

In the opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Chambers & Gaylor Law Firm, PLLC, Jackson, Mississippi, Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2016 Bonds (as defined herein) is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code (as defined herein). Such exclusion is conditioned on continuing compliance with certain tax covenants by the City (as defined herein). See “TAX MATTERS” for description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2016 Bonds. Co-Bond Counsel are further of the opinion that under and pursuant to the Act (as defined herein), the Series 2016 Bonds (as defined herein) and interest thereon are exempt from all income taxes imposed by the State of Mississippi. See “TAX MATTERS” and “APPENDIX E — FORMS OF CO-BOND COUNSEL OPINIONS.”

\$17,135,000**CITY OF JACKSON, MISSISSIPPI****WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016**

Dated: Date of Delivery

Due: September 1, as shown on inside front cover

The \$17,135,000 City of Jackson, Mississippi, Water and Sewer System Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”), are being issued by the City of Jackson, Mississippi (the “City”), pursuant to and in conformity with the Constitution and Laws of the State of Mississippi and a resolution of the City Council of the City (the “Council”) adopted on March 11, 1993, as amended and supplemented by resolutions adopted by the Council on March 16, 2004, July 18, 2011, and August 7, 2012 (the “General Bond Resolution”), and a resolution adopted by the Council on May 17, 2016 (the “Series 2016 Supplemental Bond Resolution”).

The Series 2016 Bonds will be dated the date of delivery thereof, and will bear interest from that date to their respective maturities in the amounts and at the rates set forth on the inside cover of this Official Statement. The Series 2016 Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2016 Bonds will be made in book-entry-only form, in denominations of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2016 Bonds will not receive physical delivery of certificates representing their interests in the Series 2016 Bonds. Interest on the Series 2016 Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2017. So long as DTC or its nominee is the Registered Owner (as defined herein) of the Series 2016 Bonds, interest, together with the principal of and premium, if any, on the Series 2016 Bonds will be paid directly to DTC by U.S. Bank National Association, as paying agent. See “APPENDIX I — BOOK-ENTRY-ONLY SYSTEM.”

The scheduled payment of principal of and interest on the Series 2016 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2016 Bonds by Build America Mutual Assurance Company (“BAM”).



The Series 2016 Bonds are being issued to realize debt service savings and for the purpose of providing funds to: (i) currently refund all of the City’s outstanding Water and Sewer System Revenue Refunding Bonds, Series 2005, issued in the original principal amount of \$27,180,000, of which \$18,325,000 remains outstanding; (ii) pay the premium for the Surety Bond (as defined herein) and the Policy (as defined herein) and (iii) pay certain costs of issuance in connection with the Series 2016 Bonds, all as more fully described in this Preliminary Official Statement.

The Series 2016 Bonds will be special obligations of the City payable solely from Net Revenues as collected and received by the City from the operation and ownership of its combined water and sewer system (the “System”) and from amounts held under the General Bond Resolution and the Series 2016 Supplemental Bond Resolution. The Series 2016 Bonds are being issued on parity with the Existing Bonds, as defined herein, and are secured by a parity lien on Net Revenues of the System and are ratably payable from Net Revenues and any other security pledged for the Series 2016 Bonds and the Existing Bonds.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. PROSPECTIVE INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. PURCHASE OF THE SERIES 2016 BONDS INVOLVES A CERTAIN DEGREE OF RISK, AND REFERENCE IS MADE TO THE CAPTION “RISKS TO THE OWNERS OF THE SERIES 2016 BONDS” FOR A DISCUSSION OF SUCH RISKS.

The Series 2016 Bonds are offered subject to the final approval of the legality thereof by Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Chambers & Gaylor Law Firm, PLLC, Jackson, Mississippi, Co-Bond Counsel. Certain legal matters will be passed upon for the City by Banks Law & Associates, LLC., Jackson, Mississippi, and for the Underwriter by Betty A. Mallett, PLLC, Jackson, Mississippi. Certain legal matters relating to disclosure will be passed upon for the City by Hunton & Williams LLP, Atlanta, Georgia, and Owens Moss, PLLC, Jackson, Mississippi, as Co-Disclosure Counsel. Kipling Jones & Co., Houston, Texas, serves as the Financial Advisor to the City in connection with the sale and issuance of the Series 2016 Bonds. The Series 2016 Bonds are expected to be available in definitive form for delivery on or about August 30, 2016.

George K. Baum & Company**Hutchinson, Shockey, Erley & Co.****Duncan-Williams, Inc.**

Dated: August 24, 2016.

\$17,135,000
CITY OF JACKSON, MISSISSIPPI
WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Year of Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP[†]
2017	\$1,860,000	3.000%	0.900%	468473DM2
2018	1,920,000	4.000	1.250	468473DN0
2019	2,005,000	4.000	1.400	468473DP5
2020	2,090,000	4.000	1.560	468473DQ3
2021	2,180,000	4.000	1.730	468473DR1
2022	2,265,000	4.000	1.940	468473DS9
2023	2,355,000	4.000	2.100	468473DT7
2024	2,460,000	4.000	2.190	468473DU4

[†] The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Series 2016 Bonds only, and the City and the Underwriter do not make any representation with respect to such CUSIP numbers nor undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions, including but not limited to a refunding in whole or part of the Series 2016 Bonds.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFERING OF ANY SECURITY OTHER THAN THE ORIGINAL OFFERING OF THE SERIES 2016 BONDS IDENTIFIED ON THE COVER HEREOF. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THAT CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF THE SERIES 2016 BONDS BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSION OF OPINIONS HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR THE SALE OF ANY OF THE SERIES 2016 BONDS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

UPON ISSUANCE, THE SERIES 2016 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE SERIES 2016 BONDS FOR SALE.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION.

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

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE CITY AND THE PURCHASERS OR HOLDERS OF THE SERIES 2016 BONDS. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE REASONABLE, BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT (THE "ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.I-DEALPROSPECTUS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF ITS IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

REFERENCES TO WEB SITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER'S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEB SITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS OFFICIAL STATEMENT FOR ANY PURPOSE INCLUDING FOR PURPOSES OF RULE 15C2-12 PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”) MAKES NO REPRESENTATION REGARDING THE SERIES 2016 BONDS OR THE ADVISABILITY OF INVESTING IN THE SERIES 2016 BONDS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM, SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING “BOND INSURANCE” AND “APPENDIX G — SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

CITY OF JACKSON, MISSISSIPPI

MAYOR

Tony T. Yarber

CITY COUNCIL MEMBERS

Ashby Foote, Ward 1
Melvin Priester, Jr., Ward 2
Kenneth I. Stokes, Ward 3
De'Keither Stamps, Ward 4
Charles Tillman, Ward 5
Tyrone Hendrix, Ward 6
Margaret Barrett-Simon, Ward 7

CITY ATTORNEY

Monica D. Joiner, Esq.

