4,135,000	1,269,699	5,404,699
2017	4,185,000	1,218,341	5,403,341
2018	4,245,000	1,153,219	5,398,219
2019	4,320,000	1,075,875	5,395,875
2020-2024	23,250,000	3,677,663	26,927,663
2025-2026	10,315,000	437,386	10,752,386
	<u>\$ 54,550,000</u>	<u>\$ 10,141,446</u>	<u>\$ 64,691,446</u>



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Interest Rate Swap discussion:

Termination risk and fair market value. The Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract or if certain events of termination as specified in the contract occur. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. All swaps had negative fair values as of June 30, 2014. Market value of the Authority's seventeen (17) swaps at June 30, 2014 was negative \$12,632,006 and represents the amount the Authority would pay to terminate the agreements, taking into consideration current interest rates on June 30, 2014.

Credit risk. As of June 30, 2014, the Authority was not exposed to credit risk because the swaps had negative fair values. Should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the derivatives' fair value if, in the event of termination resulting from counterparty credit downgrades, counterparties did not have adequate or appropriate liquidity to pay the Authority the amount owed.

Basis risk. The Authority is exposed to basis risk on the swaps when the variable rate indices received from the counterparties do not equal or closely approximate the variable rate paid on the bonds. Basis risk has been eliminated in recent years as VRDB debt being reissued in an index rate mode and tied to the same market index as variable rates in the majority of the swap agreements.

Rollover risk. The Authority will be exposed to rollover risk (variable rates) if the counterparties to the swaps default or if the swaps are terminated. All of the swap agreements are to bond maturity. If any of the swaps terminate prior to bond maturity, the Authority will cease to realize the synthetic rate offered by the swap.

F. Net Position – Electric Fund

Net investment in capital assets	
Net property, plant, and equipment in service	\$ 132,788,276
Less: Debt as disclosed in Note 3E	<u>(36,730,463)</u>
Total net investment in capital assets	<u>96,057,813</u>
Restricted:	
Restricted cash and cash equivalents	502,065
Restricted for use on Load Reduction Project	1,865,147
Less: Current liabilities payable from restricted assets	<u>(144,813)</u>
Total restricted net position	<u>2,222,399</u>
Unrestricted	<u>29,110,639</u>
Total net position	<u>\$ 127,390,851</u>



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Net Position – Gas Fund

Net investment in capital assets	
Net property, plant, and equipment in service	\$ 75,068,725
Less: Debt as disclosed in Note 3E	<u>(29,389,997)</u>
Total net investment in capital assets	<u>45,678,728</u>
Restricted:	
Restricted cash and cash equivalents	334,392
Restricted investments	7,782,874
Less: Current liabilities payable from restricted assets	<u>(113,598)</u>
Total restricted net position	<u>8,003,668</u>
Unrestricted	<u>33,048,656</u>
Total net position	<u><u>\$ 86,731,052</u></u>

F. Net Position – Water Fund

Net investment in capital assets	
Net property, plant, and equipment in service	\$ 97,456,587
Less: Debt as disclosed in Note 3E	<u>(34,395,346)</u>
Total net investment in capital assets	<u>63,061,241</u>
Restricted:	
Restricted cash and cash equivalents	952,715
Restricted investments	10,280,131
Less: Current liabilities payable from restricted assets	<u>(90,781)</u>
Total restricted net position	<u>11,142,065</u>
Unrestricted	<u>6,600,169</u>
Total net position	<u><u>\$ 80,803,475</u></u>



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Net Position – Wastewater Fund

Net investment in capital assets	
Net property, plant and equipment in service	\$ 110,187,472
Less: Debt as described in Note 3E	<u>(53,146,156)</u>
Total net investment in capital assets	<u>57,041,316</u>
Restricted for capital projects	<u>894,846</u>
Restricted for debt service:	
Restricted cash and cash equivalents	1,120,986
Restricted investments	18,063,216
Less: Accrued interest from restricted funds	<u>(148,694)</u>
Total restricted net position	<u>19,035,508</u>
Unrestricted	<u>6,796,749</u>
Total net position	<u><u>\$ 83,768,419</u></u>

F. Net Position – Telecommunications Fund

Net investment in capital assets	
Net property, plant, and equipment in service	\$ 39,866,209
Less: Debt as disclosed in Note 3E	<u>(54,308,673)</u>
Total net investment in capital assets	<u>(14,442,464)</u>
Restricted for debt service:	
Restricted cash and cash equivalents	6,920,007
Less: Accrued interest from restricted funds	<u>(339,472)</u>
Total restricted net position	<u>6,580,535</u>
Unrestricted	<u>8,389,996</u>
Total net position	<u><u>\$ 528,067</u></u>



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 - OTHER INFORMATION

A. Pension Costs

Jackson Energy Authority Retirement Plan - All of the Authority's full-time employees hired prior to January 1, 2014, are participants in the Jackson Energy Authority Retirement Plan. The retirement plan is a single-employer defined benefit pension plan and is administered by the Jackson Energy Authority Retirement Plan Administrative Committee. Aetna Life Insurance Company is the disbursing agent for benefits and First Tennessee Bank of Memphis serves as Plan Trustee. Each eligible employee entered the plan on the first month following the later of attainment of age twenty-one or the date he was credited with one (1) year of service for vesting as an employee.

The plan provides for normal retirement at age 65, early retirement after attainment of age 55 and completion of 5 years of vesting service, delayed retirement beyond normal retirement age and disability retirement upon total and permanent disability after completion of 5 years of vesting service. For participants hired on and after January 1, 2009, the early retirement age is age 60. Retirement Plan participation was frozen effective December 31, 2013.

Upon the death of the participant, survivor benefits may be provided depending on the retirement benefit chosen. The plan provides an annuity for the surviving spouse of active participants. Article 8 of the Plan document assigns the authority to establish and amend benefit provisions to the Jackson Energy Board of Directors. The Plan issues a stand-alone financial report, which can be obtained Aetna by calling 1-860-273-6241 and First Tennessee Bank at 1-901-681-2545.

The contribution requirements of plan members and Jackson Energy Authority are established and may be amended by the Jackson Energy Authority Board of Directors pursuant to the plan document. Jackson Energy Authority contributes 8.28 percent of annual employee earnings on behalf of participants whose employment date is prior to January 1, 2009. These employer contributions are treated as if they were made by the participant. Participants hired prior to January 1, 2009, are not required to contribute to the Plan. Employees hired on and after January 1, 2009 contribute 2% of compensation. Interest is credited on participant contributions at a rate of 5% per annum compounded annually. Jackson Energy Authority is required to contribute at an actuarially determined rate. The required actuarially determined contribution rate was 30.63 percent of the payroll of eligible participants payable at the end of each month for the period July 1, 2013 to June 30, 2014.

Jackson Energy Authority Defined Contribution Plan – Effective December 23, 2004, the Authority adopted a money purchase pension plan to provide for the payment of accumulated leave benefit after termination of employment. On January 1, 2009, the Plan was amended and restated to also provide for the payment of accumulated severance benefit after termination of employment. All contributions under this Plan are paid to Voya Financial Inc. and deposited into an annuity contract. The Plan is intended to meet the requirements of a non-trusteed retirement plan, qualified under IRS Section 401(a) so that income accruing on the group annuity contract will be exempt from taxation. Funds transferred to the Plan are not subject to FICA withholding and federal income tax is deferred until the participant withdraws funds. The Plan is a governmental plan as defined in Section 414(d) of the IRS Code, the purpose of which is to provide retirement benefits for employees of the employer. The Authority reserves the right to amend the Plan by action of its Board of Directors, notwithstanding certain limitations.

Participation of an employee begins on the employee's hire date and ceases upon termination of employment. Participants are not required or permitted to make contributions to the Plan. Employer contributions equal to the amount of the participant's accumulated leave benefit and/or his accumulated severance benefit are made to the Plan each time a participant terminates employment.

Distribution of benefits generally occurs within 60 days following the close of the plan year (December 31) in which a participant retires. In the event a participant dies prior to receiving distribution, the distribution will be made to his beneficiary as soon as practicable after the participant's death.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2014

NOTE 4 - OTHER INFORMATION (Continued)

A. Pension Costs (Continued)

Jackson Energy Authority Matching Contribution Plan - The Jackson Energy Authority Matching Contribution Plan was established effective January 1, 2014 to provide certain benefits for individuals hired or rehired as full-time employees after December 31, 2013. The Matching Plan is a defined contribution plan under IRS Code Section 401(a) which provides for benefits based solely on the amount contributed to each participant's account and any income, expenses, gains or losses which may be allocated to such account. The Plan is administered by the Jackson Energy Authority Retirement Plan Administrative Committee. Voya National Trust serves as Plan Trustee.

Each employee will enter the plan on the first day of the month following the employee's employment date. Normal retirement age is age sixty-five (65). Upon the death of the participant, survivor benefits may be provided depending on the retirement benefit chosen.

Each plan year matching and discretionary contributions may be made by Jackson Energy Authority at its sole discretion. Contribution levels are established and may be amended by the Jackson Energy Authority Board of Directors pursuant to the plan document. For the 2014 plan year, the matching contribution will be equal to one hundred percent (100%) of an eligible participant's salary deferral, not to exceed four percent (4%) of compensation, made to the Jackson Energy Authority Deferred Compensation Plan. For the 2014 plan year, the discretionary contribution will be a percentage of the eligible participant's compensation based on the participant's periods of credited service. For periods less than 5 years, the discretionary contribution will be two percent (2%) of compensation; for periods of 5-9 years the discretionary contribution will be three percent (3%); and for periods of 10 years or more the discretionary contribution will be four percent (4%).

Annual Pension Costs: For the year ended June 30, 2014, the Authority's annual pension cost of \$5,335,585 for the Retirement Plan was equal to the Authority's required and actual contributions. The required contribution was determined as part of the January 1, 2013, actuarial valuations using the "attained age aggregate cost" funding method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.5%, compounded annually, (c) a 3 percent per annum cost-of-living adjustment and (d) a rate of retirement to extend from ages fifty-five to sixty-five. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

For the year ended June 30, 2014, the Authority's annual contributions to the Matching Plan were \$6,737 which included both the Authority's matching and discretionary contributions.

Year Ending	Pension Cost (APC)	of APC Contributed	Pension Obligation
6/30/14	\$ 5,335,585	100.00%	\$ -
6/30/13	5,274,272	100.00%	-
6/30/12	5,212,898	100.00%	-
6/30/11	5,171,903	100.00%	-
6/30/10	5,422,400	100.00%	-
6/30/09	4,611,539	100.00%	-
6/30/08	4,553,561	100.00%	-
6/30/07	3,794,064	100.00%	-

Contributions were made in accordance with actuarially determined requirements.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 - OTHER INFORMATION (Continued)

B. Major Suppliers

The Electric Fund purchases all of its electric capacity from the Tennessee Valley Authority (TVA). Purchased power from TVA cost \$119,321,073 for the year ending June 30, 2014.

The Gas Fund purchased 100 percent of its natural gas and propane from The Tennergy Corporation. Purchased gas cost was \$22,694,509 for the year ended June 30, 2014.

C. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2014, the Authority carried insurance through various commercial carriers to cover all risks of loss. The Authority has had no settled claims resulting from the risks that exceeded its insurance coverage in any of the past three fiscal years. There has also been no significant reduction in the amount of coverage.

The Authority is a defendant in several suits, which are being defended by the Authority's public liability insurer. There is a \$250,000 deductible amount on this insurance. Therefore, any damages awarded under these suits would be the Authority's responsibility up to \$250,000. Amounts in excess of \$250,000 would be covered by insurance. Also, workers' compensation suits are being defended by the compensation carrier for the Authority.

D. Post-Employment Benefits

In addition to providing pension benefits, the Authority provides certain health care, dental, and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for those benefits if they reach age fifty-five while working for the Authority. The health care and dental benefits are provided by a self-insurance trust plan with an insurance company acting as administrator. The Plan is protected from catastrophic claims by aggregate excess loss coverage.

Retired employees sixty-five and over are covered by a "Medicare carve-out" plan which provides the same benefits except Medicare is the primary payer. Not all retired employees are eligible for dental benefits.

The cost of the health care benefits was \$3,966,351 for the year ended June 30, 2014. The cost of providing the health care and dental benefits for retirees for the year ended June 30, 2014 was \$1,185,699.

The cost of life insurance benefits was \$162,055 for the year ended June 30, 2014. The cost of providing the life insurance benefits retirees for the year ended June 30, 2014 was \$32,432.

Subsequent to June 30, 2009, Jackson Energy Authority established the Voluntary Employees Beneficiary Association Trust (VEBAT). SEI Private Trust Company has been appointed as the Trustee. The trust was established to allow Jackson Energy Authority to fund post-employment benefits associated with retiree health and life insurance. With the establishment of the trust Jackson Energy Authority began funding the actuarially determined normal cost of retiree health and life insurance.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2014

NOTE 4 - OTHER INFORMATION (Continued)

D. Post-Employment Benefits (Continued)

Jackson Energy Authority's other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, 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 a period not to exceed thirty years. The following table shows the components of the System's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to VEBAT:

Annual required contribution	\$ 5,318,129
Interest on net OPEB obligation	350,279
Adjustment to annual required contribution	<u>(268,039)</u>
Annual OPEB cost	5,400,368
Contributions made	<u>(3,834,753)</u>
Increase in net OPEB obligation	1,565,616
Net OPEB obligation-beginning of year	<u>6,091,804</u>
Net OPEB obligation-end of year	<u><u>\$ 7,657,420</u></u>

Jackson Energy Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for 2014 and the prior four years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/14	\$ 5,400,368	77%	\$ 7,657,420
6/30/13	\$ 5,274,401	77%	\$ 6,091,804
6/30/12	\$ 4,763,156	82%	\$ 4,738,490
6/30/11	\$ 3,770,482	83%	\$ 3,891,148
6/30/10	\$ 3,732,036	77%	\$ 3,234,089

As of July 1, 2012, the most recent actuarial valuation date, the plan was largely unfunded. The actuarial accrued liability for benefits was \$66,630,252. The covered payroll was \$19,256,982 and the ratio of the UAAL to the covered payroll was 304.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included 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 as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 - OTHER INFORMATION (Continued)

D. Post-Employment Benefits (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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 July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.75 percent investment rate of return. The healthcare cost trend rate used was 8 percent for medical and 5 percent for dental reduced by decrements on the medical to an ultimate rate of 5 percent after 10 years. The UAAL is being amortized on a straight-line basis over 30 years. The remaining amortization period at June 30, 2014, was 23 years.

E. Related Party Transactions

Included in the accompanying financial statements in investments is an equity interest in The Tennergy Corporation. The Tennergy Corporation is an energy acquisition company as provided by the laws of the State of Tennessee whose purpose is the purchase and resale of energy, including natural gas, and propane to local utilities.

Included in the accompanying financial statements in investments is an interest in Western District Energy Corporation (WDEC), an energy acquisition company. The investment in WDEC at June 30, 2014, amounted to \$427,562. Separate financial statements of WDEC can be obtained from the Corporation in Jackson, Tennessee.

For the fiscal year ended June 30, 2014, the Gas Fund purchased \$18,511,045 of natural gas and propane from The Tennergy Corporation. The Fund has recognized a reduction in purchased gas cost of \$1,908,950 for year ended June 30, 2014. This reduction represents the Fund's share of profit on transactions with The Tennergy Corporation. As of June 30, 2014, the Gas Fund owed The Tennergy Corporation \$1,131,401.

F. Inter-Fund Loan

Concurrently with the issuance of the Series 2003 Telecommunications Fund revenue bonds, the Authority was required to deposit \$5,500,000 (the Series 2003 debt service reserve requirement) into the debt service reserve sub-account of the bonds. The deposit was derived from a loan made September 26, 2003, by the Authority's Electric Fund pursuant to a supplemental Electric resolution adopted on August 28, 2003. Interest on the initial loan and any subsequent loans is paid monthly at an annual percentage rate equal to the higher of (1) the highest interest rate earned by the Electric Fund on invested funds on the date the loan was made or (2) the highest rate on the senior debt of the Electric Fund on the date the loan was made. The rate on the initial loan was 3.03%. Principal repayments on the initial loan are not due until final maturity of the Series 2003 Telecommunications Fund Revenue Bonds. Consequently, the entire loan balance is presented as a long-term note payable in the financial statements of the Telecommunications Fund as of June 30, 2014.

Under the Telecom loan resolution, the Electric Fund is obligated to make additional loans on a revolving credit basis from time to time by means of deposits to the Telecom debt service reserve sub-account. In the event that the amounts on deposit in the Telecom Debt Service Reserve Sub-account are at any time less than the Telecom Debt Service Reserve requirement of \$5,500,000, the Electric Fund is required to loan to the Telecommunications Fund an amount equal to such deficiency for the purpose of replenishing the Telecom Debt Service Reserve Sub-account. The Electric Fund has no obligation to make additional loans if such loans would cause the outstanding aggregate principal amount of all loans to the Telecommunications Fund to exceed \$34,000,000.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 - OTHER INFORMATION (Continued)

F. Inter-Fund Loan (Continued)

Loans subsequent to the initial amount borrowed of \$5,500,000 are to be repaid monthly in sixty equal monthly installments. The Telecommunications Fund has no outstanding subsequent loans from the Electric Fund as of June 30, 2014.

G. Accounts Receivable

On March 1, 2006, the Gas Fund entered into a natural gas supply agreement with Tennergy whereby the Fund agreed to purchase specified daily volumes of natural gas during each calendar month, beginning April 1, 2006 and ending March 31, 2016. The Fund agreed to pay Tennergy a price per MMBtu equal to the "index price" as defined within the contract, minus a discount of \$.08. At the end of each twelve month period ending March 31, Tennergy shall compare its revenues and its expenses for that period relative to the project. At the discretion of Tennergy's Board of Directors, Tennergy may make a refund to the Gas Fund, not to exceed \$.10 per MMBtu delivered. As of June 30, 2014, the Gas Fund has recorded a receivable of \$62,850 for the period April 1, 2014 through June 30, 2014.

H. Interfund Rent

For the fiscal year ended June 30, 2014, the Telecommunications Fund paid rent to the Electric, Gas, Water, and Wastewater Funds in the amounts of \$178,014 for the use of facilities. The Telecommunications Fund paid rent to the Electric Fund for the year ended June 30, 2014, in the amount of \$144,484 for use of electric poles.

I. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and liabilities are held in trust for the exclusive benefit of participants and their beneficiaries as required by IRC Section 457.

On November 21, 2002, the 457 Plan was revised to include the following provisions:

1. Participant may secure a loan from his account up to the smaller of \$50,000 or 50% of the participant's account balance.
2. Participants may obtain immediate access to account funds to make domestic relations order distributions. These distributions must be authorized by a judgment, decree, or order pursuant to local domestic relations marital property law.



JACKSON ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 - OTHER INFORMATION (Continued)

J. The Tennergy Corporation (Continued)

The Tennergy Corporation began operations on April 1, 1998 as a joint venture among the Board of Utility Commissioners of the City of Jackson, Tennessee, the Board of Public Utilities of Humboldt, Tennessee, and the City of Brownsville, Tennessee Utilities Board. The Tennergy Corporation is an energy acquisition company as provided by the laws of the State of Tennessee. The Corporation's purpose is to purchase and resell energy, including natural gas, electricity, and propane, and to provide consulting and management services to other utilities. As of June 30, 2014, the Gas Fund's investment in The Tennergy Corporation amounted to \$21,317,957.

The investment income from The Tennergy Corporation amounted to (\$43,329) for the year ended June 30, 2014.

The Gas Fund's investment in The Tennergy Corporation represented a 73 percent interest as of June 30, 2014.

On June 30, 2014, The Tennergy Corporation had total assets of \$196,828,762 and total liabilities of \$167,713,575. These assets and liabilities reflect investment interests that include, but are not limited to, both the Gas and Electric Funds of Jackson Energy Authority. Separate financial statements of The Tennergy Corporation can be obtained for the Corporation in Jackson, Tennessee.

K. Geographic Operations

The Authority's operations are within the City of Jackson and Madison County, Tennessee, with some Water and Wastewater operations in Gibson County, Tennessee and it derives its revenue primarily from user charges to customers within these locations.

L. Subsequent Event

Subsequent to June 30, 2014, management became aware of a potential liability resulting from an error by Tennessee Valley Authority in a meter setup at one of the distribution points. The miscalculations go back over a period of ten years and it was estimated the liability could go as high as \$5.4 million. Data was not readily available as of the date of this report to estimate how much was due to the current year and how much related to prior periods. Management plans to vigorously contest this claim.