CITY ADMINISTRATION

Jerriot Smash, Interim Director of Public Works
Michelle Battee-Day, Interim Director of Administration

CITY'S OUTSIDE COUNSEL

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FINANCIAL ADVISOR

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Owens Moss, PLLC
Jackson, Mississippi

UNDERWRITER'S COUNSEL

Betty A. Mallett, PLLC
Jackson, Mississippi

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

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

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OFFICIAL STATEMENT

\$17,135,000

CITY OF JACKSON, MISSISSIPPI

WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016

INTRODUCTION

General

The purpose of this Official Statement, including its Appendices, is to set forth certain information concerning the issuance and sale by the City of Jackson, Mississippi (the “City”), of its \$17,135,000 Water and Sewer System Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”). The Series 2016 Bonds are being issued to refund the City’s outstanding Water and Sewer System Revenue Refunding Bonds, Series 2005, issued in the original principal amount of \$27,180,000, of which \$18,325,000 remains outstanding (the “Series 2005 Bonds”). The Series 2005 Bonds were issued to refund prior obligations which financed improvements to the City’s combined water and sewer system (the “System”). Certain information relating to the City and the System is set forth in “APPENDIX A — INFORMATION CONCERNING THE CITY” and “APPENDIX B — INFORMATION CONCERNING THE SYSTEM,” respectively.

The Series 2016 Bonds are being issued pursuant to Sections 21-27-11 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the “Utilities Act”) and Sections 31-27-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the “Refinancing Act,” together with the Utilities Act, the “Act”), a resolution adopted by the City Council of the City (the “Council”) on March 11, 1993, as amended and supplemented by resolutions adopted by the Council on March 16, 2004, July 18, 2011, and August 7, 2012 (the “General Bond Resolution”), and a resolution adopted by the Council on May 17, 2016 (the “Series 2016 Resolution,” together with the General Bond Resolution, the “Bond Resolution”).

The Series 2016 Bonds are payable from the gross revenues derived from the operation of the System, subject to the prior payment of the reasonable and necessary expenses of operating and maintaining the System, including certain amounts treated under the General Bond Resolution as expenses of operating and maintaining the System (the “Net Revenues”). The Series 2016 Bonds are secured by a pledge of Net Revenues on a parity basis with the outstanding Series 2011 Bonds, Series 2012 Bonds, Series 2013 Bonds (as herein defined) and any additional water and sewer system revenue bonds issued on a parity basis with the Series 2016 Bonds as authorized by the General Bond Resolution.

THE SERIES 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER LIMITATION ON INDEBTEDNESS BUT SHALL BE PAID SOLELY FROM NET REVENUES OF THE SYSTEM AND AMOUNTS PROVIDED FOR IN THE GENERAL BOND RESOLUTION. NO BONDHOLDER SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM OF ANY PROPERTY THEREIN TO PAY THE PRINCIPAL OF AND INTEREST ON THE SERIES 2016 BONDS.

The System is operated by City under the supervision of its Department of Public Works (the “Department”). The Department operates the City’s water facilities and has outsourced the operation and management of its wastewater treatment facilities. The System is currently subject to a consent decree with the United States Environmental Protection Agency.

In 2015 and 2016, the City received reports from an independent utilities financial and management consultant to provide the City with assistance relating to the financial and management sustainability of the System and the Department. THE CONSULTANT’S REPORT CONTAINED DETAILED FINDINGS AND RECOMMENDATIONS. THE REPORT CONCLUDED THAT THE CITY WOULD NOT BE ABLE TO MAKE NECESSARY DEBT SERVICE COVERAGE WITHOUT ADJUSTMENTS TO RATES OR OTHER REMEDIES AND POINTED OUT SYSTEMATIC PROBLEMS IN THE CUSTOMER SERVICE AND BILLING SYSTEMS.

The Department adopted an action plan in response to the report and has implemented some components of the plan. See “THE SYSTEM — Management of the System; — Consent Decree and Other Regulatory Matters; — Consultant’s Report on the System; and — Department of Public Works Action Plan” herein.

The City

The City is a political subdivision and the capital of the State of Mississippi (the “State”). It is located primarily in Hinds County, and is the largest city in the State. The City operates under a Mayor-Council form of government. The council of the City is comprised of seven councilmembers (the “Council”) who constitute the governing body of the City, while the Mayor is elected to head the executive branch of the City’s government with veto power over the actions of Council (subject to overrides). Additional information regarding the City is provided in Appendix A to this Official Statement, entitled “INFORMATION CONCERNING THE CITY.”

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in this entire Official Statement, including the cover page and all appendices hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement. The offering of the Series 2016 Bonds to potential investors is made only by means of this entire Official Statement.

Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in “APPENDIX H — CERTAIN DEFINITIONS AND INFORMATION CONCERNING THE SERIES 2016 RESOLUTION AND THE GENERAL BOND RESOLUTION.”

PLAN OF REFUNDING

A portion of the proceeds of the Series 2016 Bonds will be used to refund all of the outstanding Series 2005 Bonds (the “Refunded Bonds”). The Refunded Bonds were previously issued to refund prior bonds of the City which financed System improvements. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The principal of, and interest on, the Refunded Bonds will be paid up to and including September 1, 2016 (the “Redemption Date”) and the Refunded Bonds will be called on the Redemption Date at a redemption price of 100% of the principal amount thereof, together with interest accrued thereon to the date of such redemption.

To effect the refunding and defeasance of the Refunded Bonds, a portion of the proceeds of the Series 2016 Bonds will be deposited with U.S. Bank National Association (the “Prior Paying Agent”) and be used to refund and redeem the Refunded Bonds on the Redemption Date, which is their earliest call date. The amount deposited with the Prior Paying Agent shall be in an amount which shall be sufficient to pay the principal of and accrued interest on the Refunded Bonds up to and including the Redemption Date and to pay such amount on the Redemption Date.

ESTIMATED SOURCES AND USES OF FUNDS

The following is a summary of the expected sources and uses of the Series 2016 Bonds:

SOURCES OF FUNDS

Par Amount of Series 2016 Bonds.....	\$17,135,000.00
Original Issue Premium.....	1,607,397.65
Total Sources of Funds.....	<u>\$18,742,397.65</u>

USES OF FUNDS

For deposit with the Prior Paying Agent ⁽¹⁾	\$18,146,905.00
For payment of Costs of Issuance ⁽²⁾	595,492.65
Total Uses of Funds	<u>\$18,742,397.65</u>

⁽¹⁾ In addition to the deposit of \$18,146,905 of Series 2016 Bond proceeds with the Prior Paying Agent, the City will also apply \$610,850.00 from debt service funds on hand for the Series 2005 Bonds to refund such bonds.

⁽²⁾ Includes Underwriters' discount, legal, accounting and other consulting fees, financial advisors' fees, rating agency fees, bond insurance premium and debt service reserve surety premium, Paying and Transfer Agent fees, printing costs, validation court costs, and other miscellaneous fees and costs.

THE SERIES 2016 BONDS

Description of the Series 2016 Bonds

The Series 2016 Bonds will be dated as of their date of delivery and will bear interest at the rates set forth on the inside cover of this Official Statement (based on a 360-day year comprised of twelve 30-day months), payable semiannually on each March 1 and September 1, commencing March 1, 2016. Subject to redemption as set forth below, the Series 2016 Bonds will mature on the dates and in the amounts set forth on the inside cover of this Official Statement.