JACKSON ENERGY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION



JACKSON ENERGY AUTHORITY
SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
 JUNE 30, 2014

Actuarial Valuation Date	Net Assets available for for benefits (a)	Pension Benefit Obligation (b)	Unfunded pension benefit obligation (b - a)	Percent (a/b)	Annual Covered Payroll (c)	Percent ((b - a) / c)
I/1/2013	\$ 82,798,830	\$ 118,640,243	35,841,413	69.79%	\$ 19,621,867	182.66%
I/1/2012	80,312,979	116,162,306	35,849,327	69.14%	19,241,865	186.31%
I/1/2011	78,860,502	110,060,271	31,199,769	71.65%	19,911,870	156.69%
I/1/2010	75,423,599	102,076,245	26,652,646	73.89%	19,819,142	134.48%
I/1/2009	73,825,172	102,983,700	29,158,528	71.69%	19,566,755	149.02%
I/1/2008	72,278,695	92,092,757	19,814,062	78.48%	18,869,511	105.01%
I/1/2007	67,614,180	106,769,348	39,155,168	63.33%	17,443,044	224.47%
I/1/2006	60,180,983	96,402,619	36,221,636	62.43%	17,055,262	212.38%
I/1/2005	56,283,994	91,047,181	34,763,187	61.82%	16,371,564	212.34%
I/1/2004	52,465,004	82,271,868	29,806,864	63.77%	14,800,399	201.39%
I/1/2003	49,654,539	76,402,926	26,748,387	64.99%	14,621,041	182.94%
I/1/2002	47,914,966	71,340,653	23,425,687	67.16%	12,876,865	181.92%
I/1/2001	45,348,868	64,995,256	19,646,388	69.77%	11,302,548	173.82%
I/1/2000	42,543,267	58,727,249	16,183,982	72.44%	11,117,696	145.57%
I/1/1999	38,092,794	54,727,249	16,634,455	69.60%	10,744,593	154.82%
I/1/1998	33,343,880	48,868,864	15,524,984	68.23%	9,949,845	156.03%

An actuarial valuation is performed annually. The information presented above is taken from those reports and is supplementary information required by the Governmental Accounting Standards Board.

- a. The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions actuarial finding method, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.
- b. Looking at the pension benefit obligation, or the unfunded portion of the pension benefit obligation, in isolation can be misleading.
 - (i) Expressing net assets available for benefits as a percentage of the pension benefit obligation (a/b) provides one indication of the extent to which a plan is funded. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.
 - (ii) Expressing the unfunded pension benefit obligation as a percentage of the annual covered payroll ((b-a)/c) approximately adjusts for the effects of inflation and aids analysis of funding progress. Generally, the smaller the unfunded percentage, the stronger the plan.



JACKSON ENERGY AUTHORITY
SCHEDULE OF FUNDING PROGRESS - POST RETIREMENT MEDICAL PLAN
 JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
7/1/2012	\$ 8,051,203	\$ 66,630,252	\$ 58,579,049	12.08%	\$ 19,256,982	304.20%
7/1/2010	4,247,352	62,950,287	58,702,935	6.75%	19,178,549	306.09%
7/1/2008	1,500,000	45,564,870	44,064,870	3.29%	18,159,613	242.65%

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



JACKSON ENERGY AUTHORITY

OTHER
SUPPLEMENTARY
INFORMATION



**JACKSON ENERGY AUTHORITY - ELECTRIC FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Actual</u>	<u>Percent</u>
Operating revenues:		
Charges for sales and services:		
Residential sales	\$ 40,897,102	27.68
Small lighting and power sales	11,397,414	7.71
Large lighting and power sales	87,674,780	59.35
Street and athletic lighting sales	2,274,748	1.54
Outdoor lighting	1,803,507	1.22
Uncollectible accounts	(618,410)	(0.42)
Total charges for sales and services (net)	<u>143,429,141</u>	<u>97.08</u>
Other revenues		
Forfeited discounts	977,328	0.66
Miscellaneous service revenue	173,045	0.12
Rent from electric property	3,145,949	2.13
Other electric revenue	9,497	0.01
Total other revenues	<u>4,305,819</u>	<u>2.92</u>
Total operating revenues (net)	<u>147,734,960</u>	<u>100.00</u>
Operating expenses:		
Cost of sales and services:		
Purchased power	<u>119,321,073</u>	<u>80.77</u>
Operations expenses:		
Transmission expenses:		
Supervision and engineering expense	319	-
Station expense	549	-
Load dispatching	1,842	-
Overhead line expense	16,865	0.01
Rent expense	-	-
Total transmission expense	<u>19,575</u>	<u>0.01</u>
Distribution expenses:		
Load dispatching	209,081	0.14
Station expense	26,400	0.02
Overhead line expense	35,507	0.02
Underground line expense	727	-
Street lighting and signal system	23,381	0.02
Meter expense	49,898	0.03
Customer installations expense	1,693,490	1.15
Supervision and engineering	36,124	0.02
Miscellaneous	501,778	0.34
Rents	110,688	0.07
Total distribution expenses	<u>2,687,074</u>	<u>1.81</u>
Customer accounts expenses:		
Supervision	865	-
Meter reading expense	291,715	0.20
Customer contracts and orders	395,209	0.27
Customer collections	283,962	0.19
Customer utility billing coordinator	62,321	0.04
Data processing	424,964	0.29
Total customer accounts	<u>1,459,036</u>	<u>0.99</u>



JACKSON ENERGY AUTHORITY - ELECTRIC FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Actual	Percent
Operating expenses (continued):		
Customer information and sales expense:		
Assistance	240,802	0.16
Demonstrations and advertising	28,500	0.02
Service Guarantee	13,436	0.01
Miscellaneous	37,185	0.03
Total Customer information and sales expense	319,923	0.22
Administrative expenses:		
Administrative salaries	288	-
Office salaries	1,039,436	0.70
Employee training	544	-
Office supplies and expense	1,507,699	1.02
Professional services	155,734	0.11
Insurance	257,120	0.17
Employee pension and benefits	2,687,302	1.82
Miscellaneous and penalties	55,878	0.04
Rents	-	-
Total administrative expenses	5,704,001	3.86
Total operations expense	10,189,609	6.89
Maintenance expenses:		
Transmission expenses:		
Supervision and engineering	172	-
Station equipment	55,942	0.04
Overhead lines	46,213	0.03
Total transmission expenses	102,327	0.07
Distribution expenses:		
Supervision and engineering	102,835	0.07
Station equipment	366,817	0.25
Poles	18,956	0.01
Lines	1,196,778	0.81
Transformers	105,750	0.07
Street lighting and signals	506,348	0.34
Meters	159,706	0.11
Total distribution expenses	2,457,190	1.66
Administrative and general expenses:		
Structures and improvements	110,971	0.08
Office furniture and fixtures	40,764	0.03
Communications equipment	15,003	0.01
Total administrative and general expenses	166,738	0.12
Total maintenance expenses	2,726,255	1.85
Depreciation and amortization	7,150,163	4.84
Taxes	365,625	0.25
In lieu of taxes	3,805,368	2.58
	11,321,156	7.67
Total operating expenses	\$ 143,558,093	97.18



**JACKSON ENERGY AUTHORITY - GAS FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Actual</u>	<u>Percent</u>
Operating revenues:		
Operating revenues	\$ 42,811,615	100.33
Uncollectible accounts	<u>(141,391)</u>	<u>(0.33)</u>
Total operating revenues (net)	<u>42,670,224</u>	<u>100.00</u>
Operating expenses:		
Cost of sales and services:		
Gas purchased	22,694,509	53.19
Production	<u>10,950</u>	<u>0.03</u>
Total cost of sales and services expense	<u>22,705,459</u>	<u>53.22</u>
Operations expense:		
Distribution expenses:		
Mains and services	169,406	0.40
Gas leak surveying	58,891	0.14
Measuring and regulating	76,361	0.18
Meter house and regulation	291,882	0.68
Jobbing expenses	-	0.00
Customer installations expense	400,900	0.94
Gas light and grills	39,627	0.09
Supervision and engineering	251,872	0.59
Maps and records	14,386	0.03
Office expense	233,268	0.55
Propane delivery	<u>181,240</u>	<u>0.42</u>
Total distribution expenses	<u>1,717,833</u>	<u>4.02</u>
Customer accounts expenses:		
Supervision	865	-
Meter reading expense	260,699	0.61
Customer contracts and orders	166,758	0.39
Customer collections	158,817	0.37
Customer utility billing coordinator	52,446	0.12
Customer account stand-by time	366	-
Data processing	<u>329,918</u>	<u>0.77</u>
Total customer accounts expenses	<u>969,869</u>	<u>2.26</u>
Customer information and sales expense:		
Assistance	109,270	0.26
Demonstrations and advertising	28,755	0.07
Miscellaneous	<u>42,036</u>	<u>0.10</u>
Total Customer information and sales expense	<u>180,061</u>	<u>0.43</u>



JACKSON ENERGY AUTHORITY - GAS FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Actual</u>	<u>Percent</u>
Operating expenses (continued):		
Administrative expenses:		
Office salaries	939,174	2.20
Office supplies and expense	1,014,402	2.38
Special services	180,366	0.42
Insurance	178,716	0.42
Employee pension and benefits	2,072,376	4.86
Miscellaneous and penalties	83,577	0.20
Rents	-	-
Total administrative expenses	4,468,611	10.48
Total operating expenses	30,041,833	70.41
 Maintenance expenses:		
Production	31,681	0.07
Total production expenses	31,681	0.07
Distribution expenses:		
Supervision and engineering	72,985	0.17
Structures and improvements	16,412	0.04
Mains	403,004	0.94
Measuring and regulating	10,373	0.02
Services	255,173	0.60
Meters and regulators	170,700	0.40
Other equipment	41,424	0.10
Total distribution expenses	970,071	2.27
Administrative and general expenses:		
Administrative and general expenses:	154,162	0.36
Total administrative and general expenses	154,162	0.36
Total maintenance expenses	1,155,914	2.70
Depreciation and amortization	3,415,358	8.00
Taxes	258,669	0.61
In lieu of taxes	1,285,134	3.01
Total operating expenses	\$ 36,156,908	84.73



JACKSON ENERGY AUTHORITY - WATER FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Actual</u>	<u>Percent</u>
Operating revenues:		
Operating revenues	\$ 15,555,510	100.65
Uncollectible accounts	<u>(101,211)</u>	<u>(0.65)</u>
Total operating revenues (net)	<u>15,454,299</u>	<u>100.00</u>
Operating expenses:		
Operations expense		
Source of supply:		
Supervision and engineering	\$ 12,000	0.11
Labor	32,673	0.21
Miscellaneous	<u>474,304</u>	<u>3.07</u>
Total source of supply expense	<u>518,977</u>	<u>3.39</u>
Pumping		
Purchased power	452,215	2.93
Miscellaneous	<u>1,688</u>	<u>0.01</u>
Total pumping expense	<u>453,903</u>	<u>2.94</u>
Treatment and disposal		
Supervision and engineering	3,532	0.02
Labor	559,034	3.62
Chemicals	179,359	1.16
Miscellaneous	<u>149,667</u>	<u>0.97</u>
Total treatment and disposal expense	<u>891,592</u>	<u>5.77</u>
Transmission and distribution		
Supervision and engineering	178,161	1.15
Storage facilities expense	17,333	0.11
Line expense	268,613	1.74
Meter expense	74,872	0.48
Miscellaneous	175,776	1.14
Customer installation	<u>124,386</u>	<u>0.80</u>
Total transmission and distribution expense	<u>839,141</u>	<u>5.42</u>
Customer accounts expenses:		
Supervision	432	-
Meter reading expense	185,708	1.20
Customer billing and collecting	262,735	1.70
Data processing	282,905	1.83
Assistance expense	64,188	0.42
Demonstrations and advertising	12,729	0.08
Miscellaneous	<u>29,071</u>	<u>0.19</u>
Total customer accounts expense	<u>837,768</u>	<u>5.42</u>



JACKSON ENERGY AUTHORITY - WATER FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Actual</u>	<u>Percent</u>
Operating expenses (continued):		
Administrative and general expense:		
Salaries	746,335	4.83
Office supplies and expense	793,354	5.13
Professional service	115,566	0.75
Insurance	194,636	1.26
Employees' benefits	1,731,611	11.20
Miscellaneous	30,421	0.20
Total administrative and general expense	<u>3,611,923</u>	<u>23.37</u>
Total operations expense	<u>7,153,304</u>	<u>46.31</u>
Maintenance expenses:		
Source of supply		
Wells and springs	<u>43,213</u>	<u>0.28</u>
Total source of supply	<u>43,213</u>	<u>0.28</u>
Pumping		
Pumping equipment	<u>51,699</u>	<u>0.33</u>
Total pumping expenses	<u>51,699</u>	<u>0.33</u>
Treatment and disposal		
Structures and improvements	31,068	0.20
Treatment and disposal equipment	<u>207,586</u>	<u>1.34</u>
Total treatment and disposal	<u>238,654</u>	<u>1.54</u>
Transmission and distribution		
Supervision and engineering	10,939	0.07
Structures and improvements	429	-
Distribution reservoirs and standpipes	50,499	0.33
Mains and services	421,092	2.72
Service meters and hydrants	<u>113,111</u>	<u>0.73</u>
Total transmission and distribution	<u>596,070</u>	<u>3.85</u>
Administrative and general expenses:		
Administrative and general expenses	<u>117,725</u>	<u>0.76</u>
Total administrative and general expenses	<u>117,725</u>	<u>0.76</u>
Total maintenance expenses	<u>1,047,361</u>	<u>6.76</u>
Depreciation and amortization	2,781,838	18.00
Taxes	207,738	1.34
In lieu of taxes	<u>164,835</u>	<u>1.07</u>
	<u>3,154,411</u>	<u>20.41</u>
Total operating expenses	<u>\$ 11,355,076</u>	<u>73.48</u>



**JACKSON ENERGY AUTHORITY - WASTEWATER FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Actual</u>	<u>Percent</u>
Operating revenues:		
Operating revenues	\$ 16,389,231	100.55
Uncollectible accounts	<u>(89,741)</u>	<u>(0.55)</u>
Total operating revenues (net)	<u>16,299,490</u>	<u>100.00</u>
Operating expenses:		
Operations expense:		
Pumping		
Purchased power	113,984	0.70
Miscellaneous	<u>16,130</u>	<u>0.10</u>
Total pumping expense	<u>130,114</u>	<u>0.80</u>
Treatment and disposal		
Supervision and engineering	328	-
Labor	1,508,508	9.25
Chemicals	120,893	0.74
Miscellaneous	<u>658,174</u>	<u>4.04</u>
Total treatment and disposal expense	<u>2,287,903</u>	<u>14.03</u>
Transmission and distribution		
Supervision and engineering	151,894	0.93
Line expense	184,891	1.13
Meter expense	35,327	0.22
Miscellaneous	144,821	0.89
Customer installation	<u>49,092</u>	<u>0.30</u>
Total transmission and distribution expense	<u>566,025</u>	<u>3.47</u>
Customer accounts expenses		
Supervision	10,880	0.07
Meter reading expense	148,525	0.91
Customer billing and collecting	215,643	1.32
Data processing	275,937	1.69
Assistance expense	66,803	0.41
Demonstrations and advertising	12,300	0.08
Miscellaneous	<u>28,946</u>	<u>0.18</u>
Total customer accounts expense	<u>759,034</u>	<u>4.66</u>



JACKSON ENERGY AUTHORITY - WASTEWATER FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Actual</u>	<u>Percent</u>
Operating expenses (continued):		
Administrative and general expense		
Salaries	711,355	4.36
Office supplies and expense	803,588	4.93
Professional service	106,602	0.65
Insurance	236,190	1.45
Employees' benefits	1,912,857	11.74
Miscellaneous	<u>27,351</u>	<u>0.17</u>
Total administrative and general expense	<u>3,797,943</u>	<u>23.30</u>
Total operations expense	<u>7,541,019</u>	<u>46.26</u>
Maintenance expenses:		
Pumping		
Structures and improvements	-	-
Pumping equipment	<u>223,760</u>	<u>1.37</u>
Total pumping	<u>223,760</u>	<u>1.37</u>
Treatment and disposal		
Structures and improvements	10,866	0.07
Treatment and disposal equipment	<u>450,873</u>	<u>2.77</u>
Total treatment and disposal	<u>461,739</u>	<u>2.84</u>
Transmission and distribution		
Supervision and engineering	9,106	0.06
Mains and services	862,250	5.29
Service meters and hydrants	<u>-</u>	<u>-</u>
Total transmission and distribution	<u>871,356</u>	<u>5.35</u>
Administrative and general		
Administrative and general expenses	<u>117,594</u>	<u>0.72</u>
Total administrative and general expenses	<u>117,594</u>	<u>0.72</u>
Total maintenance expenses	<u>1,674,449</u>	<u>10.28</u>
Depreciation and amortization	3,614,178	22.17
Taxes and tax equivalents	245,099	1.50
In lieu of taxes	<u>170,390</u>	<u>1.05</u>
	<u>4,029,667</u>	<u>24.72</u>
Total operating expenses	<u>\$13,245,135</u>	<u>81.26</u>



**JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Actual</u>	<u>Percent</u>
Operating revenues:		
Operating revenues	\$ 28,498,635	101.14
Uncollectible accounts	<u>(321,854)</u>	<u>(1.14)</u>
Total operating revenues (net)	<u>28,176,781</u>	<u>100.00</u>
 Operating expenses:		
Programming and services costs	<u>8,896,259</u>	<u>31.57</u>
Operations expenses		
Plant specific		
Network support	13,778	0.05
General support	290,609	1.03
Headend	5,562	0.02
Headend transmission	16,048	0.06
Cable and wire facilities	<u>231,756</u>	<u>0.82</u>
Total plant specific	<u>557,753</u>	<u>1.98</u>
Plant non-specific		
Other property and equipment	3,085	-
Network operations	<u>595,632</u>	<u>2.11</u>
Total plant non-specific	<u>598,717</u>	<u>2.11</u>
Customer operations		
Marketing	444,735	1.58
Services	2,181,823	7.74
Stand-by Time	<u>4,204</u>	<u>0.01</u>
Total customer operations	<u>2,630,762</u>	<u>9.33</u>
Corporate operations		
Executive and planning	500,333	1.78
General and administrative	<u>2,094,278</u>	<u>7.43</u>
Total corporate operations	<u>2,594,611</u>	<u>9.21</u>
Total operations expenses	<u>6,381,843</u>	<u>22.63</u>
Depreciation and amortization	5,158,870	18.31
Taxes and tax equivalent	<u>167,316</u>	<u>0.59</u>
	<u>5,326,186</u>	<u>18.90</u>
Total operating expenses	<u>\$ 20,604,288</u>	<u>73.10</u>



JACKSON ENERGY AUTHORITY - ELECTRIC FUND
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2014

Year Ended June 30,	Electric Revenue Bonds						Notes Payable		Total		
	Series 2005		Series 2008		Series 2010		Principal	Interest	Principal	Interest	Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest					
2015	310,000	204,030	220,000	156,188	1,295,000	599,706	396,161	-	2,221,161	959,924	3,181,085
2016	320,000	192,342	365,000	230,074	1,195,000	560,360	368,359	-	2,248,359	982,776	3,231,135
2017	335,000	180,220	140,000	272,669	1,475,000	516,902	368,359	-	2,318,359	969,791	3,288,150
2018	345,000	167,383	285,000	484,119	1,385,000	465,802	368,359	-	2,383,359	1,117,304	3,500,663
2019	360,000	153,917	240,000	472,873	1,485,000	417,672	368,211	-	2,453,211	1,044,462	3,497,673
2020	375,000	139,792	300,000	461,916	1,480,000	369,133	368,211	-	2,523,211	970,841	3,494,052
2021	390,000	124,692	615,000	445,617	1,235,000	311,567	368,211	-	2,608,211	881,876	3,490,087
2022	405,000	108,991	520,000	420,936	1,400,000	261,067	33,295	-	2,358,295	790,994	3,149,289
2023	420,000	92,621	650,000	397,734	1,345,000	205,433	-	-	2,415,000	695,788	3,110,788
2024	435,000	75,280	770,000	368,905	1,300,000	151,933	-	-	2,505,000	596,118	3,101,118
2025	455,000	57,141	745,000	336,895	1,405,000	99,233	-	-	2,605,000	493,269	3,098,269
2026	475,000	37,851	920,000	303,577	1,310,000	43,667	-	-	2,705,000	385,095	3,090,095
2027	495,000	17,522	1,000,000	264,128	-	-	-	-	1,495,000	281,650	1,776,650
2028	-	-	2,700,000	202,048	-	-	-	-	2,700,000	202,048	2,902,048
2029	-	-	2,780,000	122,420	-	-	-	-	2,780,000	122,420	2,902,420
	<u>\$ 5,120,000</u>	<u>\$ 1,551,782</u>	<u>\$ 12,250,000</u>	<u>\$ 4,940,099</u>	<u>\$ 16,310,000</u>	<u>\$ 4,002,475</u>	<u>\$ 2,639,166</u>	<u>\$ -</u>	<u>\$ 36,319,166</u>	<u>\$ 10,494,356</u>	<u>\$ 46,813,522</u>



**JACKSON ENERGY AUTHORITY - GAS FUND
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2014**

Year Ended June 30,	Series 2007 Bonds		Series 2009 Bonds				Total		
	Principal	Interest	Principal	FDA	Interest	FDA Proceeds	Principal	Interest	Debt Service
2015	200,000	180,469	-	544,341	865,136	-	744,341	1,045,605	1,789,946
2016	210,000	172,169	-	538,588	884,533	-	748,588	1,056,702	1,805,290
2017	215,000	163,619	-	547,326	920,014	-	762,326	1,083,633	1,845,959
2018	225,000	154,719	-	555,250	938,749	-	780,250	1,093,468	1,873,718
2019	235,000	145,419	-	540,000	972,410	-	775,000	1,117,829	1,892,829
2020	240,000	135,869	-	561,422	974,413	-	801,422	1,110,282	1,911,704
2021	255,000	125,580	-	569,274	975,928	-	824,274	1,101,508	1,925,782
2022	265,000	114,503	-	576,130	977,504	-	841,130	1,092,007	1,933,137
2023	275,000	102,922	-	577,864	979,142	-	852,864	1,082,064	1,934,928
2024	295,000	88,938	-	594,709	980,841	-	889,709	1,069,779	1,959,488
2025	310,000	73,625	-	602,625	982,566	-	912,625	1,056,191	1,968,816
2026	325,000	57,563	-	599,992	984,387	-	924,992	1,041,950	1,966,942
2027	340,000	40,750	25,340,000	9,025,000	739,702	(32,975,000)	1,730,000	780,451	2,510,451
2028	355,000	23,188	-	-	-	-	355,000	23,188	378,188
2029	375,000	4,688	-	-	-	-	375,000	4,688	379,688
	<u>\$ 4,120,000</u>	<u>\$ 1,584,021</u>	<u>\$ 25,340,000</u>	<u>\$ 15,832,521</u>	<u>\$ 12,175,324</u>	<u>\$ (32,975,000)</u>	<u>\$ 12,317,521</u>	<u>\$ 13,759,345</u>	<u>\$ 26,076,866</u>



JACKSON ENERGY AUTHORITY - WATER FUND
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2014

Year Ended June 30,	2005 USDA Bonds		Series 2008 Bonds		Series 2009 Bonds				Total		
	Principal	Interest	Principal	Interest	Principal	FDA	Interest	Proceeds	Principal	Interest	Debt Service
2015	9,593	16,879	490,000	242,385	-	744,396	924,994	-	1,243,989	1,184,258	2,428,247
2016	9,975	16,497	510,000	225,866	-	738,588	951,179	-	1,258,563	1,193,542	2,452,105
2017	10,466	16,006	525,000	192,396	-	746,679	999,207	-	1,282,145	1,207,609	2,489,754
2018	10,933	15,539	560,000	191,269	-	746,125	1,023,851	-	1,317,058	1,230,659	2,547,717
2019	11,421	15,051	560,000	185,347	-	750,673	1,069,505	-	1,322,094	1,269,903	2,591,997
2020	11,891	14,581	565,000	152,835	-	745,307	1,071,114	-	1,322,198	1,238,530	2,560,728
2021	12,462	14,010	595,000	132,807	-	745,370	1,072,774	-	1,352,832	1,219,591	2,572,423
2022	13,018	13,454	620,000	112,530	-	738,550	1,074,487	-	1,371,568	1,200,471	2,572,039
2023	13,599	12,873	640,000	85,701	-	2,472,733	1,076,274	-	3,126,332	1,174,848	4,301,180
2024	14,173	12,299	665,000	75,270	26,300,000	3,920,000	448,764	(30,405,000)	494,173	536,333	1,030,505
2025	14,839	11,633	675,000	47,125	-	-	-	-	689,839	58,758	748,597
2026	15,501	10,971	705,000	23,925	-	-	-	-	720,501	34,896	755,397
2027	16,193	10,279	725,000	-	-	-	-	-	741,193	10,279	751,472
2028	16,890	9,582	-	-	-	-	-	-	16,890	9,582	26,472
2029	17,670	8,802	-	-	-	-	-	-	17,670	8,802	26,472
2030	18,459	8,013	-	-	-	-	-	-	18,459	8,013	26,472
2031	19,283	7,189	-	-	-	-	-	-	19,283	7,189	26,472
2032	20,126	6,346	-	-	-	-	-	-	20,126	6,346	26,472
2033	21,042	5,430	-	-	-	-	-	-	21,042	5,430	26,472
2034	21,981	4,491	-	-	-	-	-	-	21,981	4,491	26,472
2035	22,962	3,510	-	-	-	-	-	-	22,962	3,510	26,472
2036	23,981	2,491	-	-	-	-	-	-	23,981	2,491	26,472
2037	25,058	1,414	-	-	-	-	-	-	25,058	1,414	26,472
2038	18,641	330	-	-	-	-	-	-	18,641	330	18,971
	<u>\$ 390,158</u>	<u>\$ 237,670</u>	<u>\$ 7,835,000</u>	<u>\$ 1,667,456</u>	<u>\$ 26,300,000</u>	<u>\$ 12,348,421</u>	<u>\$ 9,712,149</u>	<u>\$(30,405,000)</u>	<u>\$ 16,468,578</u>	<u>\$ 11,617,275</u>	<u>\$ 28,085,852</u>



**JACKSON ENERGY AUTHORITY - WASTEWATER FUND
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2014**

Years Ended	Series 2009 Bonds				Series 2012 Bonds		CWO 2013-313		SRF 2013-314		Total		
	Principal	FDA	Interest	FDA Proceeds	Principal	Interest	Principal *	Interest	Principal *	Interest	Principal	Interest	Debt Service
2015	-	885,724	1,266,747	-	100,000	558,633	-	5,629	-	21,488	985,724	1,852,497	2,838,221
2016	-	911,458	1,296,600	-	100,000	556,633	78,360	6,649	216,495	35,556	1,306,313	1,895,438	3,201,751
2017	-	940,901	1,349,400	-	100,000	554,633	78,627	6,319	434,095	35,860	1,553,623	1,946,212	3,499,835
2018	-	951,746	1,377,199	-	100,000	552,633	78,895	5,988	435,573	34,034	1,566,214	1,969,854	3,536,068
2019	-	980,954	1,426,736	-	100,000	550,550	79,163	5,657	437,056	32,201	1,597,173	2,015,144	3,612,317
2020	-	1,023,184	1,269,028	-	100,000	547,550	79,433	5,324	438,545	30,363	1,641,162	1,852,264	3,493,426
2021	-	1,062,583	1,433,698	-	100,000	544,550	79,703	4,989	440,038	28,518	1,682,324	2,011,756	3,694,080
2022	-	4,725,838	1,437,287	(3,670,000)	100,000	541,550	79,975	4,654	441,537	26,667	1,677,349	2,010,158	3,687,507
2023	33,460,000	9,065,000	1,038,648	(45,290,000)	100,000	538,550	80,247	4,318	443,040	24,810	(2,141,713)	1,606,325	(535,388)
2024	-	-	-	-	1,420,000	530,301	80,520	3,980	444,549	22,946	1,945,069	557,227	2,502,296
2025	-	-	-	-	1,490,000	463,952	80,795	3,641	446,063	21,076	2,016,857	488,670	2,505,527
2026	-	-	-	-	1,555,000	395,600	81,070	3,302	447,582	19,200	2,083,651	418,102	2,501,753
2027	-	-	-	-	1,600,000	348,504	81,346	2,961	449,106	17,317	2,130,451	368,781	2,499,232
2028	-	-	-	-	1,650,000	296,369	81,623	2,618	450,635	15,428	2,182,258	314,415	2,496,673
2029	-	-	-	-	1,705,000	242,594	81,901	2,275	452,170	13,532	2,239,071	258,401	2,497,472
2030	-	-	-	-	1,760,000	186,667	82,180	1,931	453,709	11,630	2,295,889	200,228	2,496,117
2031	-	-	-	-	1,825,000	124,877	82,459	1,585	455,254	9,721	2,362,713	136,183	2,498,896
2032	-	-	-	-	1,895,000	60,798	82,740	1,238	456,805	7,806	2,434,545	69,842	2,504,387
2033	-	-	-	-	-	-	83,022	890	458,360	5,885	541,382	6,775	548,157
2034	-	-	-	-	-	-	83,305	541	459,921	3,957	543,226	4,498	547,724
2035	-	-	-	-	-	-	83,588	190	461,487	2,022	545,075	2,212	547,287
2036	-	-	-	-	-	-	-	-	231,333	283	231,333	283	231,616
	<u>\$ 33,460,000</u>	<u>\$ 20,547,388</u>	<u>\$ 11,895,343</u>	<u>\$(48,960,000)</u>	<u>\$ 15,800,000</u>	<u>\$ 7,594,944</u>	<u>\$ 1,618,950</u>	<u>\$ 74,679</u>	<u>\$ 8,953,352</u>	<u>\$ 420,300</u>	<u>\$ 31,419,689</u>	<u>\$ 19,985,265</u>	<u>\$ 51,404,954</u>

* The principal amounts shown represent a payment schedule that assumes the Fund had borrowed the entire amount approved. As of June 30, 2014, the Fund had only borrowed \$1,019,326 under CWO 2013-313 and \$2,968,904 under SRF 2013-314.



JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS FUND
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2014

Year Ended June 30,	Series 2013 Bonds		Total		
	Principal	Interest	Principal	Interest	Debt Service
2015	4,100,000	1,309,263	4,100,000	1,309,263	5,409,263
2016	4,135,000	1,269,699	4,135,000	1,269,699	5,404,699
2017	4,185,000	1,218,341	4,185,000	1,218,341	5,403,341
2018	4,245,000	1,153,219	4,245,000	1,153,219	5,398,219
2019	4,320,000	1,075,875	4,320,000	1,075,875	5,395,875
2020	4,415,000	980,277	4,415,000	980,277	5,395,277
2021	4,515,000	872,551	4,515,000	872,551	5,387,551
2022	4,635,000	749,211	4,635,000	749,211	5,384,211
2023	4,770,000	612,029	4,770,000	612,029	5,382,029
2024	4,915,000	463,595	4,915,000	463,595	5,378,595
2025	5,075,000	303,766	5,075,000	303,766	5,378,766
2026	5,240,000	133,620	5,240,000	133,620	5,373,620
	<u>\$ 54,550,000</u>	<u>\$ 10,141,446</u>	<u>\$ 54,550,000</u>	<u>\$ 10,141,446</u>	<u>\$ 64,691,446</u>

The Electric Fund Debt Service Reserve loan in the amount of \$5,500,000 is not listed above. The Telecommunications Fund pays interest only and no repayment schedule was agreed upon at June 30, 2014.

The Line of Credit at Regions Bank in the amount of \$2,500,000 is not listed above. The line of credit matures on October 27, 2014 with principal due at maturity. There was no balance against that line of credit at June 30, 2014.



JACKSON ENERGY AUTHORITY - ELECTRIC FUND
ELECTRIC RATES IN FORCE
JUNE 30, 2014

Residential rate schedule RS

Customer charge - per delivery point per month	\$	15.00
Energy charge - cents per kWh		9.298¢

General power schedule

GSA1

Customer charge - per delivery point per month	\$	24.75
Energy charge - cents per kWh		10.352¢

GSA2

Customer charge per delivery point per month	\$	74.00
Demand charges - per kW per month over 51 kW	\$	12.51
Energy charge - cents per kWh		
First 15,000 kWh per month		10.346¢
Additional kWh per month		6.282¢

GSA3

Customer charge per delivery point per month	\$	425.00
Demand charges - per kW per month		
First 1,000 kW	\$	11.40
Excess over 1,000 kW	\$	11.29
Energy charge - cents per kWh		6.593¢

GSB

Customer charge per delivery point per month	\$	1,500.00
Demand charges - per kW per month	\$	22.15
Energy charge - cents per kWh for up to 620 hours use of metered demand per month		5.293¢
Per kWh for all additional kWh per month		
Facilities charge-cents below 161 KV to 46 KV below 46 KV to first 10,000 kW	\$	48.00¢ 1.23
cents for all additional kW per month		97.00¢

GSC

Customer charge per delivery point per month	\$	1,500.00
Demand charges - per kW per month	\$	21.55
Energy charge - cents per kWh for up to 620 hours use of metered demand per month		5.306¢
Per kWh for all additional kWh per month		

Facilities charge-cents below 161 KV to 46 KV below 46 KV to first 10,000 kW	\$	48.00¢ 1.23
cents for all additional kW per month		97.00¢

GSD

Customer charge per delivery point per month	\$	1,500.00
Demand charges - per kW per month	\$	25.20
Energy charge - cents per kWh		4.581¢
Facilities charge - cents below 161 KV to 46 KV below 46 KV to first 10,000 kW	\$	48.00¢ 1.23
cents for all additional kW per month		97.00¢



JACKSON ENERGY AUTHORITY - ELECTRIC FUND
ELECTRIC RATES IN FORCE (Continued)
JUNE 30, 2014

Manufacturing rate schedule

MSB 1 (Only 1 MSB rate now)

Customer charge per delivery point per month	\$	1,500.00
Demand charges - per kW per month	\$	18.58
Energy charge - cents per kWh for up to 620 hours		4.506¢
Per kWh for all additional kWh per month		
Facilities charge - cents below 161 to 46 KV		48.00¢
below 46 KV to first 10,000 KW	\$	1.23
cents for all additional KW per month		97.00¢

MSB 2 (not applicable)

Customer charge per delivery point per month	\$	1,500.00
Demand charges - per kW per month	\$	18.58
Energy charge - cents per kWh for up to 620 hours		
use of metered demand per month		4.506¢
Per kWh for all additional kWh per month		4.506¢
Facilities charge - cents below 161 to 46 KV		48.00¢
below 46 KV to first 10,000 KW	\$	1.23
cents for all additional KW per month		97.00¢

MSC

Customer charge per delivery point per month	\$	1,500.00
Demand charges - per kW per month	\$	18.58
Energy charge - cents per kWh for up to 620 hours		
use of metered demand per month		4.475¢
Per kWh for all additional kWh per month		
Facilities charge - cents below 161 to 46 KV		48.00¢
below 46 KV to first 10,000 KW	\$	1.23
cents for all additional KW per month		97.00¢

MSD

Customer charge per delivery point per month	\$	1,500.00
Demand charges - per kW per month	\$	21.54
Energy charge - cents per kWh for up to 620 hours		3.744¢
use of metered demand per month		
Facilities charge - cents below 161 to 46 KV		48.00¢
below 46 KV to first 10,000 KW	\$	1.23
cents for all additional KW per month		97.00¢

Outdoor lighting rate schedule

LS

Base charge - athletic field and traffic signal		
divisions per month	\$	3.75
Energy charge - cents per kWh		7.169¢
Facilities charge - percent of installed plant		12.00%
Security Lighting		
175 W MV - 70 kWh	\$	7.65
400 W MV - 155 kWh	\$	15.17
1000 W MV - kWh	\$	32.96
100 W HPS - 42 kWh	\$	6.50
250 W HPS - 105 kWh	\$	12.42
400 W HPS - 165 kWh	\$	18.77
Additional monthly pole charge		
30 foot	\$	2.25
40 foot		3.75

The Electric Fund served 35,002 and 34,865 customers as of June 30, 2014, and June 30, 2013 respectively. There are no customers without meters.

See Independent auditor's report



**JACKSON ENERGY AUTHORITY - GAS FUND
GAS RATES IN FORCE
JUNE 30, 2014**

RATE SCHEDULE R-1

Monthly Rates		Base Rate	Purchased Gas Adjustment	Surcharge Adjustment	Current Rate
First	5 Ccf	110.66¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	118.35¢ per therm
Next	5 Ccf	99.97¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	107.66¢ per therm
Next	20 Ccf	89.26¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	96.95¢ per therm
	Excess over 30 Ccf	78.54¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	86.23¢ per therm

Minimum monthly charge: \$12.50 per meter

RATE SCHEDULE R-2

Monthly Rates		Base Rate	Purchased Gas Adjustment	Surcharge Adjustment	Current Rate
First	5 Ccf	109.90¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	117.59¢ per therm
Next	5 Ccf	99.67¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	107.36¢ per therm
Next	20 Ccf	89.03¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	96.72¢ per therm
	Excess over 30 Ccf	78.33¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	86.02¢ per therm

Minimum monthly charge: \$12.50 per meter

RATE SCHEDULE RO-1

Monthly Rates		Base Rate	Purchased Gas Adjustment	Surcharge Adjustment	Current Rate
First	5 Ccf	113.16¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	120.85¢ per therm
Next	5 Ccf	102.14¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	109.83¢ per therm
Next	20 Ccf	91.12¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	98.81¢ per therm
	Excess over 30 Ccf	80.09¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	87.78¢ per therm

Minimum monthly charge: \$12.75 per meter



JACKSON ENERGY AUTHORITY - GAS FUND
GAS RATES IN FORCE (Continued)
JUNE 30, 2014

RATE SCHEDULE G-I

Monthly Rates		Base Rate	Purchased Gas Adjustment	Surcharge Adjustment	Current Rate
First	10 Ccf	106.70¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	114.39¢ per therm
Next	40 Ccf	96.99¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	104.68¢ per therm
Next	50 Ccf	87.26¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	94.95¢ per therm
	Excess over 100 Ccf	77.57¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	85.26¢ per therm

Minimum monthly charge: \$24.75 per meter

RATE SCHEDULE GO-I

Monthly Rates		Base Rate	Purchased Gas Adjustment	Surcharge Adjustment	Current Rate
First	10 Ccf	108.96¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	116.65¢ per therm
Next	40 Ccf	98.80¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	106.49¢ per therm
Next	50 Ccf	88.65¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	96.34¢ per therm
	Excess over 100 Ccf	78.51¢ per therm	(6.78)¢ per therm	(0.91)¢ per therm	86.20¢ per therm

Minimum monthly charge: \$25.25 per meter

OFF-PEAK GAS RATE SCHEDULE OP-I
MONTHLY RATE

Demand Charge		Base Rate	Current Rate
First	250 Ccf	\$150.00	\$150.00
		minimum	minimum
	Excess over 250 Ccf	40.00¢ per therm	40.00¢ per therm

Commodity Charge		Base Rate	Purchased Gas Adjustment	Surcharge Adjustment	Current Rate
First	1,000 Ccf	74.67¢ per therm	(7.24)¢ per therm	(0.72)¢ per therm	82.63¢ per therm
Next	4,000 Ccf	65.21¢ per therm	(7.24)¢ per therm	(0.72)¢ per therm	73.17¢ per therm
Next	10,000 Ccf	59.19¢ per therm	(7.24)¢ per therm	(0.72)¢ per therm	67.15¢ per therm
	Excess over 15,000 Ccf	57.33¢ per therm	(7.24)¢ per therm	(0.72)¢ per therm	65.29¢ per therm



**JACKSON ENERGY AUTHORITY - GAS FUND
GAS RATES IN FORCE (Continued)
JUNE 30, 2014**

Interruptible Gas Transportation Rate Schedule T-1

Monthly Rate

	Commodity Charge	Base Rate	Current Rate
First	120,000 Ccf	8.8100¢ per therm	8.8100¢ per therm
Next	170,000 Ccf	6.3100¢ per therm	6.3100¢ per therm
Next	200,000 Ccf	3.1100¢ per therm	3.1100¢ per therm
Over	490,000 Ccf	1.0100¢ per therm	1.0100¢ per therm

Customer charge: \$200.00 per meter

Firm Gas Transportation Rate Schedule T-2

Monthly Rate

	Demand Charge	Base Rate	Current Rate
First	1,000 Ccf	\$400.00 minimum	\$400.00 minimum
Excess over	1,000 Ccf	40.00¢ per therm	40.00¢ per therm

	Commodity Charge	Base Rate	Current Rate
First	120,000 Ccf	10.900¢ per therm	10.900¢ per therm
Next	170,000 Ccf	7.710¢ per therm	7.710¢ per therm
Next	200,000 Ccf	4.630¢ per therm	4.630¢ per therm
Over	490,000 Ccf	1.910¢ per therm	1.910¢ per therm

The Gas Fund served 29,876 and 29,815 natural gas customers as of June 30, 2014 and 2013, respectively. There are no customers without meters.

The Gas Fund served 2,871 and 2,982 propane customers as of June 30, 2014 and 2013, respectively.