When in book-entry form, payment of the principal of and interest on the Series 2016 Bonds will be made by U.S. Bank National Association, as paying agent and transfer agent (the "Paying and Transfer Agent") directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2016 Bonds. See "APPENDIX I — BOOK-ENTRY-ONLY SYSTEM." If the Series 2016 Bonds are no longer held in book-entry form, principal and interest will be paid in the manner provided in the Bond Resolution.

When in book-entry form, ownership of the Series 2016 Bonds may be registered as transferred and Series 2016 Bonds may be exchanged in accordance with the rules of DTC. See "APPENDIX I — BOOK-ENTRY-ONLY SYSTEM." If the Series 2016 Bonds are no longer held in book-entry form, ownership of the Series 2016 Bonds may be registered as transferred and Series 2016 Bonds may be exchanged in the manner provided in the Bond Resolution.

The Series 2016 Bonds are issuable only as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. Purchases of beneficial ownership interests in the Series 2016 Bonds will be made in book-entry form, and purchasers will not receive certificates representing interests in the Series 2016 Bonds so purchased. If the book-entry system is discontinued, Series 2016 Bonds will be delivered as described in the Bond Resolution, and beneficial owners of the Series 2016 Bonds will become the registered owners of the Series 2016 Bonds. See "APPENDIX I — BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions

No Optional Redemption. The Series 2016 Bonds are not subject to optional redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS

Pledge of Net Revenues

The principal of and interest on the Series 2016 Bonds is payable solely from the gross revenues derived from the operation of the combined water and sewer system of the City (the “System”), subject to the prior payment of the reasonable and necessary expenses of operating and maintaining the System, including certain amounts treated under the General Bond Resolution as expenses of operating and maintaining the System (the “Net Revenues”). The payment of the principal of and interest on the Series 2016 Bonds shall be secured equally and ratably with all other Bonds by a pledge pursuant to the General Bond Resolution of a sufficient amount of the Net Revenues required to pay such amounts when due. The Series 2016 Bonds and any other Series of Bonds, regardless of the time or times of their issuance, shall rank equally and be entitled to share ratably in the lien of the Net Revenues of the System, and the source of and security for payment therefrom without preference of any Bonds over any other Bonds. See “SECURITY FOR THE SERIES 2016 BONDS - Additional Bonds.” For information about the System, see “APPENDIX B – INFORMATION CONCERNING THE SYSTEM.”

The Series 2016 Bonds shall not be or constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be paid solely from a sufficient amount of the Net Revenues of the System, as provided in the General Bond Resolution. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the City or taxation in any form of any property therein to pay the principal of and interest on the Series 2016 Bonds.

Flow of Funds

The Bond Resolution creates the following funds and accounts to secure all Bonds issued under the General Bond Resolution, including the Series 2016 Bonds:

(1) *Water and Sewer System Revenue Fund* (the “Revenue Fund”). Each month, all revenues of the System are deposited in the Revenue Fund, which is kept separate and distinct from all other funds of the City and used only in the manner provided for in the General Bond Resolution.

(2) *Water and Sewer System Operation and Maintenance Fund* (the “Operation and Maintenance Fund”). Moneys in the Revenue Fund are first deposited into the Operation and Maintenance Fund in an amount equal to the estimated Operating Expenses of the System for the next succeeding calendar month, based upon the operating budget provided for by the General Bond Resolution.

(3) *Water and Sewer System Bond Fund* (the “Bond Fund”), including therein a Water and Sewer System Debt Service Account (the “Debt Service Account”) and a Water and Sewer System Debt Service Reserve Account (the “Reserve Account”). Moneys in the Bond Fund are used for the payment of the principal of and interest on bonds issued pursuant to the General Bond Resolution. Moneys in the Revenue Fund are delivered to the Bond Fund in an amount required for deposit to the Debt Service Account and the Debt Service Reserve Account, as described in more detail in “APPENDIX H — CERTAIN DEFINITIONS AND INFORMATION CONCERNING THE SERIES 2016 RESOLUTION AND THE GENERAL BOND RESOLUTION – Flow of Funds.”

(4) *Subordinate Bond Fund* (the “Subordinate Bond Fund”). Moneys are next deposited into the Subordinate Bond Fund in such amount as may be necessary to pay the principal of, premium, if any, and interest on any Subordinated Indebtedness.

(5) *Water and Sewer System Contingent Fund* (the “Contingent Fund”). Moneys are deposited into the Contingent Fund in an amount necessary in order for the balance credited to such fund to equal two (2) months budgeted operating expenses, based on the budget for the then current year. The Contingent Fund is used for the purpose of defraying costs arising in the operation and maintenance of the System to the extent that moneys are not available therefor in the Operation and Maintenance Fund, provided, however, that in the event the funds otherwise established by the General Bond Resolution for the payment of the principal of and interest on the Bonds should be insufficient, then in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest

and to provide for the payment of principal shall be drawn from the Contingent Fund and shall be used, together with funds otherwise available to pay such amounts.

(6) *Rate Stabilization Fund* (the “Rate Stabilization Fund”). There shall next be deposited into the Rate Stabilization Fund an amount as the City shall annually determine to be appropriate. The Governing Body of the City may, from time to time, transfer amounts on deposit in the Rate Stabilization Fund to any other Fund or Account including the Revenue Fund, may purchase or redeem Bonds, may pay the principal of or interest on Bonds or any Subordinate Indebtedness or for any other lawful purpose.

(7) *Surplus Fund* (the “Surplus Fund”). There shall next be deposited into the Surplus Fund such amount as the City shall determine. The Surplus Fund shall be used for the purpose of paying the cost of replacing such parts of the System as may be needed in order to keep the System operating in an economical and efficient manner. Moneys in the Surplus Fund are also available to pay the principal or interest on Bonds or any Subordinate Indebtedness.

Debt Service Reserve Account

The General Bond Resolution requires the City to fund the Debt Service Reserve Account for the Series 2016 Bonds by depositing therein funds or a surety bond in an amount sufficient to insure that the balance on deposit in the Debt Service Reserve Account at least equals the Reserve Account Requirement, calculated immediately after the delivery of the Series 2016 Bonds.

The “Reserve Account Requirement” shall mean, as of any date of calculation for the Debt Service Reserve Account or subaccount therein, an amount equal to the lesser of (1) Maximum Annual Debt Service Requirement for all outstanding Bonds secured thereby, (2) 125% of the Annual Debt Service Requirement for all outstanding Bonds secured thereby, or (3) the maximum amount of Bond proceeds which may be deposited to the Debt Service Reserve Account without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds secured thereby (other than taxable Bonds) to be included in gross income for purposes of federal income taxation or otherwise violating applicable provisions of the Code; provided, however, the City may establish by a Series Resolution a different Reserve Account Requirement with respect to any particular Series of Bonds, which Reserve Account Requirement may be \$0.00. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been outstanding for at least 12 months prior to the date of calculation, the highest of (i) the actual rate of interest on the date of calculation, (ii) the average interest rate borne by such Variable Rate Bonds for the 12-month period immediately preceding each date of calculation, and (iii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation, and (B) if such Variable Rate Bonds have not been outstanding for at least 12 months prior to the date of calculation, the higher of (i) the actual rate of interest on the date of calculation, and (ii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation. The Reserve Account Requirement shall be calculated as of October 1 of each year with respect to the next succeeding Fiscal Year.

Rate Covenant

The General Bond Resolution provides that the Net Revenues of the System in each Fiscal Year must be at least equal to the greater of:

(1) 120% of the sum of [sic] the Annual Debt Service Requirement on the Bonds (not including subordinate indebtedness) in such Fiscal Year. Net Revenues in such Fiscal Year will be increased for amounts deposited to the Revenue Fund from the Rate Stabilization Fund and will be decreased for amounts deposited to the Rate Stabilization Fund from the Revenue Fund (as such terms are defined in the General Bond Resolution); or

(2) 100% of the sum of:

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

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

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

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

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

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

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

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

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

Additional Bonds

Upon satisfaction of certain conditions described below, the General Bond Resolution permits the City, for specified purposes, to issue a series of Bonds that is equally and ratably secured on a parity basis by the lien on Net Revenues securing the Existing Bonds and the Series 2016 Bonds. Such additional Bonds may be issued as new money bonds or refunding bonds, without express limit as to principal amount.

Conditions to Issuing Additional New Money Bonds

The conditions to the issuance of additional Bonds as new money bonds consist of, among other things:

A certificate of the City and an Independent Consulting Engineer to the effect that:

(1) The City is current in all deposits into the various Funds and all payments theretofore required to have been deposited or made by it under the provisions of the General Bond Resolution or any existing Series Resolution or Resolutions;

(2) The amount of the Adjusted Net Revenues, computed on the basis of the Net Revenues during any twelve (12) consecutive months of the eighteen (18) months immediately preceding the delivery of such Series of Bonds, will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement after issuance of such Series of Bonds. Adjusted Net Revenues shall be calculated in accordance with the following considerations:

(A) If such Series of Bonds is being issued for the purpose of acquiring operating utility properties having an earnings record, the Independent Consulting Engineer shall estimate the effect on the Net Revenues of the acquisition of such utility properties and the integration thereof into the System, and the Net Revenues for such consecutive twelve-month period shall be adjusted to give effect to such estimate. Any such estimate shall be based upon the operating experience and records of the City during any period in which the System has been operated by the City (if applicable) and upon any available financial statements and records relating to the earnings of such utility properties to be acquired.

(B) If any changes have been made and are in effect at the time of the adoption of the Series Resolution authorizing the issuance of such Series of Bonds in the schedule of rates and charges imposed by the City for services furnished by the System which were in effect during any part of the consecutive twelve-month period referred to in this subsection (2), Net Revenues for such consecutive twelve-month period shall be adjusted to reflect any change in such Net Revenues which would have occurred if the schedule of rates and charges in effect at the time of the adoption of the Series Resolution authorizing the issuance of such Series of Bonds had been in effect during that portion of such consecutive twelve-month period in which such schedule was not in effect.

(C) If such Series of Bonds is being issued for the purpose of constructing or otherwise acquiring improvements or additions to the System and, in the opinion of such Independent Consulting Engineer, such improvements or additions will result in increases in Net Revenues of the System, in computing Adjusted Net Revenues, Net Revenues shall be increased by the amount of such expected increase, as estimated by such Independent Consulting Engineer.

Conditions to Issuing Additional Refunding Bonds

The conditions to the issuance of additional Bonds as refunding bonds consist of, among other things, compliance with Mississippi law governing minimum levels of savings to be realized by a refunding and:

Either (i) moneys in an amount sufficient to effect payment of the principal amount or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, which moneys shall be held by the applicable Series Paying Agent or the escrow agent designated by the City in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Government Obligations or Refunded Municipals, the principal of and interest on which when due, together with the moneys, if any, deposited with the applicable Series Paying Agent or such escrow agent at such time, will be sufficient to pay when due the principal amount or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be.

Existing Bonds

The Series 2016 Bonds are being issued on parity with:

(1) the City's \$27,180,000 Water and Sewer System Revenue Refunding Bonds, Series 2005, currently outstanding in the principal amount of \$18,325,000 (the "Series 2005 Bonds")¹;

(2) the City's \$46,720,000 Water and Sewer System Revenue Refunding Bond, Series 2011A, currently outstanding in the principal amount of \$41,880,000 (the "Series 2011A Bond"), which secures the \$46,720,000 Mississippi Development Bank Special Obligation Bonds, Series 2011A (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), currently outstanding in the principal amount of \$41,880,000;

(3) the City's \$2,565,000 Taxable Water and Sewer System Revenue Refunding Bonds (the "Series 2011B Bond" and, together with the Series 2011A Bond the "Series 2011 Bonds"), which secures the \$2,565,000 Mississippi Development Bank Taxable Special Obligation Bonds, Series 2011B (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), currently outstanding in the principal amount of \$2,345,000;

(4) the City's \$63,045,000 Water and Sewer System Revenue Refunding Bond, Series 2012A, currently outstanding in the principal amount of \$63,045,000 (the "Series 2012A Bond"), which secures the \$63,045,000 Mississippi Development Bank Special Obligation Bonds, Series 2012A (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), currently outstanding in the principal amount of \$63,045,000;

(5) the City's \$19,180,000 Taxable Water and Sewer System Revenue Refunding Bonds (the "Series 2012B Bond" and, together with the Series 2012A Bond, the "Series 2012 Bonds"), which secures the \$19,180,000 Mississippi Development Bank Taxable Special Obligation Bonds, Series 2012B (City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond Project), currently outstanding in the principal amount of \$12,325,000; and

(6) the City's \$89,990,000 Water and Sewer System Revenue Bond, Series 2013 (the "Series 2013 Bond"), currently outstanding in the principal amount of \$89,990,000 (the "Series 2013 Bonds"), which secures the \$89,990,000 Mississippi Development Bank Special Obligation Bonds, Series 2013 (City of Jackson, Mississippi Water and Sewer System Revenue Bond Project), Series 2013, currently outstanding in the principal amount of \$89,990,000.

The Series 2005 Bonds², the Series 2011 Bonds, the Series 2012 Bonds and the Series 2013 Bonds are referred to herein as the "Existing Bonds."

As described above, additional series of bonds may be issued on a parity with the Series 2016 Bonds and the Existing Bonds upon satisfaction of certain conditions contained in the General Bond Resolution. The issuance by the City of any such additional bonds on a parity with the Series 2016 Bonds may dilute the security for the Series 2016 Bonds. For a description of the requirements and conditions for the issuance of any additional series of bonds, see APPENDIX H — CERTAIN DEFINITIONS AND INFORMATION CONCERNING THE SERIES 2016 RESOLUTION AND THE GENERAL BOND RESOLUTION."