Firm Propane Rate Schedule

Monthly Rate

Metered Service - \$2.18 per gallon
Customer charge of \$4.00 per month

Bulk Service - \$2.16 per gallon - propane tank, with an annual tank rental fee of \$42.00
Rate fluctuates with market



**JACKSON ENERGY AUTHORITY - WATER FUND
WATER RATES IN FORCE (Continued)
JUNE 30, 2014**

		Monthly Residential rates							
		Thousands of Gallons							
		Minimum							
		<u>Charge</u>	<u>0-2</u>	<u>Next 5</u>	<u>Next 43</u>	<u>Over 50</u>			
Water rates per 1,000 gallons:									
Urban RI	See	\$ 5.42	\$ 3.92	\$ 3.27	\$ 2.12				
Rural RO	Below	8.08	5.51	4.03	2.24				
		Minimum Monthly Bill							
		Meter Size							
		<u>5/8"</u>	<u>1"</u>	<u>1 1/2"</u>	<u>2"</u>				
Urban	\$	10.84	\$ 20.84	\$ 33.75	\$ 66.01				
Rural		16.15	30.54	49.86	98.31				
		Monthly General Service Rates							
		Thousands of Gallons							
		Minimum	Next	Next	Next	Next	Next	Next	
		<u>Charge</u>	<u>0-3</u>	<u>12</u>	<u>185</u>	<u>300</u>	<u>500</u>	<u>1000</u>	
Water rates per 1,000 gallons:									
Urban GI	See	\$ 6.16	\$ 4.23	\$ 3.27	\$ 2.09	\$ 1.82	\$ 1.31		
Rural GO	Below	8.21	5.51	3.57	2.61	2.24	1.68		
		Minimum Monthly Bill							
		Meter Size							
		<u>5/8"</u>	<u>1"</u>	<u>1 1/2"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>6"</u>	<u>8"</u>
Urban	\$	18.48	\$ 28.66	\$ 44.78	\$ 85.07	\$ 165.71	\$ 246.45	\$ 488.46	\$ 811.16
Rural		24.63	36.70	52.81	101.27	198.02	327.13	649.80	972.49

The Water Fund served 36,625 and 35,746 water customers as of June 30, 2014 and 2013, respectively. There are no customers without meters; however the Fund furnishes the City of Jackson, Tennessee, sufficient water for fire protection.



**JACKSON ENERGY AUTHORITY - WASTEWATER FUND
WASTEWATER RATES IN FORCE
JUNE 30, 2014**

Monthly Residential Rates

Thousands of Gallons

	Customer Charge	0-500	Next 500	Over 1,000
Wastewater rates per 1,000 gallons:				
Urban RI	\$ 3.90	\$ 4.87	\$ 4.39	\$ 2.92
Rural RO	4.87	6.10	5.48	3.65

Monthly General Service Rates

Thousands of Gallons

	Customer Charge	0-500	Next 500	Over 1,000
Wastewater rates per 1,000 gallons:				
Urban GI	\$ 17.54	\$ 5.28	\$ 4.78	\$ 3.29
Rural GO	21.94	6.58	5.96	4.16

The Wastewater Fund served 28,510 and 28,653 customers as of June 30, 2014 and 2013, respectively.



JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS FUND
TELECOMMUNICATIONS RATES IN FORCE
JUNE 30, 2014

RESIDENTIAL CABLE RATE - SCHEDULE R-I

Programming Service Categories		
Analog Basic Service (Lifetime Service)	\$24.50	per month
Analog Expanded Service	\$44.50	per month
Analog Standard Service (Basic & Expanded)	\$69.00	per month
Digital Basic Service - Included with analog lifetime service, requires digital converter or digital television		
Digital Plus Service Tier	\$15.00	per month
Digital Hispanic Service		per month
Digital High Definition Service Tier	\$8.50	per month
Home Box Office - Digital Premium Service	\$18.75	per month
Cinemax - Digital Premium Service	\$14.50	per month
Showtime Unlimited - Digital Premium Service	\$17.50	per month
Starz Super Pack - Digital Premium Service	\$15.00	per month
Customer Premise Equipment		
Standard Digital Converter, first converter	\$6.50	per month
High Definition/DVR Digital Converter	\$22.00	per month
Cable Card	\$6.00	per month
High Definition Digital Converter	\$10.00	per month
Multi-Room DVR Service	\$10.00	per month

GENERAL CABLE RATE - SCHEDULE G-I

Programming Service Categories		
Analog Basic Service (Lifetime Service)	\$33.50	per month
Analog Expanded Service	\$35.50	per month
Fox Sports Net (requires Expanded Service)	\$60.00	per month
SportsSouth (requires Expanded Service)	\$60.00	per month
Digital High Definition Service Tier	\$27.00	per month
Digital Surcharge for Music Choice and Interactive Program Guide	\$27.00	per month
Digital Pay-Per-View Events		Event units charged times fire code occupancy rating or other terms of the program supplier.
Customer Premise Equipment		
Standard Digital Converter	\$6.50	per month each
High Definition/DVR Digital Converter	\$22.00	per month each
High Definition Digital Converter	\$10.00	per month each
Cable Card	\$6.00	per month each



**JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS FUND
TELECOMMUNICATIONS RATES IN FORCE (Continued)
JUNE 30, 2014**

GENERAL CABLE RATE SCHEDULE G-2

Programming Service Categories

Analog Basic Service	\$33.50	per month
Analog Expanded Service (requires Basic Service)	\$35.50	per month
Analog Standard Service (Basic & Expanded)	\$60.00	per month
Digital Basic Service - Included with analog lifetime service, requires digital converter or digital television		
Digital Service Tier	\$15.00	per month
Digital High Definition Service Tier	\$8.50	per month

Customer Premise Equipment

Standard Digital Converter	\$6.50	per month each
High Definition/DVR Converter	\$22.00	per month each
Cable Card	\$6.00	per month each
High Definition Digital Converter	\$10.00	per month

GENERAL BULK CABLE RATE - SCHEDULE B-1

Residential Bulk Analog Cable Television service, single unit

Analog Standard Service	\$28.95	unit per month
-------------------------	---------	----------------

GENERAL BULK CABLE RATE - SCHEDULE B-2

Commercial and Non-Residential Analog Cable Television service, single unit

Analog Standard Service	\$28.95	unit per month
-------------------------	---------	----------------

RESIDENTIAL TELEPHONE RATE - SCHEDULE R-1

Telephone Service Levels

Basic Service	\$15.95	per month
Basic Feature Pack (optional)	\$10.00	per month
Basic Plus Service	\$24.00	per month
Basic Plus Feature Pack (optional)	\$7.00	per month
Preferred Service	\$24.95	per month
Preferred Service Feature Pack (optional)	\$5.00	per month

Optional Features and Per Use Charges

Voicemail	\$4.95	per month
Directory Assistance - Call Completion	\$0.45	per call
Directory Assistance - Local	\$1.25	per call
Directory Assistance - National	\$1.25	per call
Private Listing	\$3.33	per listing
Semi-Private Listing	\$1.73	per listing
Additional Listing	\$1.14	per listing



JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS FUND
TELECOMMUNICATIONS RATES IN FORCE (Continued)
JUNE 30, 2014

RESIDENTIAL TELEPHONE RATE - SCHEDULE R-I

Optional Features and Per Use Charges

Residential Intra and Inter Long Distance	\$0.069	per minute
Residential Toll Free Long Distance	\$0.099	per minute
Unlimited Plan	\$14.95	per month
International Long Distance	Varies	

COMMERCIAL TELEPHONE RATE - SCHEDULE G-I

POTS Telephone Service Levels

Business Local Link (12 month contract)	\$56.95	per month
Business Local Link (36 month contract)	\$54.95	per month
Business One Link (12 month contract)	\$26.95	per month
Business One Link (36 month contract)	\$24.95	per month

A la carte Features

Anonymous Call Rejection	\$4.30	per month
Call Forwarding Busy Line	\$4.30	per month
Call Forwarding No Answer	\$4.30	per month
Call Forwarding Variable	\$6.10	per month
Call Return	\$6.20	per month
Call Waiting/Cancel Call Waiting	\$6.65	per month
Call Waiting w/ Caller ID	\$6.65	per month
Caller ID Deluxe	\$8.50	per month
Per Call Block w/ Caller ID	\$5.25	per month
Remote Access Call Forwarding	\$6.65	per month
Speed Calling 30	\$4.75	per month
Three-Way Calling	\$6.20	per month
Hunting	No Charge	
Voicemail	\$6.95	per month
Transfer Mailbox	No Charge	

Directory Listings

Additional Listing	\$2.10	per month
Foreign Listing	\$2.10	per month
Alternate Call listing	\$2.10	per month
Alphabetical Service Listing	\$2.10	per month
Cross Reference Listing	\$2.10	per month
Non-Published Service	\$4.50	per month
Non-Listed Service	\$2.20	per month



JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS FUND
TELECOMMUNICATIONS RATES IN FORCE (Continued)
JUNE 30, 2014

COMMERCIAL TELEPHONE RATE - SCHEDULE G-I

<u>Directory and Operator Assistance</u>		
Directory Assistance - Local	\$0.98	per call
Directory Assistance - National	\$0.98	per call
Directory Assistance - Call Completion	\$0.45	per call
Operator Assisted Services Surcharge	\$2.25	per call
 <u>Long Distance Per Minute and Packages</u>		
Business Intralata/Interstate per minute	\$0.05	per minute
Business Toll-Free per minute	\$0.05	per minute + \$2.00 monthly
Toll-Free Vanity Number Search	\$5.00	per month
Verified Project Account Codes	\$5.00	per month
	\$20.00	Non-Recurring Charge
Non-Verified Project Account Codes	No MRC	
	\$10.00	Non-Recurring Charge
Unlimited Long Distance	\$20.00	First Line
	\$15.00	Each Add'l Line

RESIDENTIAL INTERNET RATE - SCHEDULE R-I

512 kilobits down/256 kilobits up	\$24.95	per month
4 Megabits down/512 kilobits up	\$29.95	per month
5 Megabits down/1 Megabit up	\$38.00	per month
6 Megabits down/768 kilobits up	\$39.95	per month
10 Megabits down/1.5 Megabit up	\$54.95	per month
15 Megabits down/5 Megabits up	\$70.00	per month
15 Megabits down/15 Megabits up	\$100.00	per month
25 Megabits down/5 Megabit up	\$100.00	per month
25 Megabits down/25 Megabit up	\$180.00	per month
50 Megabits down/10 Megabit up	\$180.00	per month
100 Megabits down/10 Megabits up	\$350.00	per month
Double Upload Speed Adder	\$20.00	per month

GENERAL INTERNET RATE - SCHEDULE G-I

<u>Asymmetrical Service Levels</u>		
2 Megabits down/384 kilobits up	\$50.00	per month
4 Megabits down/512 kilobits up	\$69.95	per month
5 Megabits down/2 megabits up	\$85.00	per month
6 Megabits down/2 Megabits up	\$99.95	per month
10 Megabits down/3 Megabits up	\$149.95	per month
20 Megabits down/4 Megabits up	\$249.95	per month
20 Megabits down/20 Megabits up	\$165.00	per month
25 Megabits down/5 Megabits up	\$165.00	per month
25 Megabits down/25 Megabits up	\$295.00	per month
50 Megabits down/25 Megabits up	\$400.00	per month
75 Megabits down/25 Megabits up	\$500.00	per month
100 Megabits down/50 Megabits up	\$850.00	per month
Double Upload Speed Adder	\$100.00	per month



**JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS FUND
TELECOMMUNICATIONS RATES IN FORCE (Continued)
JUNE 30, 2014**

GENERAL INTERNET RATE - SCHEDULE G-I

Symmetrical Service Levels

768 kilobits down/768 kilobits up	\$250.00	per month
1.5 Megabits down/1.5 Megabits up	\$500.00	per month
3 Megabits down/3 Megabits up	\$750.00	per month
6 Megabits down/6 Megabits up	\$1,495.00	per month
10 Megabits down/10 Megabits up	\$1,995.00	per month
15 Megabits down/15 Megabits up	\$2,995.00	per month

Commercial Metro Ethernet Service Levels

2 Megabits down/2 Megabits up	\$200.00	per month
4 Megabits down/4 Megabits up	\$300.00	per month
6 Megabits down/6 Megabits up	\$450.00	per month
8 Megabits down/8 Megabits up	\$560.00	per month
10 Megabits down/10 Megabits up	\$750.00	per month
20 Megabits down/20 Megabits up	\$1,300.00	per month
40 Megabits down/40 Megabits up	\$2,600.00	per month
50 Megabits down/50 Megabits up	\$3,250.00	per month
60 Megabits down/60 Megabits up	\$3,900.00	per month
70 Megabits down/70 Megabits up	\$4,200.00	per month
80 Megabits down/80 Megabits up	\$4,800.00	per month
90 Megabits down/90 Megabits up	\$5,400.00	per month
100 Megabits down/100 Megabits up	\$6,000.00	per month

<u>IP Address Assignment</u>	<u>IP Addresses</u>	<u>Usable Addresses</u>	<u>NRC</u>	<u>Monthly Charges</u>
/29	8	5	\$25.00	\$10.00
/28	16	13	\$50.00	\$20.00
/27	32	29	\$50.00	\$30.00
/26	64	61	\$50.00	\$40.00
/25	128	125	\$50.00	\$80.00
/24	256	253	\$50.00	\$120.00

The Telecommunications Fund served 15,163 and 15,965 customers as of June 30, 2014 and 2013, respectively.



JACKSON ENERGY AUTHORITY - WATER FUND SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED JUNE 30, 2014

AWWA WLCC Free Water Audit Software: Reporting Worksheet
Back to

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Water Audit Report for: **Jackson Energy Authority**
Reporting Year: **2014** 7/2013 - 6/2014

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

Volume from own sources: 10 4,623,403 Million gallons (US)/yr (MG/yr)

Master meter error adjustment (enter positive values): 3 12,532 over-registered MG/yr

Water imported: N/A 0.000 MG/yr

Water exported: N/A 0.000 MG/yr

WATER SUPPLIED: 4,610,871 MG/yr

AUTHORIZED CONSUMPTION

Billed metered: 3 3,796,367 MG/yr

Billed unmetered: N/A 0.000 MG/yr

Unbilled metered: N/A 0.000 MG/yr

Unbilled unmetered: 3 84,468 MG/yr

AUTHORIZED CONSUMPTION: 3,880,835 MG/yr

WATER LOSSES (Water Supplied - Authorized Consumption) 730,039 MG/yr

Apparent Losses

Unauthorized consumption: 9 11,527 MG/yr

Customer metering inaccuracies: 3 38,347 MG/yr

Systematic data handling errors: 3 11,389 MG/yr

Apparent Losses: 61,263 MG/yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 9 668,776 MG/yr

WATER LOSSES: 730,039 MG/yr

NON-REVENUE WATER

NON-REVENUE WATER: 3 814,507 MG/yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 3 950.0 miles

Number of active AND inactive service connections: 10 38,322

Connection density: 40 conn./mile main

Average length of customer service line: 10 0.0 ft (pipe length between curbside and customer meter or property boundary)

Average operating pressure: 3 75.0 psi

COST DATA

Total annual cost of operating water system: 10 \$11,263,984 \$/Year

Customer retail unit cost (applied to Apparent Losses): 3 \$5.36 \$/1000 gallons (US)

Variable production cost (applied to Real Losses): 3 \$473.00 \$/million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied: 17.74

Non-revenue water as percent by cost of operating system: 6.14

Annual cost of Apparent Losses: 3328,372

Annual cost of Real Losses: 3116,331

Operational Efficiency Indicators

Apparent Losses per service connection per day: 4.38 gallons/connection/day

Real Losses per service connection per day*: 47.81 gallons/connection/day

Real Losses per length of main per day*: N/A

Real Losses per service connection per day per psi pressure: 0.64 gallons/connection/day/psi

Unavoidable Annual Real Losses (UARL): 298.05 million gallons/year

From Above, Real Losses = Current Annual Real Losses (CARL): 668.78 million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.24

* only the most applicable of these two indicators will be calculated

Click here: 3 for help using option buttons below

Use buttons to select percentage of water supplied OR value

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 90 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1. Unauthorized consumption
2. Customer retail unit cost (applied to Apparent Losses)
3. Master meter error adjustment

[For more information, click here to see the Grading Matrix worksheet](#)



JACKSON ENERGY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor	CFDA No.	Contract Number	Expenditures
U.S. DEPARTMENT OF COMMERCE			
Economic Adjustment Assistance			
Wastewater Fund	*11.307	04-79-06605	\$ 1,712,319
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the State of Tennessee Department of Economic and Community Development Block Grant			
Wastewater Fund	*14.228	34917	\$ 1,376,723
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through the State of Tennessee Department of Environment and Conservation Community Development Block Grant			
Wastewater Fund	66.458	CWO 2013-313	\$ 494,107
Wastewater Fund	66.458	SRF 2013-314	493,789
Total Expenditures of Federal Awards			\$ 987,896
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency:			
Passed through the Department of Military State of Tennessee Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Electric Fund	97.036	Z-08-212832-00	\$ -
Gas Fund	97.036	Z-08-212832-00	-
Water Fund	97.036	Z-08-212832-00	-
Wastewater Fund	97.036	Z-08-212832-00	-
Telecommunications Fund	97.036	Z-08-212832-00	-
Total Expenditures of Federal Awards			\$ -
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency:			
Passed through the Department of Military State of Tennessee Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Electric Fund	97.036	34101-32512	\$ -
Gas Fund	97.036	34101-32512	-
Water Fund	97.036	34101-32512	-
Wastewater Fund	97.036	34101-32512	-
Telecommunications Fund	97.036	34101-32512	-
Total Expenditures of Federal Awards			\$ -
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency:			
Passed through the Department of Military State of Tennessee Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Electric Fund	97.036	34101-20412	\$ -
Gas Fund	97.036	34101-20412	-
Water Fund	97.036	34101-20412	-
Wastewater Fund	97.036	34101-20412	-
Telecommunications Fund	97.036	34101-20412	-
Total Expenditures of Federal Awards			\$ -
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency:			
Passed through the Department of Military State of Tennessee Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Electric Fund	97.036	34101-00615	\$ 99,879
Gas Fund	97.036	34101-00615	-
Water Fund	97.036	34101-00615	-
Wastewater Fund	97.036	34101-00615	-
Telecommunications Fund	97.036	34101-00615	3,226
Total Expenditures of Federal Awards			\$ 103,105
Total Expenditures of Federal Awards			\$ 4,180,043
State Financial Assistance			
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION			
Capitalization Grants for Clean Water State Revolving Funds			
Wastewater Fund		CWO 2013-313	\$ 469,124
Wastewater Fund		SRF 2013-314	3,067,686
Total Expenditures of State Financial Assistance			\$ 3,536,810

Basis of Presentation:

The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of the Jackson Energy Authority under programs of the state government for the year ended June 30, 2014. The expenditures are presented using the modified accrual basis of accounting.

* Denotes a major program



JACKSON ENERGY AUTHORITY - ELECTRIC FUND
LARGEST CUSTOMERS BY YEARLY REVENUE - UNAUDITED
 JUNE 30, 2014

Number	Company	Revenue	Consumption (kWh)	Peak Demand (kW)
1	Owens Corning	\$ 9,142,862	169,949,739	21,640
2	Kellog / P&G	6,990,173	132,440,448	20,716
3	JMCGH	4,250,557	55,295,791	9,400
4	Pinnacle Foods	2,828,485	50,038,936	8,710
5	Basell	2,062,350	34,623,938	4,900
6	Bodine	2,017,141	30,605,827	5,546
7	Berry Plastics	1,843,900	30,945,016	4,710
8	Carlisle	1,669,304	26,996,945	5,362
9	Armstrong	1,500,141	23,887,652	3,792
10	Printpack	1,493,358	20,609,211	3,263
Total		<u>\$ 33,798,271</u>	<u>575,393,503</u>	<u>88,039</u>



**JACKSON ENERGY AUTHORITY - GAS FUND
LARGEST CUSTOMERS BY YEARLY REVENUE - UNAUDITED**

JUNE 30, 2014

<u>Number</u>	<u>Company</u>	<u>Revenue</u>	<u>Consumption (ccf)</u>
1	JMCGH	\$ 1,207,910	2,193,334
2	Carlisle	851,659	1,492,510
3	Wismarq	657,315	1,083,667
4	Kellog / P&G	409,555	11,175,979
5	Tennalum	409,455	724,966
6	Gerdau Ameristeel	390,969	9,401,840
7	Stanley B&D / Porter Cable	362,485	429,979
8	Dement Construction	337,427	595,566
9	MTI - Jackson Die Casting	316,798	536,100
10	Young Touchstone	296,707	355,791
		<hr/>	<hr/>
Total		\$ 5,240,280	27,989,732



JACKSON ENERGY AUTHORITY - WATER FUND
LARGEST CUSTOMERS BY YEARLY REVENUE - UNAUDITED
 JUNE 30, 2014

<u>Number</u>	<u>Company</u>	<u>Revenue</u>	<u>Consumption (gal)</u>
1	Kellog / P&G	\$ 467,011	351,292,400
2	JMCGH	336,617	226,962,300
3	Pinnacle Foods	116,944	81,848,400
4	Lyondell Basell	76,084	50,567,000
5	Cherry Grove Apartments / Sunshine Co.	50,976	18,157,500
6	Delta Faucet	46,619	27,670,000
7	JHA - Lincoln Courts	41,773	16,558,100
8	Regional Hospital	34,730	18,539,700
9	Bodine	31,444	14,332,800
10	Carlisle / Whirlpool	24,655	9,927,500
		<hr/>	<hr/>
Total		<u>\$ 1,226,853</u>	<u>815,855,700</u>



**JACKSON ENERGY AUTHORITY - WASTEWATER FUND
LARGEST CUSTOMERS BY YEARLY REVENUE - UNAUDITED**

JUNE 30, 2014

<u>Number</u>	<u>Company</u>	<u>Revenue</u>	<u>Consumption (gal)</u>
1	Kellog / P&G	\$ 780,061	232,457,400
2	JMCGH	536,433	145,599,700
3	Owens Corning	244,738	68,620,200
4	Pinnacle Foods	226,067	62,993,800
5	Lyondell Basell	163,717	44,722,800
6	Union University	114,316	20,576,800
7	Delta Faucet	111,066	27,670,000
8	Cherry Grove Apartments / Sunshine Co.	90,636	18,201,800
9	Gerdau	76,182	12,623,400
10	Regional Hospital	60,544	13,258,600
		<hr/>	<hr/>
Total		<u>\$ 2,403,760</u>	<u>646,724,500</u>



**JACKSON ENERGY AUTHORITY - ELECTRIC DIVISION
HISTORICAL BOND COVERAGE - UNAUDITED**

Years Ended JUNE 30, 2014

Fiscal Year	Gross Revenues	Operating Expenses*	Net Revenue Available For Debt Service	Bond Debt Service Requirements	Bond Debt Service Coverage
2014	\$ 148,380,900	\$ 132,246,070	\$ 16,134,830	\$ 2,723,563	5.92
2013	152,144,653	132,359,558	19,785,095	2,718,273	7.28
2012	148,912,142	132,330,615	16,581,527	2,684,009	6.18
2011	146,213,955	130,836,349	15,377,606	2,600,810	5.91
2010	127,265,472	112,704,793	14,560,679	1,923,448	7.57
2009	140,954,594	127,157,662	13,796,932	1,428,925	9.66
2008	126,255,064	111,552,229	14,702,835	2,528,131	5.82
2007	120,912,232	106,898,204	14,014,028	2,000,655	7.00
2006	115,737,558	100,039,594	15,697,964	1,881,022	8.35
2005	100,730,577	87,065,993	13,664,584	1,824,597	7.49

*Operating expenses are reduced by non-cash OPEB expenses.



**JACKSON ENERGY AUTHORITY - GAS DIVISION
HISTORICAL BOND COVERAGE - UNAUDITED**

Years Ended JUNE 30, 2014

Fiscal Year	Gross Revenues	Operating Expenses*	Net Revenue Available For Debt Service	Bond Debt Service Requirements**	Bond Debt Service Coverage
2014	\$ 42,753,752	\$ 31,871,234	\$ 10,882,518	\$ 1,815,053	6.00
2013	36,296,080	28,274,573	8,021,507	1,834,490	4.37
2012	32,567,669	26,019,675	6,547,994	1,743,735	3.76
2011	40,925,100	31,758,664	9,166,436	2,002,452	4.58
2010	44,621,087	36,241,747	8,379,340	2,098,139	3.99
2009	52,875,848	45,189,326	7,686,522	2,474,777	3.11
2008	47,034,597	39,965,608	7,068,989	1,565,768	4.51
2007	48,912,337	42,200,409	6,711,928	2,018,625	3.32
2006	48,679,466	41,582,289	7,097,177	1,992,117	3.56
2005	39,913,558	34,195,266	5,718,292	2,009,834	2.85

* Operating expenses are reduced by non-cash OPEB expenses.

**Beginning in 2008, debt service requirements include scheduled Merrill purchases on restructured 2002 bonds.



**JACKSON ENERGY AUTHORITY - WATER DIVISION
HISTORICAL BOND COVERAGE - UNAUDITED**

Years Ended JUNE 30, 2014

Fiscal Year	Gross Revenues	Operating Expenses*	Net Revenue Available For Debt Service	Bond Debt Service Requirements**	Bond Debt Service Coverage
2014	\$ 15,572,377	\$ 8,187,044	\$ 7,385,333	\$ 2,366,727	3.12
2013	15,688,563	8,346,977	7,341,586	2,362,853	3.11
2012	15,658,913	8,442,736	7,216,177	2,238,915	3.22
2011	14,940,671	8,199,293	6,741,378	2,618,281	2.57
2010	13,634,847	8,005,556	5,629,291	2,788,058	2.02
2009	13,163,032	8,521,555	4,641,477	2,924,105	1.59
2008	13,441,507	8,477,089	4,964,418	2,154,474	2.30
2007	13,116,130	7,498,788	5,617,342	2,481,648	2.26
2006	12,508,125	7,186,893	5,321,232	2,453,958	2.17
2005	11,490,740	6,418,351	5,072,389	2,459,832	2.06

* Operating expenses are reduced by non-cash OPEB expenses.

**Beginning in 2008, debt service requirements include scheduled Merrill purchases on restructured 2002 bonds.



**JACKSON ENERGY AUTHORITY - WASTEWATER DIVISION
HISTORICAL BOND COVERAGE - UNAUDITED**

Years Ended JUNE 30, 2014

Fiscal Year	Gross Revenues	Operating Expenses*	Net Revenue Available For Debt Service	Bond Debt Service Requirements**	Bond Debt Service Coverage
2014	\$ 16,465,791	\$ 9,203,891	\$ 7,261,900	\$ 2,764,853	2.63
2013	16,361,448	9,271,032	7,090,416	2,750,209	2.58
2012	16,262,052	8,970,037	7,292,015	2,421,352	3.01
2011	15,053,751	8,422,232	6,631,519	3,617,876	1.83
2010	13,706,245	8,035,050	5,671,195	3,802,724	1.49
2009	13,138,098	8,081,986	5,056,112	4,166,940	1.21
2008	13,022,507	8,387,579	4,634,928	2,407,984	1.92
2007	12,972,515	7,790,905	5,181,610	3,201,210	1.62
2006	12,828,363	7,278,705	5,549,658	3,151,610	1.76
2005	12,104,411	7,156,157	4,948,254	3,177,987	1.56

* Operating expenses are reduced by non-cash OPEB expenses.

**Beginning in 2008, debt service requirements include scheduled Merrill purchases on restructured 2002 bonds.



**JACKSON ENERGY AUTHORITY - TELECOMMUNICATIONS DIVISION
HISTORICAL BOND COVERAGE - UNAUDITED**

Years Ended JUNE 30, 2014

Fiscal Year	Gross Revenues	Operating Expenses*	Net Revenue Available For Debt Service	Bond Debt Service Requirements**	Bond Debt Service Coverage
2014	\$ 28,330,344	\$ 15,840,806	\$ 12,489,538	\$ 6,531,415	1.91
2013	27,030,689	14,499,956	12,530,733	5,762,603	2.17
2012	24,842,924	13,649,716	11,193,208	5,609,141	2.00
2011	22,950,556	13,637,819	9,312,737	6,172,053	1.51
2010	21,220,657	12,767,421	8,453,236	6,306,962	1.34

* Operating expenses are reduced by non-cash OPEB expenses.

**Prior to the 2013 refunding, debt service requirements include level principal payments on the 2009 term loan.



JACKSON ENERGY AUTHORITY

INTERNAL CONTROL AND COMPLIANCE

**Members of:**

American Institute of Certified Public Accountants
 AICPA Center for Public Company Audit Firms
 AICPA Governmental Audit Quality Center
 AICPA Employee Benefit Plan Audit Quality Center
 Tennessee Society of Certified Public Accountants
 Kentucky Society of Certified Public Accountants



Certified Public Accountants
 Offices in Tennessee & Kentucky

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 Jackson, TN 38305

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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Board of Directors
 Jackson Energy Authority

We have audited, in accordance with the 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, the financial statements of Jackson Energy Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson Energy Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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.



Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards (Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
October 29, 2014

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 AICPA Governmental Audit Quality Center
 AICPA Employee Benefit Plan Audit Quality Center
 Tennessee Society of Certified Public Accountants
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Independent Auditor's Report On Compliance For Each Major Program and Report On Internal Control Over Compliance Required By OMB Circular A-133

To the Board of Directors
 Jackson Energy Authority

Report on Compliance for Each Major Federal Program

We have audited Jackson Energy Authority's (the Authority) 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 Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Authority'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Jackson Energy Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Jackson Energy Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of



**Independent Auditor's Report On Compliance For Each Major Program and
Report On Internal Control Over Compliance Required By OMB Circular A-133 (Continued)**

compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Authority'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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
October 29, 2014



JACKSON ENERGY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____yes	___X___no
Significant deficiencies identified?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____yes	___X___no
Significant deficiencies identified?	_____yes	___X___none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____yes ___X___no

Identification of major programs:

<u>Program Name</u>	<u>CFDA No.</u>
Economic Adjustment Assistance	11.307
Community Development Block Grant	14.228

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____yes ___X___no



JACKSON ENERGY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Prior Year Findings

None reported.

Current Year Findings

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings

Not applicable.

Current Year Findings

None reported.

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APPENDIX C

SUPPLEMENTAL INFORMATION OF JACKSON ENERGY AUTHORITY

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JACKSON ENERGY AUTHORITY

ELECTRIC DIVISION

History and Organization

The Jackson Energy Authority (the “Authority”) was chartered in 2001 as a governmental authority and public corporation pursuant to Chapter No. 55 of the Tennessee Private Acts of 2001, cited as the Jackson Energy Authority Act. The Authority was created as a separate legal entity for the purpose of, but not limited to, the planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric, gas, water, wastewater, and telecommunications utilities systems within or outside the corporate limits of the City of Jackson, Tennessee. The Authority was formed as the successor to the Jackson Utility Division, a municipal utility that was chartered in 1959 to provide electric, gas, water and wastewater services. The Electric Division of the Authority was originally created by the City of Jackson in 1939 as a municipal electric system for the distribution of electric service to Jackson and the surrounding area. The Authority is operated as an independently chartered entity from the City of Jackson.

The Electric Division’s primary service area includes the City of Jackson and southwest Madison County in Tennessee. The Electric Division provides electric power through approximately 735 miles of distribution line, serving approximately 35,000 customers within its service area. The Authority employs 350 full-time employees with the Electric Division accounting for 105 full-time equivalent employees.

The Jackson Energy Authority’s Electric Division has been recognized as the only public power provider in the nation to receive the American Public Power Association’s (APPA) Reliable Public Power Provider (RP3) Diamond level designation for the 5th consecutive time in 2014. APPA’s RP3 designation recognizes public utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development and system improvement. Of the three levels of achievement, Diamond RP3 is the highest level with designees having to meet 98-100% percent of the criteria to qualify. Not only is the RP3 Diamond level the most difficult to achieve it is also the most difficult to maintain. Criteria get tougher each application cycle, so utilities must be continuously improving to help maintain the designation.

The Board of Directors

The Authority is governed, pursuant to the provisions of its private act, by a Board of Directors appointed by the City Council of the City of Jackson. The members of the Board serve staggered terms of five years each. The Board elects a Chair and a Vice Chair annually, whose terms begin July 1 of each year. The Authority’s Board employs a President/CEO to oversee all of the operations of the Authority. James F. Ferrell was appointed by the Board as President/CEO in April 2011.

Ken Marston, Chair, was appointed to the Authority’s Board of Directors in 2002. His current term of office expires on June 30, 2016. Mr. Marston retired after many years in broadcasting, marketing, and public relations. During his career, he served as an announcer, a station manager, and chief executive officer of radio and television stations. In 1975, he launched Ken Marston & Associates, Inc., providing marketing and public relations counseling in Middle and West Tennessee prior to his retirement in 1997.

Howard Bond, Vice-Chair, was appointed to the Authority's Board of Directors in 2006. His current term of office expires on June 30, 2018. Mr. Bond has been an Insurance and Financial Services Representative with State Farm Insurance for over 20 years. He is a Registered Representative with a license to sell Securities and is also a Certified Banker. He currently serves on the Health, Education and Housing Facilities Board of the City of Jackson.

Bob Campbell was appointed to the Authority's Board of Directors in 2004. His current term of office expires on June 30, 2019. Mr. Campbell is the former President/Owner of Panther Oil Company. Prior to that, he was a Sales Executive with Valvoline. Mr. Campbell is a Trustee of Union University and has served on the Board of Directors of the Jackson Area Chamber of Commerce and as Chairman of the Madison County Industrial Development Board.

Pam Finney was appointed to the Authority's Board of Directors in 2010. Her current term of office expires on June 30, 2015. Ms. Finney was employed by the Jackson-Madison County School Board for nearly 40 years where she served as a teacher and administrator. She served as the Assistant Superintendent for Curriculum and Instruction for the 15 years prior to her retirement. Mrs. Finney was a member of the Old Hickory Rotary Club for many years.

Monte Jones was appointed to the Authority's Board of Directors in February 2013 to fulfill an unexpired term of a previous board member. His current term of office expires on June 30, 2017. Mr. Jones is the Community President of Commercial Bank and Trust Company, Jackson, Tennessee. He has 28 years of banking experience, including prior positions as the Market President and Retail Banking Executive for Regions Bank in Jackson. He currently serves on the boards of the City of Jackson Community Redevelopment Agency, the Jackson Arts Council, Jackson Christian School, the Jackson Revenue Finance Corporation, and Area Relief Ministries.

Management

James (Jim) F. Ferrell, President and Chief Executive Officer, is responsible for overseeing the day-to-day operations of the Authority's electric, gas, water, wastewater, and telecommunications divisions. Mr. Ferrell was appointed as President/CEO of the Jackson Energy Authority in April 2011. He was previously the Chief Operating Officer and the Senior Vice President of JEA's Electric Division. In addition, Mr. Ferrell has served the company as Project Engineer, Electric System Engineer, Supervisor of Operations, and Vice President of Operations. He is a graduate of the University of Tennessee with a B. S. in Electrical Engineering and earned his MBA from the University of Tennessee at Martin. He is a Registered Professional Engineer. Mr. Ferrell is currently Chairman of the Board of The Tennergy Corporation, a subsidiary of Jackson Energy Authority and other utilities, which provides energy acquisition and engineering services to its clients. In addition, he is the Chairman of the Board of Tennergy Services Corporation, an energy acquisition corporation providing propane services in various Tennessee locations. Mr. Ferrell serves as Chairman of the Board of the Venale Corporation and the Western District Energy Corporation. He also serves on the boards of the Jackson Chamber of Commerce, the Downtown Development Corporation, the Carl Perkins Center for Prevention of Child Abuse, TVPPA Distributors Insurance Company, and West Tennessee Industrial Association. He has served on various industry-related committees of the American Public Power Association, the Tennessee Valley Public Power Association, the Tennessee Municipal Electric Power Association, and the Western District Managers Association.

Nancy Nanney, Senior Vice President and Chief Financial Officer, is responsible for the financial oversight of the Authority. Mrs. Nanney has served in this position since 2006. Previously, Mrs. Nanney held the position of Vice President and Chief Financial Officer for The Tennergy Corporation. She has also served as Controller for Trinity Christian Academy. Mrs. Nanney received a Bachelor of Science Degree in Accounting from the University of Tennessee and a Master of Business Administration degree from the University of Memphis. Mrs. Nanney currently serves on the boards of The Tennergy Corporation, Tennergy Services Corporation, Venale Corporation, and United Way. She is a member of various utility organizations.

David Middlebrooks, Senior Vice-President, Electric Division, is responsible for the operation and expansion of the Electric System. In his 31 years of service, he has also held the positions of Vice President of Operations, Project Engineer, Superintendent of Operations & Maintenance, Director of Engineering, and Vice President of Distribution. Mr. Middlebrooks earned a B.S. degree in Electrical Engineering Technology and an MBA from the University of Tennessee. He is a Tennessee Valley Public Power Association Certified Power Executive. Mr. Middlebrooks serves on a number of industry-related committees of the American Public Power Association, the Tennessee Valley Public Power Association, the Tennessee Municipal Electric Power Association and the Western District Managers Association. He also serves on the City of Jackson Tree Board and on the Board of Directors of March of Dimes.

Teresa Cobb, General Counsel, is responsible for advising the Authority and staff concerning all legal obligations and privileges, as well as performing other legal services for the Authority. She has served as the Authority's Legal Counsel since 2003. Prior to coming to the Authority, Ms. Cobb practiced in the areas of Workers' Compensation, Employment Litigation, Municipal Law and Rule 31 Mediation, in the firm of Spragins, Barnett, and Cobb from 1991 until 2003. She is a graduate of the University of Memphis and a graduate of the Cecil C. Humphreys School of Law. She is a member of the American, Tennessee, and Jackson-Madison County Bar Associations and a member of the Local Lawyers Association for Women. Ms. Cobb served on the District 7, Tennessee Bar Examination Interview Committee for four years.

Source of Electric Power

The Authority's Electric Division does not generate any electric power but purchases its entire supply from the Tennessee Valley Authority (TVA) pursuant to the Power Contract. The Power Contract was executed between the City of Jackson (Electric Division) and TVA on August 12, 1977 and last amended on October 1, 2012. The Power Contract has a rolling five-year notice of cancellation by either party. Under this contract, TVA agrees to supply the total amount of electrical power required for service to the Authority's customers and to regulate the utility in accordance with the contract. The Authority agrees to purchase all of its electrical power from TVA and to abide by the terms of the contract.

The Authority's Electric System distributes electricity purchased from TVA via ten 161 kV delivery point substations, 73 miles of 46 kV sub-transmission lines, twenty-three distribution substations and 735 miles of distribution lines. The total distribution substation capacity of the Electric Division is 786,000 kilowatts. The Electric Division's peak demand is historically during summer months as a result of air conditioning loads. The Electric Division's maximum peak hour load was 380,812 kilowatts during August 2007. The Electric Division's unit sales are approximately 1.7 billion kWh annually. The Electric System's transmission and distribution systems are continually monitored by a supervisory control and data acquisition (SCADA) system. The SCADA equipment allows operations personnel to efficiently manage the distribution of power to its customers.

The Power Contract provides that TVA shall make every reasonable effort to make improvements as are necessary in its generating and transmission capacity to deliver the electrical energy needed by the Electric Division. Neither party to the Power Contract is liable for breach of contract if the availability or use of power is interrupted or curtailed due to reasons beyond the control of the parties involved. The contract provides that the Electric Division may sell power to all customers in its service area, except certain federal installations and large consumers, which TVA may serve directly. The Electric Division does not have any customers within its territory that are currently served by TVA directly.

The cost and availability of power to the Electric Division may be affected by factors relating to TVA's nuclear program, fuel supply, environmental considerations (such as future legislation regulating the use of fossil fuels and addressing potential climate change), the construction and financing of future generating and transmission facilities, and other factors relating to TVA's ability to supply power demands of its customers.

The Tennessee Valley Authority

The Tennessee Valley Act of 1933, as amended, created TVA as a wholly owned U.S. corporate agency and instrumentality. Its primary objectives include flood control on the Tennessee River and its tributaries, flood control assistance on the lower Ohio and Mississippi rivers, providing a navigable channel on the Tennessee River for commercial traffic, and supplying electrical energy within a region of approximately 80,000 square miles. TVA is governed by a nine-member board which is appointed by the President of the United States and confirmed by the Senate. Each board member serves a five-year term, with a staggered schedule of term expirations. The board employs a President and CEO to oversee the daily operations of TVA. In November 2012, the board appointed Bill Johnson as President and CEO.

TVA is the nation's largest public power provider, supplying electricity to 52 large industrial customers, 6 federal institutions, and 155 local power distributors that serve over 9 million consumers in seven southeastern states. TVA also offers economic development services and manages the Tennessee River and its tributaries to provide multiple benefits, including flood control, navigation, water quality, and recreation. TVA's power service area covers 80,000 square miles in the southeastern United States, including most of Tennessee and parts of Alabama, Georgia, Kentucky, Mississippi, North Carolina, and Virginia. Although TVA is owned by the federal government, all of its programs and business operations are self-financed.

TVA's power generating facilities currently includes 29 hydroelectric plants, 11 fossil plants, 3 nuclear plants, and 1 pumped storage hydroelectric plant. Additionally TVA has 16 solar energy sites, 9 combustion-turbine sites, 5 combined-cycle sites, 2 diesel-generator sites, a wind-energy site, a digest-gas site, and a biomass-cofiring site. Power is delivered to TVA customers over 16,000 miles of transmission lines. The system interconnects with neighboring power systems at numerous points, and TVA has various types of interchange arrangements with these systems. The extent and types of interchange transactions depend upon the characteristics of the systems' loads, the management policies of the systems, and other factors. Interchange arrangements are an essential part of TVA's efforts to minimize investment in electrical facilities, increase the reliability of service, affect operating economies, and minimize the cost of electric energy.