Limited Obligations

The Series 2016 Bonds are revenue bonds of the City issued pursuant to the General Bond Resolution and the Series 2016 Resolution adopted by the Council on May 17, 2016. THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY OUT OF THE NET REVENUES PLEDGED UNDER THE SERIES 2016 RESOLUTION. THE SERIES 2016 BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY

¹ The amounts shown as outstanding for the Series 2005 Bonds will no longer be outstanding upon the issuance of the Series 2016 Bonds and the redemption of the Series 2005 Bonds or the Redemption Date.

² The Series 2005 Bonds are expected to be refunded in their entirety with the proceeds of the Series 2016 Bonds.

LIMITATION, AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND SHALL NEVER CONSTITUTE OR GIVE RISE TO ANY LIEN OR CLAIM AGAINST ANY TANGIBLE PROPERTY OF THE CITY NOW EXISTING OR TO BE CONSTRUCTED OR ACQUIRED AS PART OF THE SYSTEM. SEE “APPENDIX H — CERTAIN DEFINITIONS AND INFORMATION CONCERNING THE SERIES 2016 RESOLUTION AND THE GENERAL BOND RESOLUTION.”

Enforceability of Remedies

The remedies available to the owners of the Series 2016 Bonds upon an “event of default” under the terms of the Series 2016 Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code, the remedies provided under the Series 2016 Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the State and the United States of America.

DEBT SERVICE REQUIREMENTS

The following table sets forth the estimated principal and interest requirements on the Series 2016 Bonds:

Bond Year Ending September 1	Principal	Interest	Total Debt Service on the Series 2016 Bonds
2017	\$ 1,860,000	\$ 668,652.22	\$ 2,528,652.22
2018	1,920,000	611,000.00	2,531,000.00
2019	2,005,000	534,200.00	2,539,200.00
2020	2,090,000	454,000.00	2,544,000.00
2021	2,180,000	370,400.00	2,550,400.00
2022	2,265,000	283,200.00	2,548,200.00
2023	2,355,000	192,600.00	2,547,600.00
2024	2,460,000	98,400.00	2,558,400.00
Total	\$17,135,000	\$3,212,452.22	\$20,347,452.22

The following table sets forth the debt service requirements on the Existing Bonds and the Series 2016 Bonds.⁽¹⁾

FY Ending September 30	Total Debt Service for Series 2011	Total Debt Service for Series 2012	Total Debt Service for Series 2013	Total Debt Service for Series 2016	Total Debt Service
2017	\$ 3,752,220	\$ 5,454,981	\$ 7,421,063	\$ 2,528,652	\$ 19,156,915
2018	3,750,535	5,448,200	7,424,188	2,531,000	19,153,923
2019	3,751,576	5,442,500	7,423,063	2,539,200	19,156,338
2020	3,753,413	5,439,450	7,422,563	2,544,000	19,162,425
2021	3,756,646	5,427,025	7,422,438	2,550,400	19,156,509
2022	3,754,876	5,427,275	7,424,744	2,548,200	19,155,095
2023	3,750,769	5,430,775	7,423,969	2,547,600	19,153,112
2024	3,750,495	5,417,025	7,423,438	2,558,400	19,149,358
2025	3,748,055	5,726,525	7,421,838		16,896,418
2026	3,754,595	5,722,775	7,424,763		16,902,133
2027	3,754,345	5,725,275	7,422,269		16,901,889
2028	3,752,325	5,723,275	7,424,050		16,899,650
2029	3,757,460	5,726,525	7,422,331		16,906,316
2030	3,756,205	5,714,275	7,421,269		16,891,749
2031	3,758,605	5,716,775	7,424,681		16,900,061
2032	3,759,165	5,714,475	7,421,556		16,895,196
2033	472,660	8,966,400	7,420,881		16,859,941
2034	466,690	8,973,450	7,421,306		16,861,446
2035			7,423,344		7,423,344
2036			7,425,094		7,425,094
2037			7,422,781		7,422,781
2038			7,424,688		7,424,688
2039			7,423,922		7,423,922
2040			7,423,594		7,423,594
2041			7,421,641		7,421,641
TOTAL	\$61,003,633	\$107,196,981	\$185,575,469	\$20,347,452	\$374,123,535

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⁽¹⁾ Debt service shown is combined principal and interest and is calculated following to the issuance of the Series 2016 Bonds and the refunding of the Series 2005 Bonds. Totals may not foot due to rounding.

THE SYSTEM

General

The City owns and operates a combined water and sewerage system (the “System”), which provides water services and sanitary sewer services, including wastewater treatment facilities, to the residents of the City, residents of the City of Byram and some residents of Hinds, County, Mississippi. All activities necessary to provide such services are accounted for in the combined Water Fund and Sewer Fund, including administration, engineering, pumping and purification, transmission and distribution, financing and debt service, and billings and collections. During its Fiscal Year ended September 30, 2015, the City had 56,998 water system customers with water system sales of \$34,113,690 and 50,709 sewer system customers with sales of \$33,066,396. See “APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED SEPTEMBER 30, 2015.”

Management of the System

The City’s Department of Public Works operates the City’s water facilities. The City’s wastewater treatment facilities are operated under a management contract with United Water Services Mississippi, LLC and a private vendor manages the City’s sludge hauling. The City owns and operates three wastewater treatment facilities, numerous interceptor and collector sewers and provides sewer services to the City, parts of Hinds County, western Rankin County and eastern Madison County. For further information see “APPENDIX B – INFORMATION CONCERNING THE SYSTEM – MANAGEMENT OF THE SYSTEM.”

Consent Decree and Other Regulatory Matters

In March 2013, the City entered into a Consent Decree (the “Consent Decree”) with the United States Environmental Protection Agency (“USEPA”) and the Mississippi Commission on Environmental Quality requiring upgrades to the System over an approximately seventeen year period ending in 2030. In April 2016 the City retained an independent engineer to respond to and study reported “lead level exceedance findings.” For further information see “APPENDIX B – INFORMATION CONCERNING THE SYSTEM – USEPA CONSENT DECREE/and - Agreed Orders: Mississippi Commission on Environmental Quality; Environmental Protection Agency; - Lead Action Level Excellence.”

Performance Contract

In 2013 the City entered into an energy performance contact agreement (the “Performance Contract”) with Siemens Industry, Inc. (“Siemens”) to implement an advanced meter infrastructure, including the replacement of all of the City’s then existing water meters with a mesh network allowing two-way communications with meters and a new billing system. The billing system collects consumption information remotely allowing for the elimination of meter reading operations. The scope of work under the Performance Contract also included the completion of deferred maintenance to two of the City’s water treatment plants. When the City entered into the Performance Contract it expected to generate additional revenue in the total amount of \$123,266,455 to be realized over a 15-year period from more accurate metering of water consumption and savings from changes in operations and elimination of future maintenance. Under the Performance Contract Siemens has agreed to reimburse the City for certain of the savings if they are not achieved. The expected savings from the implementation of the Performance Contract were factored into projections of Net Revenues which were previously provided by the City. To date, the City has not achieved the results it expected from the Performance Contract. In particular, among other things, although the implementation of the billing system is now substantially complete, implementation was delayed by more than four months to allow for Siemens corrective actions in the procurement metering hardware compatible with the System’s measuring conventions (i.e., CCF vs. gallons). See “APPENDIX D – THE RAFTELIS REPORT SUMMARY AND ACTION PLAN” herein.

Consultant's Report on the System

In October 2014, the City engaged a project team led by Raftelis Financial Consultants ("Raftelis"), a national utilities financial and management consultant, to provide the City with assistance to enhance the financial and management sustainability of the Department of Public Works. Raftelis produced a report dated February 27, 2015 (the "Raftelis Report"), which contained analysis of various aspects of the System's management including (i) a strategic financial plan, (ii) a revenue sufficiency analysis, (iii) a billing system data review and (iv) a review of the results of the Performance Contract. See "APPENDIX D – THE RAFTELIS REPORT SUMMARY AND ACTION PLAN." Copies of the Raftelis Report may be obtained by contacting the City's Financial Advisor, Kipling Jones & Co.; 440 Louisiana Street, Suite 900; Houston, Texas 77002; Telephone (713) 353-4688; Attention: Ms. Robbi J. Jones.

The Raftelis Report concluded among other things that:

- A financial plan for the period FY 2016 through FY 2020 for the System **shows that the City will not be able to meet necessary debt service coverage without adjustments to revenues.**
- There are 37 tasks that Raftelis recommended the City undertake to enhance the financial management and sustainability of the Department of Public Works. These tasks are categorized into the following five areas: financial management, human resources, infrastructure investment/capital improvement projects, regulatory/compliance and service. These tasks are also prioritized as needing immediate attention (within approximately the next six months), near term attention (within the next year or so) or longer-term attention and 21 of the 37 tasks were identified as needing immediate attention.
- Due to persistent complications and delay in the installation of the new customer service billing system and in the implementation of the remote water metering system there is significant uncertainty regarding the accuracy of metered consumption and, as a result, the magnitude of operating revenues going forward.
- There are systematic problems with unbilled revenue resulting in accounts receiving services but not receiving timely bills; ghost revenues consisting of overbillings due to errors in consumption reporting; and uncollected revenues for some accounts with significant delinquencies.
- 65% of the savings projected to be realized from the Performance Contract are "stipulated" savings (*i.e.*, are assumed to occur) without any means of testing to ensure their actual attainment.

Department of Public Works Action Plan

The Department of Public Works adopted an action plan to implement the recommendations of the Raftelis Report. The key components of the action plan are:

- Strategic Planning: The Department is in the process of developing a Strategic Plan including priorities associated with finances, compliance, infrastructure investment, service delivery and human resources. The Strategic Plan is expected to be completed by October 1, 2016.
- Revenue Sufficiency Analysis: The Department has refined its financial planning assumptions and is in receipt of a subsequent rate analysis from Raftelis. A preliminary analysis indicated the City needs annual 7% rate increases starting in FY 2017 and through at least FY 2021. The City will not be able to implement rate increases at the beginning of FY 2017, but may give consideration to a rate proposal during the subsequent fiscal year.
- Billing System Data Review: The Department corrected the misapplication of minimum sewer charges identified in the Raftelis Report, resulting in the additional revenue recovery of approximately \$1 million annually. In addition, the Department:

- Engaged Raftelis for a second phase of work to prepare revised billing and collection policies and procedures;
 - Completed the conversion to the new customer care and billing system in August 2015 which has improved billings and collections;
 - Completed Data Clean-up uncovering 14,000 occurrences of multiple accounts being registered to a single meter.
- **Siemens Contract Review:** The Department has engaged Raftelis in phase two to determine billing system revenue loss due to hung meters, no register of consumption and incorrect billings. Results of this review will be presented to Siemens and it is expected that the impact of these issues will be remedied financially.
 - **Infrastructure Master Plan Development:** The Department cash funded its Year 1 Infrastructure Capital Improvement Plan (“CIP”) and secured approval from the 1% Sales Tax Commission and the City Council for the Year 1 CIP. The Department has also presented the Year 2 CIP (see “APPENDIX B – INFORMATION CONCERNING THE SYSTEM – FUTURE SYSTEM NEEDS – *Infrastructure CIP*”, herein). The Department is also seeking funding from external sources for funding including a TIGER Grant from the U.S. Department of Transportation and Program 592 funds from the Army Corps of Engineers. In late 2015, the Department was notified that it was selected to receive \$16.5 million in funding as a TIGER Grant.

See “APPENDIX D — THE RAFTELIS REPORT SUMMARY AND ACTION PLAN,” herein.

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Summary of Historic Revenues, Expenses and Changes in Net Assets of the System

The following table represents a summary of the revenues, expenses and changes in net assets for the System for the five fiscal years ended September 30, 2011, through and including, September 30, 2015. The information below is extracted from audited information presented in the City's Comprehensive Annual Financial Reports. Although the information for the past five fiscal years was taken from audited financial statements, no representation is made that the information is comparable from year to year, or the information as shown and taken by itself presents fairly the results of operations of the System for the periods shown.

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

	Fiscal Years Ended September 30,				
	2011	2012	2013	2014	2015
Operating Revenues:					
Sales to customers	\$ 47,577,896	\$ 47,966,053	\$ 44,052,148	\$ 69,423,278	\$ 59,188,454
Other revenues	94,565	51,029	68,628	-	660,860
Total Operating Revenues	47,672,461	48,017,082	44,120,776	69,423,278	59,849,314
Operating Expenses:					
Personal services	11,151,617	10,645,418	10,438,837	9,926,201	9,730,338
Supplies	4,438,709	5,159,810	4,712,482	14,067,822	5,968,638
Other services and charges	17,164,756	17,560,729	21,021,583	10,675,711	13,742,685
Depreciation	4,085,720	8,782,498	8,807,942	12,216,857	11,377,737
Total operating expenses	36,840,802	42,148,455	44,980,844	46,886,591	40,819,398
Operating income (loss)	10,831,659	5,868,627	(860,068)	22,536,687	19,029,916
Nonoperating revenues (expenses):					
Interest revenue	484,392	461,524	245,826	254,622	123,630
Interest and service charges on long-term debt and capitalized lease obligations	(4,670,423)	(11,937,083)	(3,503,063)	(8,666,927)	(4,619,922)
Gain on retirement bond	1,275,207	-	-	-	-
Gain (loss) on sale of fixed assets	(14,940)	15,090	15,245	29,691	2,425
Amortization of bond issuance cost	(283,835)	(1,261,804)	(407,646)	-	-
Total nonoperating revenues (expenses)	(3,209,599)	(12,722,273)	(3,649,638)	(8,382,614)	(4,493,867)
Income (loss) before contributions and transfers	7,622,060	(6,853,646)	(4,509,706)	14,154,073	14,536,049
Capital contributions from grants	-	-	1,481,704		
Transfers In:					
Capital Projects Fund	-	361,478	8,933,503	740,998	-
Transfer Out:					
General Fund	-	-	(252,630)	-	-
Enterprise Fund	(60,139)	(37,870)	(92,098)	(74,400)	(47,571)
Special Revenue Fund	-	-	(1,775,540)	-	-
Debt Service Fund	-	-	(2,026,671)	(2,146,249)	(2,110,179)
Total Transfers In (Out)	(60,139)	323,608	4,786,564	(1,479,651)	(2,157,750)
Change in Net Assets	7,561,921	(6,530,038)	1,758,562	12,674,422	12,378,299
Total net assets – beginning, as previously reported	243,982,506	251,544,427	245,014,389	246,871,427	259,545,849
Prior period adjustment	-	-	98,476	-	(14,904,726)
Total net assets – beginning, as restated	-	-	245,112,865	-	244,641,123
Total net assets – ending	\$251,544,427	\$245,014,389	\$246,871,427	\$259,545,849	\$257,019,422