To provide affordable, reliable electric power for the Tennessee Valley, TVA relies on a flexible mix of energy sources—fossil, hydroelectric, renewables, and nuclear power. TVA began building nuclear power plants in the 1960s, responding to the growing prosperity of the Tennessee Valley and the rising demand for power. Today, TVA's three nuclear plants— Watts Bar, in Spring City, Tennessee; Browns Ferry, in Athens, Alabama; and Sequoyah, in Soddy-Daisy, Tennessee — account for about 30

percent of the company's generating capacity. These plants are an integral part of TVA's diverse generating sources, providing enough power to serve more than three million homes in the Valley.

As part of its commitment to safety, TVA works closely with federal, state, and local agencies to ensure that emergency response plans are in place. These precautions are designed to protect the public and employees in the unlikely event of a nuclear incident at one of the power plants. In addition to working with emergency management agencies, TVA coordinates efforts with local, state, and federal law enforcement organizations to maintain a seamless security system.

Engineering, Construction and Maintenance

The Jackson Energy Authority does the majority of its distribution engineering design with its own engineering staff. The licensed engineering staff prepares plans for service to new customers, maintains adequate service to existing customers, and prepares short-range plans to accommodate electric loads for customers of the future. Electrical engineering consultants may be used from time to time when special circumstances warrant.

The Electric Division personnel perform the majority of the construction and maintenance work required, but occasionally the Authority employs various electrical contractors for large projects and to supplement resource needs during times of high construction activity. For maintenance and repair of equipment and for making special apparatus of various kinds, the Authority has modern, fully equipped shops, laboratories, test apparatus, and instruments.

Environmental Compliance

The Authority is subject to federal, state and local laws and regulations pertaining to the environment. The Authority has a hazardous waste communications procedure under the right-to-know law and PCB guidelines established by environmental consultants.

Electric Rates

Under its power contract with TVA, the Electric Division establishes its resale rates to provide for various margins above its wholesale cost of energy. If the rates and charges provided in any set of resale levels do not provide for the operation and maintenance of the Electric Division on a self-supporting basis, including debt service payments, the power contract provides that the Electric Division will set rates sufficient to do so, pending TVA's approval. The Authority may change its retail rates upon approval by its Board.

Under the provisions of the Private Act, the Authority may change its rates upon approval by its Board without the necessity of review or approval by any other municipality, the state, or any commission or authority; provided however, that whenever any of such rates are to increase, notice of the intended increase shall be published in a local newspaper and the increase shall not be effective until 30 days after the publication of notice. If during such period, protests against the increase are filed with the Board of Directors by 1% of the users, then the proposed increase shall not go into effect unless approved by the City Council of the City of Jackson. The foregoing requirements and limitations, however, do not limit or restrict the power of the Authority to raise rates to comply with the Authority's covenants (including, without limitation, the rate covenant) in the Resolution because the Private Act provides that in connection with the issuance of bonds and in order to secure the payment of its bonds, the Authority shall have power to make such covenants and to do all things as may be necessary or convenient or desirable in order to secure its bonds or which in the absolute direction of the Board of Directors, tend to make the bonds more marketable, notwithstanding that such covenants, acts and things may restrict or interfere

with the exercise of the powers otherwise provided in the Private Act. The Authority has never received a protest from the requisite number of users of the System that would require the rate increase to be approved by the City Council.

The Power Contract contains standard provisions specifying wholesale and resale rates, the terms and conditions under which power is to be distributed, and required application of Electric Division revenues. TVA may determine and make adjustments in the wholesale rate schedule with corresponding adjustments in resale rate schedules necessary to enable TVA to meet all requirements of the TVA Act, including increased costs and its bond covenants. In addition, the power contract provides for agreement between the parties on general or major changes in both the wholesale and resale rate schedules, and requires the Electric Division to promptly put into effect rate increases to keep on a self-supporting and financially sound basis, or rate decreases when revenues are more than sufficient for such purposes.

The Electric Division has implemented retail rates changes three times in the past twenty years outside of any wholesale rate changes made by TVA. These rate increases are as follows: 2.24% in October 2001, 1.50% in October 2008 and 1.47% in October 2010. Beginning in 2007, TVA began using a fuel cost adjustment mechanism to adjust its rates to reflect changing fuel and purchased power costs. The Authority's Board passed a resolution that allows the Electric Division to pass the monthly fuel cost adjustments through to the retail rates without further board action.

[The remainder of this page is intentionally left blank.]

The Electric Division's rates are comparatively low according to the Jacksonville Electric Authority (Florida) Quarterly Residential Electric Rate Comparison. The survey compares a monthly residential bill for 1,000 kWh across 53 utility systems.

Quarterly Electric Bill Comparison (per 1,000 kWh)

Location	Company	1,000 kWh
Southern California	Southern California Edison*	\$260.50
Fairbanks, AK	Golden Valley Electric Assoc.**	227.59
Newark, NJ (and other areas of NJ)	Public Service Electric & Gas Co.*	178.98
Los Angeles, CA	Department of Water & Power**	163.96
Pascoag, RI	Pascoag Utility District**	160.12
Anchorage, AK	Chugach Electric Assoc., Inc.**	158.18
Milwaukee, WI	We-Energies*	151.60
Las Vegas, NV	Nevada Power Co.*	141.33
Columbia, SC	South Carolina Electric & Gas*	141.05
Gainesville, FL	Gainesville Regional Util.**	139.16
Ft. Meade, FL	City of Ft. Meade**	137.56
Sacramento, CA	Sacramento Mun. Util. Dist.**	136.75
Atlanta, GA (other port. of GA)	Georgia Power Co.*	135.97
Tennessee (and other portions of N. GA)	Elec. Power Board of Chatt.**	135.40
Key West, FL	Keys Energy Services**	132.00
North East FL and South East GA	Okefenoke REA***	130.90
Bartow, FL	City of Bartow**	130.33
St. Petersburg, FL	Duke Energy Florida*	129.97
St. Louis, MO	AmerenUE*	129.60
Northwest Florida	Gulf Power Co.*	128.70
South Carolina (Portions of)	Santee Cooper****	127.80
Chicago & Northern IL	Commonwealth Edison Co.*	125.71
Dover, DE	City of Dover (McKee Run G.S.)**	125.40
Southeast Nebraska	Omaha Public Power District****	125.40
Florida Keys (Dade Co. to 7 Mile Br)	Florida Keys Electric Co-Op****	124.00
Vero Beach, FL	City of Vero Beach**	123.93
Jacksonville Beach, FL	Beaches Energy Service**	123.91
Ft. Pierce, FL	Ft. Pierce Utilities**	123.84
Salt Lake City, UT	Rocky Mountain Power*	123.60
Alabama (Portions of)	Alabama Power Co.*	122.16
Marietta, GA	Marietta Power & Water**	120.00
Jacksonville, FL	JEA**	119.44
Homestead, FL	Homestead Energy**	119.02
Ocala, FL	City of Ocala**	118.65
Clay County, FL	Clay Electric Cooperative***	118.50
Colorado Springs, CO	Colorado Springs Utilities**	118.41
Tallahassee, FL	City of Tallahassee**	115.94
Roanoke, VA	Appalachian Power Co.*	114.21
Reno, NV	Sierra Pacific Power Co.*	113.80
Raleigh, NC	Duke Energy Progress*	112.93
Clewiston, FL	City of Clewiston**	111.79
Kissimmee, FL	Kissimmee Utility Authority**	111.58
Albany, GA	Albany Water Gas & Light Comm.**	109.61
Orlando, FL	Orlando Utilities Commission**	109.43
San Antonio, TX	City Public Service**	107.94
Jackson, TN	Jackson Energy Authority**	105.71
Lakeland, FL	City of Lakeland**	105.49
Baton Rouge, LA (and other parts of LA)	Entergy Gulf States, Inc. LLC*	105.31
Dalton, GA	Dalton Utilities**	103.46
Memphis, TN	Memphis Light Gas & Water Div.**	101.38
Miami, FL (and other portions of FL)	Florida Power & Light Co.*	100.71
Portland, OR	Pacific Power*	100.44
Seattle, WA	Seattle City Light**	100.43
Northern West Virginia	Monogahela Power Company*	92.62

- * Investor-owned Systems
- ** Municipal Systems
- *** Rural Electric Coop. Systems
- **** Federal, State and District Systems

Source: Jacksonville Electric Authority (Florida), Utility Bill Comparison, July 2014 and Jackson Energy Authority (TN) Officials.

Electric Division: Rate Schedule Effective October 1, 2014

	<u>Std Rate</u>	<u>FCA⁽¹⁾</u>	<u>Total Rate</u>
Residential RS			
Customer Charge			\$15.00 per meter
All kWh			
Summer	\$0.06731	\$0.02243	\$0.08974 per kWh
Winter	\$0.06718	\$0.02243	\$0.08961 per kWh
Transition	\$0.06648	\$0.02243	\$0.08891 per kWh

General Services GSA1			
Customer Charge			\$24.75 per meter
All kWh			
Summer	\$0.07824	\$0.02221	\$0.10045 per kWh
Winter	\$0.07809	\$0.02221	\$0.10030 per kWh
Transition	\$0.07742	\$0.02221	\$0.09963 per kWh

General Services GSA2			
Customer Charge			\$74.00 per meter
Demand Charge			
First 50 kw			\$0.00 per kW
Additional kW			
Summer			\$12.77 per kW
Winter			\$11.90 per kW
Transition			\$11.90 per kW

1st 15,000 kWh			
Summer	\$0.07818	\$0.02221	\$0.10039 per kWh
Winter	\$0.07803	\$0.02221	\$0.10024 per kWh
Transition	\$0.07736	\$0.02221	\$0.09957 per kWh
Additional kWh			
Summer	\$0.03701	\$0.02195	\$0.05896 per kWh
Winter	\$0.03701	\$0.02195	\$0.05896 per kWh
Transition	\$0.03701	\$0.02195	\$0.05896 per kWh

General Services GSA3			
Customer Charge			\$425.00 per meter
Demand Charge			
First 1,000 kw			
Summer			\$11.66 per kW
Winter			\$10.79 per kW
Transition			\$10.79 per kW
Additional kW			
Summer			\$11.55 per kW
Winter			\$10.68 per kW
Transition			\$10.68 per kW
All kWh			
Summer	\$0.04019	\$0.02195	\$0.06214 per kWh
Winter	\$0.04019	\$0.02195	\$0.06214 per kWh
Transition	\$0.04019	\$0.02195	\$0.06214 per kWh

General Services SGSB			
Customer Charge			\$1,500.00 per meter
Admin Charge			\$350.00
Demand Charge			
Summer			\$22.09 per kW
Winter			\$15.43 per kW
Transition			\$10.42 per kW
All kWh			
Summer	\$0.02680	\$0.02209	\$0.04889 per kWh
Winter	\$0.02248	\$0.02209	\$0.04457 per kWh
Transition	\$0.02151	\$0.02209	\$0.04360 per kWh

Manufacturing Service SMSB			
Customer Charge			\$1,500.00 per meter
Admin Charge			\$350.00
Demand Charge			
Summer			\$19.04 per kW
Winter			\$12.38 per kW
Transition			\$7.37 per kW
All kWh			
Summer	\$0.01872	\$0.02209	\$0.04081 per kWh
Winter	\$0.01384	\$0.02209	\$0.03593 per kWh
Transition	\$0.01269	\$0.02209	\$0.03478 per kWh

	<u>Std Rate</u>	<u>FCA⁽¹⁾</u>	<u>Total Rate</u>
General Services SGSC			
Customer Charge			\$1,500.00 per meter
Admin Charge			\$350.00
Demand Charge			
Summer			\$22.09 per kW
Winter			\$15.43 per kW
Transition			\$10.42 per kW
All kWh			
Summer	\$0.02693	\$0.02209	\$0.04902 per kWh
Winter	\$0.02252	\$0.02209	\$0.04461 per kWh
Transition	\$0.02159	\$0.02209	\$0.04368 per kWh

Manufacturing Service SMSC			
Customer Charge			\$1,500.00 per meter
Admin Charge			\$350.00
Demand Charge			
Summer			\$19.04 per kW
Winter			\$12.38 per kW
Transition			\$7.37 per kW
All kWh			
Summer	\$0.01840	\$0.02209	\$0.04049 per kWh
Winter	\$0.01382	\$0.02209	\$0.03591 per kWh
Transition	\$0.01272	\$0.02209	\$0.03481 per kWh

General Services SGSD			
Customer Charge			\$1,500.00 per meter
Admin Charge			\$350.00
Demand Charge			
Summer			\$25.84 per kW
Winter			\$19.17 per kW
Transition			\$14.17 per kW
All kWh			
Summer	\$0.01949	\$0.02209	\$0.04158 per kWh
Winter	\$0.01564	\$0.02209	\$0.03773 per kWh
Transition	\$0.01479	\$0.02209	\$0.03688 per kWh

Manufacturing Service SMSD			
Customer Charge			\$1,500.00 per meter
Admin Charge			\$350.00
Demand Charge			
Summer			\$22.08 per kW
Winter			\$15.42 per kW
Transition			\$10.41 per kW
All kWh			
Summer	\$0.01090	\$0.02209	\$0.03299 per kWh
Winter	\$0.00723	\$0.02209	\$0.02932 per kWh
Transition	\$0.00634	\$0.02209	\$0.02843 per kWh

Outdoor Lighting LS			
All kWh			
Summer	\$0.04518	\$0.02243	\$0.06761 per kWh
Winter	\$0.04506	\$0.02243	\$0.06749 per kWh
Transition	\$0.04436	\$0.02243	\$0.06679 per kWh

Summer - June, July, August, September
Winter - December, January, February, March
Transition - April, May, October, November

⁽¹⁾ The Fuel Cost Adjustment (FCA) portion of the rate is established by TVA and is subject to monthly changes by TVA without notice.

Source: Jackson Energy Authority

Payments in Lieu of Taxes

The Private Act authorizes the Authority to make payments in lieu of taxes to the city of Jackson or other municipalities in which the Authority has Electric plant. These payments are computed in accordance with the provisions of the Municipal Electric Plant Law of 1935. This law states that such payments in lieu of taxes shall be made only from electric revenues remaining after the payment of: (a) current Electric Division operating expenses; (b) current payments of principal and interest on indebtedness; (c) reasonable reserves for renewals, replacements, and contingencies; and (d) cash working capital adequate to cover operating expenses for a reasonable number of weeks. The formula includes a property tax equivalency calculation plus four percent of operating revenue less power costs (three-year average). During Fiscal Year 2014, the Electric Division paid \$3,805,368 in lieu of taxes.

Historical and Projected System Use

The following tables details the historical and projected number of customers of the Electric Division in each general category, the megawatt hours of electricity sold to each customer category, and the peak billing demand of the Electric Division.

Electric Division: Number of Customers

Fiscal Year	Residential	Commercial	Industrial	Other	Total
2005	27,252	4,790	977	231	33,250
2006	27,313	4,828	1,017	232	33,390
2007	27,607	4,952	1,035	223	33,817
2008	27,813	4,868	1,043	246	33,970
2009	27,796	4,850	1,014	248	33,908
2010	27,765	4,833	983	242	33,823
2011	27,783	4,802	1,015	238	33,838
2012	28,150	4,841	1,019	223	34,233
2013	28,505	4,920	1,020	230	34,675
2014	28,766	5,043	997	213	35,019
2015 (Projected)	28,728	5,006	958	255	34,947
2016 (Projected)	28,800	5,050	959	256	35,065
2017 (Projected)	28,873	5,094	960	257	35,184
2018 (Projected)	28,946	5,139	960	257	35,302
2019 (Projected)	29,020	5,184	960	257	35,421

Source: Jackson Energy Authority 5-Year Plan (2015-2019) and Jackson Energy Authority Officials.

Electric Division: Megawatt Hours of Electricity Sold

Fiscal Year	Residential	Commercial	Industrial	Other	Total
2005	363,280	103,821	1,192,898	22,358	1,682,357
2006	392,787	105,083	1,233,117	22,895	1,753,882
2007	395,826	104,709	1,253,314	23,664	1,777,513
2008	408,688	106,085	1,218,350	24,167	1,757,290
2009	381,427	102,742	1,149,411	24,294	1,657,874
2010	390,525	104,623	1,137,967	24,463	1,657,578
2011	410,826	105,788	1,185,504	24,946	1,727,064
2012	391,945	102,799	1,201,438	24,473	1,720,655
2013	401,507	100,898	1,187,245	24,856	1,714,506
2014	401,424	103,009	1,195,160	25,175	1,724,768
2015 (Projected)	410,779	107,942	1,188,101	27,456	1,734,278
2016 (Projected)	410,415	108,893	1,188,280	30,096	1,737,684
2017 (Projected)	411,455	109,845	1,220,603	32,989	1,774,892
2018 (Projected)	412,494	110,818	1,219,943	36,161	1,779,416
2019 (Projected)	413,529	111,791	1,219,943	39,637	1,784,900

Source: Jackson Energy Authority 5-Year Plan (2015-2019) and Jackson Energy Authority Officials.

Electric Division: Peak Billing Demand

Fiscal Year	Average			Annual Load Factor
	Number of Customers	Peak Billing Demand (MW)	MWH Sold	
2005	33,250	349.0	1,682,357	55.0%
2006	33,390	360.5	1,773,383	56.2%
2007	33,817	374.7	1,777,513	54.2%
2008	33,970	380.8	1,753,639	52.6%
2009	33,908	363.5	1,657,874	52.1%
2010	33,823	340.2	1,657,577	55.6%
2011	33,838	374.4	1,727,063	52.7%
2012	34,233	372.1	1,720,655	52.8%
2013	34,675	358.4	1,714,506	54.6%
2014	35,019	331.9 ⁽¹⁾	1,733,766	59.6% ⁽¹⁾
2015 (Projected)	34,947	358.8	1,734,278	55.2%
2016 (Projected)	35,065	360.4	1,737,684	55.0%
2017 (Projected)	35,184	361.4	1,774,892	56.1%
2018 (Projected)	35,302	361.5	1,779,416	56.2%
2019 (Projected)	35,421	359.2	1,784,900	56.7%

⁽¹⁾ Jackson Energy Authority sets the peak demand in the summer. Higher load factor was the result of cooler summer months of July and August 2013. Therefore, FY2014 had a lower peak demand than normal.

Source: Jackson Energy Authority 5-Year Plan (2015-2019) and Jackson Energy Authority Officials.

The following table shows the usage and sales of the Electric Division's ten largest customers in order of total dollar sales generated for Fiscal Year 2014 (unaudited). These ten top electric customers represented 22.88% of total operating revenues of the Electric Division.

Electric Division: Largest Customers by Yearly Revenue for FY2014 (Unaudited)

Number	Company	Revenue	% of		
			Operating Revenues	Consumption (kWh)	Peak Demand (kW)
1	Owens Corning	\$9,142,862	6.19%	169,949,739	21,640
2	Kellogg	6,990,173	4.73%	132,440,448	20,716
3	JMCGH	4,250,557	2.88%	55,295,791	9,400
4	Pinnacle Foods	2,828,485	1.91%	50,038,936	8,710
5	Basell	2,062,350	1.40%	34,623,938	4,900
6	Bodine	2,017,141	1.37%	30,605,827	5,546
7	Berry Plastics	1,843,900	1.25%	30,945,016	4,710
8	Carlisle	1,669,304	1.13%	26,996,945	5,362
9	Armstrong	1,500,141	1.02%	23,887,652	3,792
10	Printpack	1,493,358	1.01%	20,609,211	3,263
		\$33,798,271	22.88%	575,393,503	88,039

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

System Improvements and Additions

The Electric Division develops a five-year master plan for major improvements and annually estimates and budgets capital improvements for the future fiscal years. The Authority funds its capital spending through both current rates and long term borrowing. Projected capital expenditures for fiscal years 2015 through 2019 are expected to be funded from the Series 2014 Bonds and operating funds.

Electric Division: Additions to Plant

Fiscal Year	Total Additions to Plant (in thousands)
2010	6,892
2011	9,801
2012	10,205
2013	13,622
2014	12,035
2015 (Projected)	13,922
2016 (Projected)	11,699
2017 (Projected)	8,610
2018 (Projected)	9,810
2019 (Projected)	8,534

Source: Jackson Energy Authority 5-Year Plan (2015-2019) and Jackson Energy Authority Officials.