Source: City of Jackson Comprehensive Annual Financial Reports for fiscal years ended September 30, 2011 - 2015.

Summary of Historic Debt Service Coverage

The General Bond Resolution requires the City to establish System rates that will maintain Net Revenues of the System at least equal to the greater of (i) 120% of the sum of the Annual Debt Service Requirement on the Bonds (not including Subordinate Indebtedness) in each Fiscal Year or (ii) 100% of the sum of (A) the Annual Debt Service Requirement on the Bonds and all Subordinate Indebtedness in such Fiscal Year, (B) the amounts required to be paid during such Fiscal Year into any Debt Service Reserve Fund and the Contingent Fund, and (C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year (collectively, the “Rate Covenant” as further described herein under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS - Rate Covenant”). The following table, supplied by the City, sets forth historical debt service coverage for the System for the past five fiscal years:

Fiscal Year	Available System Net Revenue	Annual Water/Sewer Bond Debt Service	1.20 Test	Total Annual System Obligations (including Bonds)	1.00 Test
2011	\$14,823	\$11,746	1.26	N/A	N/A
2012	14,805	7,750	1.91	\$11,741	1.26
2013 ⁽¹⁾	10,849	11,425	0.95	16,060	0.68
2014	34,802	17,181	2.03	21,097	1.65
2015	30,440	17,600	1.73	26,268	1.16

Source: Department of Public Works, City of Jackson

⁽¹⁾ In 2013, Net Revenues of the System did not satisfy the Rate Covenant. The City of Jackson increased water/sewer rates effective November 19, 2013. The sewer rate increase was 108% and the water rate increase was 29%. The City applied a portion of its fund balance for the water/sewer shortfall for fiscal year 2013.

⁽²⁾ The Two-Pronged Rate Covenant became applicable in 2012 upon the effective date of certain amendments to the General Bond Resolution.

The available Net Revenues from the System to pay System obligations fell below the Rate Covenant for Fiscal Year Ended 2013. Pursuant to the Rate Covenant, the City is required to adopt a rate ordinance in each fiscal year sufficient to maintain the mandated coverage. If revenues in any fiscal year, as shown in the City’s audit, are less than the Rate Covenant, the City is required to request an independent consulting engineer to make recommendations as to the rates, fees and charges or methods of operating the System which will result in producing the required coverage in the following fiscal year.

Management’s Discussion and Analysis

Fiscal Year 2011

Total revenues for the fiscal year ended September 30, 2011, were \$47,672,461. There was a water and sewer rate increase effective January 2011. The water rate increase went from \$2.20 to \$2.46/ccf. The sewer rate increase went from \$2.03 to \$2.15/ccf.

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

Fiscal Year 2012

Total revenues for the fiscal year ended September 30, 2012, were \$49,017,082. The increase in revenue was the result of FY 2012 being the first full fiscal year after the increases in water and sewer rates went into effect in January 2011.

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

Fiscal Year 2013

Total Revenues for the fiscal year ended 2013 were \$44,052,148. The decrease in revenue was a result of a temporary period when the Legacy billing system was inoperable; which caused the city to miss two billing cycles.

Fiscal Year 2014

Total Revenues for the fiscal year ended 2014 were \$69,423,278. There was a water and sewer rate increase effective November 19, 2013. The water rate increase went from \$2.48 to \$3.21/ccf. The sewer rate increase went from \$2.15 to \$4.47/ccf.

Total Expenses for FYE 2014 were \$46,886,591. In FY2014 there were three main water pumps that were temporarily inoperable. This had an impact on contract operations and costs associated with the repair of the pumps.

Fiscal Year 2015

Total Revenues for the fiscal year ended 2015 were \$59,849,314. With the installation of the new water billing system, the bi-monthly accrual is no longer required and therefore was not posted for FY2015 which led to a decrease in revenue.

Total Expenses for FYE 2015 were \$40,819,398. A two year moratorium on vehicle and/or heavy equipment purchases has been implemented to allow time to reduce the amount of debt currently on the books in the form of capital lease payments.

BOND INSURANCE

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

Bond Insurance Policy

Concurrently with the issuance of the Series 2016 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.9 million, \$53.4 million and \$432.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (*e.g.* general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2016 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

DEBT SERVICE RESERVE FUND SURETY BOND

Concurrently with the issuance of the Series 2016 Bonds, BAM will issue its debt service reserve fund surety bond (the "Surety Bond"). The Surety Bond unconditionally guarantees the payment of that portion of the scheduled principal of and interest on the Series 2016 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City, provided that the aggregate amount paid under the Surety Bond may not exceed the maximum amount set forth in the Surety Bond.

The Surety Bond is non-cancelable and the premium will be fully paid at the time of delivery of the Series 2016 Bonds. The Surety Bond covers failure to pay principal of the Series 2016 Bonds on their respective stated maturity dates and not on any other date on which the Series 2016 Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Surety Bond shall terminate on the scheduled final maturity date of the Series 2016 Bonds or, if earlier, the date the Series 2016 Bonds are no longer Outstanding.

RISKS TO THE OWNERS OF THE SERIES 2016 BONDS

General

Purchasers of the Series 2016 Bonds are advised of certain additional information in connection with the City as set forth in "APPENDIX C — COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED SEPTEMBER 30, 2015" and the System as set forth in "APPENDIX B — INFORMATION CONCERNING THE SYSTEM." Such information is relative to the ability of the City to pay debt service on the Series 2016 Bonds.

General Factors Affecting System's Ability to Generate Sufficient Net Revenues

Numerous factors may affect the ability of the System and the City to generate Net Revenues. System Net Revenues are influenced by a number of factors, which may include, among others, population, the ability of the City to collect the rates that have been imposed, unexpected increases in operational costs due to inclement weather or emergency repairs among others, general economic and business conditions, changes in political and social conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events,

conditions and circumstances. No attempt has been made to identify all such factors. Such factors may have a material impact on the Net Revenues of the System.