Pension Plan

Jackson Energy Authority Retirement Plan - All of the Authority's full-time employees hired prior to January 1, 2014, are participants in the Jackson Energy Authority Retirement Plan. The retirement plan is a single-employer defined benefit pension plan and is administered by the Jackson Energy Authority Retirement Plan Administrative Committee. Aetna Life Insurance Company is the disbursing agent for benefits and First Tennessee Bank of Memphis serves as Plan Trustee. Each eligible employee entered the plan on the first month following the later of attainment of age twenty-one or the date he was credited with one (1) year of service for vesting as an employee.

The plan provides for normal retirement at age 65, early retirement after attainment of age 55 and completion of 5 years of vesting service, delayed retirement beyond normal retirement age and disability retirement upon total and permanent disability after completion of 5 years of vesting service. For participants hired on and after January 1, 2009, the early retirement age is age 60. Retirement Plan participation was frozen effective December 31, 2013.

Upon the death of the participant, survivor benefits may be provided depending on the retirement benefit chosen. The plan provides an annuity for the surviving spouse of active participants. Article 8 of the Plan document assigns the authority to establish and amend benefit provisions to the Jackson Energy Board of Directors. The Plan issues a stand-alone financial report, which can be obtained Aetna by calling 1-860-273-6241 and First Tennessee Bank at 1-901-681-2545.

The contribution requirements of plan members and Jackson Energy Authority are established and may be amended by the Jackson Energy Authority Board of Directors pursuant to the plan document. Jackson Energy Authority contributes 8.28 percent of annual employee earnings on behalf of participants whose employment date is prior to January 1, 2009. These employer contributions are treated as if they were made by the participant. Participants hired prior to January 1, 2009, are not required to contribute to the Plan. Employees hired on and after January 1, 2009 contribute 2% of compensation. Interest is credited on participant contributions at a rate of 5% per annum compounded annually. Jackson Energy Authority is required to contribute at an actuarially determined rate. The required actuarially determined contribution rate was 30.63 percent of the payroll of eligible participants payable at the end of each month for the period July 1, 2013 to June 30, 2014.

Jackson Energy Authority Defined Contribution Plan – Effective December 23, 2004, the Authority adopted a money purchase pension plan to provide for the payment of accumulated leave benefit after termination of employment. On January 1, 2009, the Plan was amended and restated to also provide for the payment of accumulated severance benefit after termination of employment. All contributions under this Plan are paid to Voya Financial Inc. and deposited into an annuity contract. The Plan is intended to meet the requirements of a non-trusteed retirement plan, qualified under IRS Section 401(a) so that income accruing on the group annuity contract will be exempt from taxation. Funds transferred to the Plan are not subject to FICA withholding and federal income tax is deferred until the participant withdraws funds. The Plan is a governmental plan as defined in Section 414(d) of the IRS Code, the purpose of which is to provide retirement benefits for employees of the employer. The Authority reserves the right to amend the Plan by action of its Board of Directors, notwithstanding certain limitations.

Participation of an employee begins on the employee's hire date and ceases upon termination of employment. Participants are not required or permitted to make contributions to the Plan. Employer contributions equal to the amount of the participant's accumulated leave benefit and/or his accumulated severance benefit are made to the Plan each time a participant terminates employment.

Distribution of benefits generally occurs within 60 days following the close of the plan year (December 31) in which a participant retires. In the event a participant dies prior to receiving distribution, the distribution will be made to his beneficiary as soon as practicable after the participant's death.

Jackson Energy Authority Matching Contribution Plan - The Jackson Energy Authority Matching Contribution Plan was established effective January 1, 2014 to provide certain benefits for individuals hired or rehired as full-time employees after December 31, 2013. The Matching Plan is a defined contribution plan under IRS Code Section 401(a) which provides for benefits based solely on the amount contributed to each participant's account and any income, expenses, gains or losses which may be allocated to such account. The Plan is administered by the Jackson Energy Authority Retirement Plan Administrative Committee. Voya National Trust serves as Plan Trustee.

Each employee will enter the plan on the first day of the month following the employee's employment date. Normal retirement age is age sixty-five (65). Upon the death of the participant, survivor benefits may be provided depending on the retirement benefit chosen.

Each plan year matching and discretionary contributions may be made by Jackson Energy Authority at its sole discretion. Contribution levels are established and may be amended by the Jackson Energy Authority Board of Directors pursuant to the plan document. For the 2014 plan year, the matching contribution will be equal to one hundred percent (100%) of an eligible participant's salary deferral, not to exceed four percent (4%) of compensation, made to the Jackson Energy Authority Deferred Compensation Plan. For the 2014 plan year, the discretionary contribution will be a percentage of the eligible participant's compensation based on the participant's periods of credited service. For periods less than 5 years, the discretionary contribution will be two percent (2%) of compensation; for periods of 5-9 years the discretionary contribution will be three percent (3%); and for periods of 10 years or more the discretionary contribution will be four percent (4%).

Annual Pension Costs: For the year ended June 30, 2014, the Authority's annual pension cost of \$5,335,585 for the Retirement Plan was equal to the Authority's required and actual contributions. The required contribution was determined as part of the January 1, 2013, actuarial valuations using the "attained age aggregate cost" funding method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.5%, compounded annually, (c) a 3 percent per annum cost-of-living adjustment and (d) a rate of retirement to extend from ages fifty-five to sixty-five. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

For the year ended June 30, 2014, the Authority's annual contributions to the Matching Plan were \$6,737 which included both the Authority's matching and discretionary contributions.

Approximately 31.4% of the cost associated with annual pensions is allocable to the Electric Division.

Six-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Pension Obligation</u>
6/30/2014	\$ 5,335,585	100.00%	\$ -
6/30/2013	5,274,272	100.00%	-
6/30/2012	5,212,898	100.00%	-
6/30/2011	5,171,903	100.00%	-
6/30/2010	5,422,400	100.00%	-
6/30/2009	4,611,539	100.00%	-
6/30/2008	4,553,561	100.00%	-
6/30/2007	3,794,064	100.00%	-

Contributions were made in accordance with actuarially determined requirements.

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

Actuarial Accrued Liability: The actuarial accrued liability is the present value of projected plan benefits allocated to past service by the actuarial funding method being used, shown below as follows:

Pension Benefit Obligation

<u>Actuarial accrued liability:</u>	<u>6/30/2014</u>
Active participants	\$ 56,394,000
Participants receiving benefits	<u>71,369,378</u>
Total pension benefit obligation	<u>\$ 127,763,378</u>
Actuarial asset value	\$ 92,659,074
Funded ratio	72.5%
Unfunded actuarial accrued liability	<u>\$ 35,104,304</u>

Source: Jackson Energy Authority Retirement Plan, Actuarial Valuation Report, dated 9/10/2014 and Jackson Energy Authority Officials.

Post-Employment Benefits

In addition to providing pension benefits, the Authority provides certain health care, dental, and life insurance benefits for retired employees. Substantially all of the Authority’s employees may become eligible for those benefits if they reach age fifty-five while working for the Authority. The health care and dental benefits are provided by a self-insurance trust plan with an insurance company acting as administrator. The Plan is protected from catastrophic claims by aggregate excess loss coverage.

Retired employees sixty-five and over are covered by a “Medicare carve-out” plan which provides the same benefits except Medicare is the primary payer. Not all retired employees are eligible for dental benefits.

The cost of the health care benefits was \$3,966,351 for the year ended June 30, 2014. The cost of providing the health care and dental benefits for retirees for the year ended June 30, 2014 was \$1,185,699.

The cost of life insurance benefits was \$162,055 for the year ended June 30, 2014. The cost of providing the life insurance benefits retirees for the year ended June 30, 2014 was \$32,432.

Subsequent to June 30, 2009, Jackson Energy Authority established the Voluntary Employees Beneficiary Association Trust (VEBAT). SEI Private Trust Company has been appointed as the Trustee. The trust was established to allow Jackson Energy Authority to fund post-employment benefits associated with retiree health and life insurance. With the establishment of the trust Jackson Energy Authority began funding the actuarially determined normal cost of retiree health and life insurance.

Jackson Energy Authority’s other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, 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 a period not to exceed thirty years. The following table shows the components of the System’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan, and changes in the System’s net OPEB obligation to VEBAT. Approximately 30.70% of the annual OPEB cost is allocable to the Electric Division.

**OPEB Obligation
For Fiscal Year Ended**

	6/30/2014
Annual required contribution	\$5,318,129
Interest on net OPEB obligation	350,279
Adjustment to annual required contribution	(268,039)
Annual OPEB cost	5,400,369
Contributions made	(3,834,753)
Increase in net OPEB obligation	1,565,616
Net OPEB obligation - beginning of year	6,091,804
Net OPEB obligation - end of year	\$7,657,420

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

Jackson Energy Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for 2014 and the prior four years were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 5,400,368	77%	\$ 7,657,420
6/30/2013	5,274,401	77%	6,091,804
6/30/2012	4,763,156	82%	4,738,490
6/30/2011	3,770,482	83%	3,891,148
6/30/2010	3,732,036	77%	3,234,089

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

As of July 1, 2012, the most recent actuarial valuation date, the plan was largely unfunded. The actuarial accrued liability for benefits was \$66,630,252. The covered payroll was \$19,256,982 and the ratio of the UAAL to the covered payroll was 304.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included 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 as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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 July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.75 percent investment rate of return. The healthcare cost trend rate used was 8 percent for medical and 5 percent for dental reduced by decrements on the medical to an ultimate rate of 5 percent after 10 years. The UAAL is being amortized on a straight-line basis over 30 years. The remaining amortization period at June 30, 2014, was 23 years.

FINANCIAL DETAILS

Operating Results

Historical financial data shown in the following section was provided by Jackson Energy Authority's Financial Statements and Supplementary Information for the Fiscal Years Ended June 30, 2010 through June 30, 2014 audited by Alexander Thompson Arnold PLLC. Projected and additional Electric Division data was provided by Jackson Energy Authority's 5-Year Plan (2015-2019) as well as Officials from the Authority.

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Electric Division: Statement of Net Position

For Fiscal Years Ending

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
ASSETS					
Current assets:					
Cash and cash equivalents on deposit	\$28,825,578	\$39,415,512	\$37,566,746	\$34,503,278	\$29,051,983
Temporary investments	7,202,644	0	0	0	0
Accounts receivable (net of allowance for uncollectibles)	14,872,301	12,071,164	12,218,939	12,048,399	11,599,193
Grants receivable	99,879	160,482	162,082	145,379	29,692
Current portion of long-term notes receivable - interfund	0	752,919	1,505,837	1,505,837	1,505,837
Accrued interest receivable	76,586	15,568	21,846	31,815	35,607
Materials and supplies	1,565,421	1,828,916	1,753,239	1,237,576	1,509,625
Prepayments and other current assets	473,984	315,861	304,851	341,403	276,052
Total current assets	<u>53,116,393</u>	<u>54,560,422</u>	<u>53,533,540</u>	<u>49,813,687</u>	<u>44,007,989</u>
Noncurrent assets:					
Restricted cash, cash equivalents, and investments					
Debt service fund - cash and cash equivalents	502,065	457,397	471,536	461,299	286,149
Total restricted assets	<u>502,065</u>	<u>457,397</u>	<u>471,536</u>	<u>461,299</u>	<u>286,149</u>
Other assets					
Investment - Western District Energy Corporation	427,562	467,400	812,977	780,976	878,743
Investment - The Tennergy Corporation	0	0	533,686	447,994	709,734
Investment - Central Services Association	2,405	2,405	2,405	2,405	0
Long-term notes receivable - interfund (less current portion)	5,500,000	5,500,000	6,252,919	7,758,756	9,264,593
Unamortized bond issue costs	161,549	181,895	202,715	182,335	193,780
Deferred cost - GIS project	0	0	0	104,614	238,390
Reimbursable cost - other	537	537	1,064,903	1,064,366	1,064,366
Total other assets	<u>6,092,053</u>	<u>6,152,237</u>	<u>8,869,605</u>	<u>10,341,446</u>	<u>12,349,606</u>
Capital assets					
Plant in service and equipment - at cost	194,229,161	189,232,301	180,349,555	174,840,648	166,075,187
Unamortized acquisition adjustment	2,828,601	3,224,880	3,263,919	138,119	177,793
Accumulated depreciation	(83,527,182)	(79,306,935)	(74,318,574)	(69,928,536)	(65,326,437)
Net plant in service and equipment - at cost	113,530,580	113,150,246	109,294,900	105,050,231	100,926,543
Construction in progress at cost	19,257,696	15,810,706	12,475,622	9,296,255	9,618,400
Total capital assets (net of accumulated depreciation)	<u>132,788,276</u>	<u>128,960,952</u>	<u>121,770,522</u>	<u>114,346,486</u>	<u>110,544,943</u>
Total noncurrent assets	<u>139,382,394</u>	<u>135,570,586</u>	<u>131,111,663</u>	<u>125,149,231</u>	<u>123,180,698</u>
Total assets	<u>192,498,787</u>	<u>190,131,008</u>	<u>184,645,203</u>	<u>174,962,918</u>	<u>167,188,687</u>
Deferred outflows of resources					
Unamortized debt refunding differences	997,309	1,081,588	1,165,867	1,250,147	1,334,427
	<u>997,309</u>	<u>1,081,588</u>	<u>1,165,867</u>	<u>1,250,147</u>	<u>1,334,427</u>

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Years Ended June 30, 2010 through June 30, 2014 and Jackson Energy Authority Officials.

Electric Division: Statement of Net Position (Continued)

For Fiscal Years Ending

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
LIABILITIES					
Current liabilities:					
Current portion of long-term notes payable	\$396,161	\$474,216	\$367,476	\$37,928	\$75,360
Accounts payable	24,026,817	23,626,761	23,837,835	22,511,999	20,117,530
Other accounts payable and accrued expense	1,787,910	1,629,927	1,538,238	928,000	871,928
Current portion of capital lease payable	0	0	0	86	539
Total current liabilities	<u>26,210,888</u>	<u>25,730,904</u>	<u>25,743,549</u>	<u>23,478,013</u>	<u>21,065,357</u>
Current liabilities payable from restricted assets:					
Accrued revenue bond interest	144,813	152,041	162,908	167,612	118,928
Current maturities of long-term debt (net of discounts/premiums)	1,859,744	1,804,513	1,734,513	1,683,328	1,438,450
Total current liabilities payable from restricted assets	<u>2,004,557</u>	<u>1,956,554</u>	<u>1,897,421</u>	<u>1,850,940</u>	<u>1,557,378</u>
Noncurrent liabilities:					
Notes payable (net of current portion)	2,243,005	2,672,462	2,763,617	116,711	117,504
OPEB payable (net of current portion)	2,290,984	1,820,235	1,392,600	1,135,998	968,772
Compensated absences	1,124,257	1,173,636	1,206,434	1,015,365	1,206,676
Bonds payable (less current maturities, net of discounts/premiums)	32,231,554	33,009,657	34,729,890	36,380,124	38,019,048
Total noncurrent liabilities	<u>37,889,800</u>	<u>38,675,990</u>	<u>40,092,541</u>	<u>38,648,198</u>	<u>40,312,000</u>
Total liabilities	<u>66,105,245</u>	<u>66,363,448</u>	<u>67,733,511</u>	<u>63,977,151</u>	<u>62,934,735</u>
NET POSITION					
Invested in capital assets, net of related debt	97,055,121	91,000,105	82,175,024	76,128,311	71,087,822
Restricted for capital projects	22,920	0	0	0	0
Restricted for debt service	334,332	305,356	308,628	293,687	167,221
Restricted for other	1,865,147	2,943,543	958,640	1,593,544	0
Unrestricted	28,113,331	29,518,556	33,469,400	32,970,225	32,998,909
Total Net Position	<u>127,390,851</u>	<u>123,767,560</u>	<u>116,911,692</u>	<u>110,985,767</u>	<u>104,253,952</u>

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Years Ended June 30, 2010 through June 30, 2014 and Jackson Energy Authority Officials.

Electric Division: Statement of Revenues, Expenses, and Changes in Net Position
For Fiscal Years Ending

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
Operating revenues					
Charges for sales and service	\$143,429,141	\$144,922,922	\$144,183,497	\$141,098,743	\$122,547,738
Other revenue	4,305,819	4,229,330	4,024,334	4,171,202	3,637,824
Total operating revenues	<u>147,734,960</u>	<u>149,152,252</u>	<u>148,207,831</u>	<u>145,269,945</u>	<u>126,185,562</u>
Noncurrent assets:					
Costs of sales and service	119,321,073	120,162,364	121,220,202	120,217,697	102,726,028
Operations expense	10,189,609	9,765,107	8,732,335	8,162,007	7,730,137
Maintenance expense	2,726,255	2,403,227	2,262,598	2,301,023	2,052,300
Provision for depreciation	7,150,163	6,697,659	6,404,314	5,960,067	5,954,814
Payroll taxes	336,021	320,626	301,127	338,393	330,856
Other taxes	29,604	0	0	0	0
In lieu of taxes	3,805,368	3,578,394	3,414,056	3,249,838	3,246,947
Total operating expenses	<u>143,558,093</u>	<u>142,927,377</u>	<u>142,334,632</u>	<u>140,229,025</u>	<u>122,041,082</u>
Operating income (loss)	4,176,867	6,224,875	5,873,199	5,040,920	4,144,480
Nonoperating revenues (expenses)					
Interest and other income	261,558	(931,292)	596,870	260,620	486,822
Interest, amortization, and other expense	(1,034,428)	(1,088,788)	(1,100,686)	(1,220,727)	(1,171,720)
Gain (loss) on disposition of fixed assets	(189,988)	13,863	(141,274)	0	0
Total nonoperating revenues (expenses)	<u>(962,858)</u>	<u>(2,006,217)</u>	<u>(645,090)</u>	<u>(960,107)</u>	<u>(684,898)</u>
Contributions					
Capital contributions	409,282	2,637,210	697,816	2,651,002	361,189
Total contributions	<u>409,282</u>	<u>2,637,210</u>	<u>697,816</u>	<u>2,651,002</u>	<u>361,189</u>
Change in Net Position	<u>3,623,291</u>	<u>6,855,868</u>	<u>5,925,925</u>	<u>6,731,815</u>	<u>3,820,771</u>
Total Net Position - beginning	<u>123,767,560</u>	<u>116,911,692</u>	<u>110,985,767</u>	<u>104,253,952</u>	<u>100,433,181</u>
Total Net Position - ending	<u>127,390,851</u>	<u>123,767,560</u>	<u>116,911,692</u>	<u>110,985,767</u>	<u>104,253,952</u>

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Years Ended June 30, 2010 through June 30, 2014 and Jackson Energy Authority Officials.

Electric Division: Statement of Cash Flows

For Fiscal Years Ending

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
Cash flows from operating activities:					
Receipts from customers and users	\$144,936,575	\$151,936,436	\$148,729,470	\$145,424,149	\$126,720,420
Other receipts	469,056	6,196	739,044	2,251,007	266,624
Payments to suppliers	(124,965,672)	(124,935,805)	(125,049,791)	(122,638,444)	(105,821,766)
Payments to employees	(6,962,961)	(6,857,797)	(6,207,703)	(6,389,680)	(6,217,475)
Payments in lieu of taxes	(3,805,368)	(3,578,394)	(3,414,056)	(3,249,838)	(3,246,947)
Net cash provided (used) by operating activities	<u>9,671,630</u>	<u>16,570,636</u>	<u>14,796,964</u>	<u>15,397,194</u>	<u>11,700,856</u>
Cash flows from capital and related financing activities:					
Construction and acquisition of plant	(11,412,141)	(13,502,381)	(10,635,388)	(9,059,168)	(6,455,607)
Plant removal cost	(242,942)	(147,737)	(108,417)	(175,728)	(99,495)
Proceeds from salvage of property, plant, and equipment	487,609	184,086	227,944	95,859	22,813
Cash contributions in aid of construction	409,102	0	0	0	0
FEMA grant proceeds	0	0	0	0	253,872
Bond proceeds	0	0	0	0	21,945,478
Principal paid on bonds	(1,770,000)	(1,700,000)	(1,650,000)	(1,445,000)	(475,000)
Principal paid on notes	0	(423,378)	(372,694)	(38,225)	0
Principal payment under capital lease agreements	0	0	(86)	(43)	(496)
Bridge loan payments	0	0	0	0	(21,717,303)
Bond issue costs	0	0	0	0	(198,036)
Interest expense	(971,665)	(998,371)	(1,179,601)	(1,243,997)	(934,024)
Installment note repayments	(507,512)	0	0	0	0
Repayment of subsequent loans	752,918	1,505,837	1,505,837	1,505,837	1,506,367
Net cash provided (used) by capital and related financing activities	<u>(13,254,631)</u>	<u>(15,081,944)</u>	<u>(12,212,405)</u>	<u>(10,360,465)</u>	<u>(6,151,431)</u>
Cash flows from investing activities:					
Purchase of cash investment	(7,202,642)	0	0	(2,405)	0
Interest earned	240,377	345,935	489,146	592,121	743,034
Net cash provided (used) by investing activities	<u>(6,962,265)</u>	<u>345,935</u>	<u>489,146</u>	<u>589,716</u>	<u>743,034</u>
Net increase (decrease) in cash and cash equivalents	<u>(10,545,266)</u>	<u>1,834,627</u>	<u>3,073,705</u>	<u>5,626,445</u>	<u>6,292,459</u>
Cash and cash equivalents - beginning of year	<u>39,872,909</u>	<u>38,038,282</u>	<u>34,964,577</u>	<u>29,338,132</u>	<u>23,045,673</u>
Cash and cash equivalents - end of year	<u>29,327,643</u>	<u>39,872,909</u>	<u>38,038,282</u>	<u>34,964,577</u>	<u>29,338,132</u>

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Years Ended June 30, 2010 through June 30, 2014 and Jackson Energy Authority Officials.

Electric Division: Statement of Cash Flows (Continued)

For Fiscal Years Ending

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
Cash and cash equivalents:					
Unrestricted cash and cash equivalents on deposit	\$28,825,578	\$39,415,512	\$37,566,746	\$34,503,278	\$29,051,983
Restricted cash and cash equivalents on deposit:					
Debt service fund - cash and cash equivalents	<u>502,065</u>	<u>457,397</u>	<u>471,536</u>	<u>461,299</u>	<u>286,149</u>
Total cash and cash equivalents	<u>29,327,643</u>	<u>39,872,909</u>	<u>38,038,282</u>	<u>34,964,577</u>	<u>29,338,132</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	4,176,867	6,224,876	5,873,199	5,040,920	4,144,480
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization expense	7,150,163	6,697,659	6,404,314	5,960,067	5,954,814
Provision for doubtful accounts	902,209	660,215	651,782	579,626	592,200
Recovery of doubtful accounts	0	237,342	0	0	0
Amortization of deferred costs	466,444	25,346	(17,435)	154,807	148,368
Cash contributions in aid of construction	0	2,636,331	0	0	0
(Increase) decrease in accounts receivable	(2,845,381)	374,647	(191,136)	(609,977)	(672,508)
(Increase) decrease in materials and supplies	263,494	(75,676)	(515,663)	272,049	(105,052)
(Increase) decrease in prepayments and other current assets	(54,009)	678,246	23,839	(8,820)	61,748
(Increase) decrease in notes receivable	0	676	1,505,837	1,505,837	0
Increase (decrease) in accounts payable	438,729	(536,107)	1,331,598	2,403,061	1,287,232
Increase (decrease) in other accounts payable and accrued expenses	<u>(826,886)</u>	<u>(352,918)</u>	<u>(269,371)</u>	<u>99,624</u>	<u>289,574</u>
Net cash provided (used) by operating activities	<u>9,671,630</u>	<u>16,570,637</u>	<u>14,796,964</u>	<u>15,397,194</u>	<u>11,700,856</u>
Non-cash disclosure:					
Contributed capital assets	<u>180</u>	<u>879</u>	<u>697,816</u>	<u>0</u>	<u>361,189</u>
Total non-cash disclosure	<u>180</u>	<u>879</u>	<u>697,816</u>	<u>0</u>	<u>361,189</u>

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Years Ended June 30, 2010 through June 30, 2014 and Jackson Energy Authority Officials.

JACKSON ENERGY AUTHORITY: ELECTRIC DIVISION

SUMMARY OF OUTSTANDING DEBT

Original Issue Amount	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 11/01/14 (Proforma, Unaudited)
Bonds					
\$21,210,000	Electric System Revenue Bonds, Series 2010	05/19/10	05/01/26	3.00% - 4.00%	\$16,310,000
27,120,000	Electric Revenue Refunding and Improvement Bonds, Series 2014	12/05/14	05/01/33	3.125% - 5.000%	27,120,000
Total Bonds					<u>\$43,430,000</u>
Annexation Payment Obligations					
N/A	Southwest Electric ⁽¹⁾	N/A	2022	0.00%	\$2,639,166
Annexation Payment Obligations					<u>\$2,639,166</u>
Total Current Outstanding Debt					<u><u>\$46,069,166</u></u>

DEBT RECORD

There is no record of a default of payment of principal and interest from information available.

⁽¹⁾ These annexation payment obligations do not bear interest and are unsecured obligations of the Issuer. They are without the benefit of any lien on the Net Revenues of the System

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

JACKSON ENERGY AUTHORITY: ELECTRIC DIVISION

DEBT SERVICE REQUIREMENTS ⁽¹⁾

(as of November 1, 2014, Proforma)

Year No.	Year Ended June 30	Principal Requirements			Percent Principal Retired	Interest Requirements			Total Debt Service Requirements
		Electric Revenue Bonds, Series 2010	Electric Revenue Refunding and Improvement Bonds, Series 2014	Total Principal Requirements		Electric Revenue Bonds, Series 2010	Electric Revenue Refunding and Improvement Bonds, Series 2014	Total Interest Requirements	
1	2015	\$1,295,000	\$150,000	\$1,445,000		\$303,091	\$484,629	\$787,719	\$2,232,719
2	2016	1,195,000	900,000	2,095,000		567,331	1,187,475	1,754,806	3,849,806
3	2017	1,475,000	710,000	2,185,000		525,506	1,142,475	1,667,981	3,852,981
4	2018	1,385,000	880,000	2,265,000		473,881	1,106,975	1,580,856	3,845,856
5	2019	1,485,000	870,000	2,355,000	23.82%	425,406	1,062,975	1,488,381	3,843,381
6	2020	1,480,000	975,000	2,455,000		379,000	1,019,475	1,398,475	3,853,475
7	2021	1,235,000	1,325,000	2,560,000		319,800	970,725	1,290,525	3,850,525
8	2022	1,400,000	1,280,000	2,680,000		270,400	904,475	1,174,875	3,854,875
9	2023	1,345,000	1,450,000	2,795,000		214,400	840,475	1,054,875	3,849,875
10	2024	1,300,000	1,630,000	2,930,000	54.72%	160,600	767,975	928,575	3,858,575
11	2025	1,405,000	1,660,000	3,065,000		108,600	686,475	795,075	3,860,075
12	2026	1,310,000	1,900,000	3,210,000		52,400	603,475	655,875	3,865,875
13	2027		3,230,000	3,230,000			508,475	508,475	3,738,475
14	2028		3,400,000	3,400,000			346,975	346,975	3,746,975
15	2029		3,500,000	3,500,000	92.49%		244,975	244,975	3,744,975
16	2030		780,000	780,000			104,975	104,975	884,975
17	2031		800,000	800,000			80,600	80,600	880,600
18	2032		830,000	830,000			54,600	54,600	884,600
19	2033		850,000	850,000	100.00%		27,625	27,625	877,625
		<u>\$16,310,000</u>	<u>\$27,120,000</u>	<u>\$43,430,000</u>		<u>\$3,800,416</u>	<u>\$12,145,829</u>	<u>\$15,946,244</u>	<u>\$59,376,244</u>

⁽¹⁾ Excludes \$2,639,166 Annexation Payment Obligations. These obligations do not bear interest and are unsecured obligations of the Issuer. They are without the benefit of any lien on the Net Revenues of the System.

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

Historical and Projected Debt Service Coverage

The historical and projected debt service coverage for all outstanding Bonds is set forth on the following table.

Electric Division: Historical Bond Coverage (Unaudited)

Fiscal Year	Gross Revenues	Operating Expenses ⁽¹⁾	Available for Debt Service	Debt Service Requirements	Service Coverage
2005	\$100,730,577	\$87,065,993	\$13,664,584	\$1,824,597	7.49
2006	115,737,558	100,039,594	15,697,964	1,881,022	8.35
2007	120,912,232	106,898,204	14,014,028	2,000,655	7.00
2008	126,255,064	111,552,229	14,702,835	2,528,131	5.82
2009	140,954,594	127,157,662	13,796,932	1,428,925	9.66
2010	127,265,472	112,704,793	14,560,679	1,923,448	7.57
2011	146,213,955	130,836,349	15,377,606	2,600,810	5.91
2012	148,912,142	132,330,615	16,581,527	2,684,009	6.18
2013	152,144,653	132,359,558	19,785,095	2,718,273	7.28
2014	148,380,900	132,246,070	16,134,830	2,723,563	5.92

⁽¹⁾ Operating Expenses are reduced by non-cash OPEB expenses.

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

Electric Division: Projected Bond Coverage (Unaudited)

Fiscal Year	Gross Revenues	Operating Expenses ⁽¹⁾	Available for Debt Service	Debt Service Requirements ⁽²⁾	Service Coverage
2015 (Projected)	\$154,734,908	\$139,431,717	\$15,303,191	\$2,685,991	5.70
2016 (Projected)	155,075,619	139,909,113	15,166,506	3,849,806	3.94
2017 (Projected)	158,445,053	141,877,336	16,567,717	3,852,981	4.30
2018 (Projected)	159,305,606	142,482,387	16,823,219	3,845,856	4.37
2019 (Projected)	159,737,292	142,456,087	17,281,205	3,843,381	4.50

⁽¹⁾ Operating Expenses are reduced by non-cash OPEB expenses.

⁽²⁾ Excludes \$2,639,166 Annexation Payment Obligations. These obligations do not bear interest and are unsecured obligations of the Issuer. They are without the benefit of any lien on the Net Revenues of the System.

Source: Jackson Energy Authority Financial Statements and Supplementary Information for the Fiscal Year Ended June 30, 2014 and Jackson Energy Authority Officials.

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APPENDIX D

SUPPLEMENTAL INFORMATION OF THE CITY OF JACKSON, TENNESSEE

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DEMOGRAPHIC AND ECONOMIC INFORMATION
OF THE CITY OF JACKSON AND MADISON COUNTY, TENNESSEE

Madison County (the “County”) is located in the center of Western Tennessee approximately 80 miles northeast of Memphis and 125 miles southwest of Nashville. The western portion of Tennessee comprises 21 counties, including the Shelby County/Memphis area. Geographical location has played a major role in the growth and development of the County. The County is governed by an elected mayor and twenty-five county commissioners across ten districts.

The City of Jackson (the “City”), the County seat and located approximately midway between Memphis and Nashville, serves as a “hub” of West Tennessee. Jackson is recognized as the retail, employment, medical, media, law, cultural, and educational center for West Tennessee. The City is governed by an elected mayor and nine council members with each representing a separate district.

Population

The U.S. Census Bureau has designated Jackson, Tennessee as a Metropolitan Statistical Area (MSA) that consists of Madison and Chester counties. The Jackson, Tennessee MSA had a 2010 Census population of 130,011 and a 2013 estimated population of 130,645. The Jackson, Tennessee MSA is anchored by the City of Jackson, Tennessee that had a 2010 Census population of 65,211 and a 2013 estimated population of 67,685.

	Jackson	Madison County	Tennessee
1990 U.S. Census	48,949	77,982	4,877,203
2000 U.S. Census	59,643	91,837	5,689,283
2010 U.S. Census	65,211	98,294	6,346,105
2011 U.S. Census Estimate	66,823	98,026	6,398,361
2012 U.S. Census Estimate	67,215	98,511	6,454,914
2013 U.S. Census Estimate	67,685	98,733	6,495,978

Source: U.S. Census Bureau

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Per Capita Personal Income

In 2012, Madison County had a per capita personal income of \$38,058 that was 98.2% of the State per capita personal income of \$38,752.

	Madison County	Tennessee	% of State
1990 Per Capita Personal Income	\$16,342	\$16,574	98.6%
2000 Per Capita Personal Income	\$26,006	\$26,689	97.4%
2001 Per Capita Personal Income	\$26,296	\$28,118	93.5%
2002 Per Capita Personal Income	\$27,112	\$28,637	94.7%
2003 Per Capita Personal Income	\$28,351	\$29,513	96.1%
2004 Per Capita Personal Income	\$29,631	\$30,918	95.8%
2005 Per Capita Personal Income	\$30,517	\$31,718	96.2%
2006 Per Capita Personal Income	\$31,314	\$33,109	94.6%
2007 Per Capita Personal Income	\$32,687	\$34,164	95.7%
2008 Per Capita Personal Income	\$33,963	\$35,061	96.9%
2009 Per Capita Personal Income	\$33,241	\$34,412	96.6%
2010 Per Capita Personal Income	\$34,214	\$35,431	96.6%
2011 Per Capita Personal Income	\$36,548	\$37,129	98.4%
2012 Per Capita Personal Income	\$38,058	\$38,752	98.2%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, CA1-3 Personal Income Summary

Housing

In 2013, Madison County had a median housing value of \$127,900 that was 77.5% of the State median housing value of \$165,000.

	Madison County	Tennessee	% of State
2004 Median Housing Value	\$107,000	\$127,900	83.7%
2005 Median Housing Value	113,500	135,000	84.1%
2006 Median Housing Value	122,700	143,594	85.4%
2007 Median Housing Value	125,450	149,000	84.2%
2008 Median Housing Value	120,000	151,500	79.2%
2009 Median Housing Value	117,950	148,000	79.7%
2010 Median Housing Value	119,000	149,900	79.4%
2011 Median Housing Value	115,000	150,925	76.2%
2012 Median Housing Value	125,000	160,000	78.1%
2013 Median Housing Value	127,900	165,000	77.5%

Source: Tennessee Housing Development Agency – This data reflects only the sales prices of new and existing homes that were sold in the respective years. This data may not be representative of the median value of all homes in the County or State.

Major Employers

The following table shows the County's largest employers and their respective number of employees in the County.

LIST OF MAJOR EMPLOYERS

Employer	Employees	Products/Services
West Tennessee Healthcare	5,368	Healthcare
Jackson-Madison County School System	2,019	Education
State of Tennessee	1,199	State Government
H & M Company, Inc.	985	Engineering and Construction
Delta Faucet Company	880	Kitchen and Bathroom Fixtures
Union University	835	Higher Education
Apria Healthcare	810	Healthcare
The Kellogg Company	735	Food Manufacturer
City of Jackson	725	City Government
Regional Hospital of Jackson	718	Healthcare
Pinnacle Foods Group, Inc.	590	Food Manufacturer
Stanley Black and Decker	533	Tool Manufacturer
Madison County	514	County Government
TBDN Tennessee Company	386	Automotive Filter Manufacturer
Gerdau	365	Steel Manufacturer
ARJ Manufacturing	334	Automotive Parts Manufacturer
Aldelano Packaging Corporation	275	Packaging and Warehouse Fulfillment
Perseus Distribution Services	264	Distribution Services to Publishers
UGN, Inc.	255	Automotive Parts Manufacturer

Sources: Jackson, TN Chamber of Commerce and individual companies.

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Employment Data

Year	Employment	Unemployment	Total Labor Force	Unemployment Percent		
				Madison County	State	U.S.
2000	45,259	1,769	47,028	3.8%	4.0%	4.0%
2001	43,695	2,359	46,054	5.1%	4.7%	4.7%
2002	43,058	2,732	45,790	6.0%	5.3%	5.8%
2003	43,449	2,782	46,231	6.0%	5.7%	6.0%
2004	43,780	2,600	46,380	5.6%	5.4%	5.5%
2005	44,372	2,628	47,000	5.6%	5.6%	5.1%
2006	45,429	2,593	48,022	5.4%	5.2%	4.6%
2007	46,309	2,465	48,774	5.1%	4.8%	4.6%
2008	45,401	3,309	48,710	6.8%	6.6%	5.8%
2009	42,938	5,156	48,094	10.7%	10.6%	9.3%
2010	43,682	4,959	48,641	10.2%	9.9%	9.6%
2011	45,094	4,754	49,848	9.5%	9.3%	8.9%
2012	45,190	4,107	49,297	8.3%	8.2%	8.1%
2013	44,422	4,094	48,516	8.4%	8.2%	7.4%
Sept-2014	43,579	3,125	46,704	6.7%	7.3%	5.9%

Source: Bureau of Labor Statistics

Transportation

The County is the geographical center of the 21 western Tennessee counties. Major thoroughfares include Interstate 40, running east-west through the County; U.S. Highway 412, a four-lane connector highway to Interstate 155 through Dyersburg to Interstate 55 in Missouri; US. Highway 45, a four-lane highway running north-south through the County to connect the Purchase Parkway to Interstate 24 in Kentucky. Other major highways through Madison County include 18, 70, 198, 223, and various other secondary state highways.

In addition to a good highway system, two major railroads cross the County. The CSX runs east-west, and the Norfolk Southern runs north-south.

The McKellar-Sipes Regional Airport provides scheduled service to Memphis, Tennessee; Nashville, Tennessee, and Athens, Georgia. This general aviation airport can also handle corporate service, cargo service, and various charter services. The airport has two asphalt runways, one that is 6,006 feet and the other that is 3,538 feet. The Memphis International Airport, an hour and 15 minute drive west, and Nashville International Airport, a two-hour drive east on Interstate 40, allow worldwide access to Jackson.

Healthcare Services

Madison County and the surrounding area's healthcare are serviced by Jackson-Madison County General Hospital and Regional Hospital of Jackson. Combined the hospitals have a total of 787 beds. The Jackson – Madison County General Hospital is the flagship of West Tennessee Healthcare and is a 635-bed care center. The only tertiary care hospital between Memphis and Nashville, the hospital serves a 17-county area of rural West Tennessee. Approximately 400,000 persons reside within the service area. The Regional Hospital of Jackson is a 152-bed community healthcare provider.

Retail Trade

The combination of healthcare services, higher educational institutions, employment opportunities associated with industrial and commercial development, and accessibility create a strong retail presence in Madison County. The County's retail sales in 2013 totaled over \$2 billion, a 42.1% increase since 2000.

2000 Retail Sales	\$1,463,785,482	2007 Retail Sales	\$1,919,233,507
2001 Retail Sales	1,457,427,394	2008 Retail Sales	1,890,032,771
2002 Retail Sales	1,472,362,110	2009 Retail Sales	1,710,952,332
2003 Retail Sales	1,599,056,646	2010 Retail Sales	1,894,613,825
2004 Retail Sales	1,683,959,142	2011 Retail Sales	2,048,478,602
2005 Retail Sales	1,728,791,687	2012 Retail Sales	2,113,813,208
2006 Retail Sales	1,833,773,622	2013 Retail Sales	2,080,429,525

Source: Tennessee Department of Revenue

Higher Education

Madison County has five accredited four-year and postgraduate institutions, two community colleges, and a technology center. These institutions include Bethel University – Jackson Campus, Jackson State Community College, Lane College, Tennessee College of Applied Technology at Jackson, Union University, University of Memphis – Lambuth Campus, University of Tennessee at Martin – Jackson Center, and West Tennessee Business College.

Public Education

The County consolidated its public schools with those in the City of Jackson in 1990. The Jackson-Madison County School System had an average daily membership of 12,704 for the 2012-2013 school year and employs 2,019 employees.

Average Daily		Average Daily	
School Year	Membership	School Year	Membership
1999-2000	13,777	2006-2007	13,783
2000-2001	13,817	2007-2008	13,409
2001-2002	13,668	2008-2009	13,134
2002-2003	13,521	2009-2010	12,808
2003-2004	13,589	2010-2011	12,756
2004-2005	13,654	2011-2012	12,649
2005-2006	13,731	2012-2013	12,704

Source: Tennessee Department of Education

The West Tennessee School for the Deaf is located in Jackson. Located on a ten acre site in Jackson, Tennessee, this state elementary school serves hearing impaired children ranging in age from 2-13, throughout West Tennessee.

Private schools in the area include Augustine School, Jackson Christian School, Jackson Preparatory School, The Montessori Center of Jackson, Sacred Heart of Jesus High School, St. Mary's Catholic School, Trinity Christian Academy, and University School of Jackson.

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APPENDIX E
BOND COUNSEL OPINION

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(Form of Bond Counsel Opinion)

(Closing Date)

Jackson Energy Authority
Jackson, Tennessee

Hutchinson, Shockey, Erley & Co.
Chicago, Illinois

Re: Jackson Energy Authority Electric System Revenue Refunding and Improvement Bonds, Series 2014

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Jackson Energy Authority (the "Issuer") of \$27,120,000 Electric System Revenue Refunding and Improvement Bonds, Series 2014, dated the date hereof (the "Series 2014 Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

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

1. The Series 2014 Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Directors of the Issuer authorizing the Series 2014 Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of and interest on the Series 2014 Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the electric system of the Issuer on parity with the Issuer's outstanding Electric System Refunding Revenue Bonds, Series 2010 and any other bonds issued hereafter on a parity with the Series 2014 Bonds, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Series 2014 Bonds.

4. Interest on the Series 2014 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2014 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2014 Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Series 2014 Bonds.

5. Under existing law, the Series 2014 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise

taxes on all or a portion of the interest on any of the Series 2014 Bonds during the period such Series 2014 Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2014 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Series 2014 Bonds and the enforceability of the Bonds and the resolution authorizing the Series 2014 Bonds 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.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2014 Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

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