Tax Covenants

The City has made certain covenants in the Series 2016 Supplemental Bond Resolution regarding the preservation of the tax-exempt status of the interest on the Series 2016 Bonds. The interest on the Series 2016 Bonds could become taxable in the event that the City fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to the Series 2016 Bonds under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent the Series 2016 Bonds from being deemed to be “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”). Such an event could adversely affect the tax-exempt status of the interest on all of the Series 2016 Bonds retroactive to the date of issuance. See “TAX MATTERS.”

Ratings

There is no assurance that the ratings assigned to the Series 2016 Bonds at the time of issuance (see “RATINGS”) will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2016 Bonds. If and when a Bondholder elects to sell a Series 2016 Bond prior to maturity, there is no assurance that a market will have been established, maintained and in existence for the purchase and sale of the Series 2016 Bonds, and there is no assurance as to the purchase price that a buyer would be willing to pay.

Remedies; Litigation; Bankruptcy

The remedies available to the owners of the Series 2016 Bonds upon an “event of default” under the Bond Resolution are in many respects dependent upon judicial actions that are often subject to discretion and delay.

In the event the City were to become a debtor under 11 U.S.C. Section 100 *et seq.*, as amended and supplemented from time to time (the “United States Bankruptcy Code”), debt service payments may be stayed or under certain circumstances may be subject to avoidance or disgorgement and the interest of Bondholders in such payments may not extend to payments required after the commencement of such bankruptcy case or within 90 days prior thereto. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code, the remedies provided under the Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (whether considered in equity or at law) and by the valid exercise of the constitutional powers of the State and the United States of America.

Furthermore, if a bankruptcy court concludes that the Bondholders have “adequate protection,” it may enter orders affecting the security of the Bondholders, including orders providing for the substitution, subordination and sale of the security of the Series 2016 Bonds. In addition, a reorganization plan may be adopted even though it has not been accepted by the Bondholders if the Bondholders are provided with the benefit of its original lien or the “indubitable equivalent.” Thus, in the event of the bankruptcy of the City, the amount realized by Bondholders may depend on the bankruptcy court’s interpretation of “indubitable equivalent” and “adequate protection” under the then existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the Series 2016 Bonds, the Bond Resolution or related documents that make bankruptcy and related proceedings by the City an “event of default” thereunder. All of these events would adversely affect the payment of debt service on the Series 2016 Bonds.

Possible Claims of Third-Party Creditors

On February 2, 1990, the United States District Court for the District of Columbia held in *Martens v. Hadley Memorial Hospital*, 729 F. Supp. 1391 (D.D.C. 1990), that a judgment creditor of a beneficiary of the proceeds of tax exempt revenue bonds could satisfy its judgment from monies held by a trustee in a debt service reserve fund pledged to secure the revenue bonds. The Court held that absent a default under the loan agreement pursuant to which the revenue bond proceeds were loaned to the borrower and the acceleration of the obligations under the loan agreement, the trustee bank holding the debt service reserve fund could not prevent the judgment creditor from attaching the debt service reserve fund to satisfy the judgment. If the principles of *Martens* were applied by a court having jurisdiction over the City, there is risk that judgment creditors of the City could attach the funds securing the Series 2016 Bonds, including in particular, the Debt Service Reserve Fund.

LITIGATION

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The City, after reviewing the current status of all pending and threatened litigation with the City Attorney, Monica D. Joiner, Esq., believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or, to the knowledge of the City, threatened against the City 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 operation of the System or the City.

There is not now pending or, to the City's knowledge, threatened any litigation restraining or enjoining the adoption and execution or the delivery of the Series 2016 Resolution or prohibiting the City from issuing and delivering the Series 2016 Bonds or in any way contesting or affecting the validity of the Series 2016 Resolution or Series 2016 Bonds, nor contesting any proceedings of the City taken with respect to the execution and delivery thereof or the pledge or application of any monies or security provided for the payment of the Series 2016 Bonds.

TAX MATTERS

Series 2016 Bonds

In the opinions of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Chambers & Gaylor Law Firm, PLLC, Jackson, Mississippi, Co-Bond Counsel, interest on the Series 2016 Bonds is excludable from gross income for federal income tax purposes, pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and supplemented from time to time (the "Code"). The opinions of Co-Bond Counsel are based on certain certifications, covenants and representations of the City and are conditioned on continuing compliance therewith.

In the opinions of Co-Bond Counsel, interest on the Series 2016 Bonds is exempt from income taxation in the State under existing laws, regulations, rulings and judicial decisions. The opinions of Co-Bond Counsel address only the exemption of interest on the Series 2016 Bonds under the income tax laws of the State and do not address the tax treatment of the Series 2016 Bonds in any other state or jurisdiction.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2016 Bonds as a condition to the exclusion from gross income of interest on the Series 2016 Bonds for federal tax purposes. Non-compliance with such requirements may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to its date of issue irrespective of the date on which such noncompliance occurs. Should the Series 2016 Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Series 2016 Bonds would be materially and adversely affected.

The Series 2016 Supplemental Resolution includes covenants that (i) the City will not take or fail to take any action with respect to the Series 2016 Bonds if such action or omission would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds, under Section 103 of the Code, and the City will not act in any other manner which would adversely affect such exclusion; (ii) the City will

not make any investment nor do any other act or thing during the period that the Series 2016 Bonds are outstanding which would cause the Series 2016 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code; and (iii) if required by the Code, the City will rebate any necessary amounts to the United States of America.

The interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2016 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations

Although Co-Bond Counsel has rendered an opinion that interest on the Series 2016 Bonds is excluded from federal gross income and that the Series 2016 Bonds are exempt from State income tax, the accrual or receipt of interest on the Series 2016 Bonds may otherwise affect a bondholder’s federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder’s particular tax status and a bondholder’s other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2016 Bonds. Co-Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Series 2016 Bonds.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2016 Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or exempted from state income taxation, or otherwise prevent bondholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

Information reporting requirements apply to interest (including OID) paid on tax-exempt obligations including the Series 2016 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 unless the recipient is one of a limited class of exempt recipients, including corporations. 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 2016 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 2016 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.

Series 2016 Premium Bonds

The initial public offering prices of the Series 2016 Bonds maturing on September 1 of the years 2017 through and including 2024 are more than the amounts payable at the maturity dates thereof as set forth on the inside front cover of this Official Statement. Such Series 2016 Bonds are hereinafter referred to as the “Series 2016 Premium Bonds.” Under the Code, the difference between the principal amount of a Series 2016 Premium Bond and the cost basis of such Series 2016 Premium Bond to its owner (other than an owner who holds such a Series 2016 Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is “bond premium.” Bond premium is amortized over the term of such a Series 2016 Premium Bond for federal income tax purposes. The owner of a Series 2016 Premium Bond is required to decrease its basis in such Series 2016 Premium

Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Series 2016 Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Series 2016 Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Series 2016 Premium Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2016 Premium Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2016 Bonds are subject to the approval of Co-Bond Counsel, whose approving opinions will be delivered with the Series 2016 Bonds. Certain legal matters will be passed upon for the City by Banks Law & Associates, LLC, and for the Underwriter by Betty A. Mallett, PLLC. Certain legal matters relating to disclosure will be passed upon for the City by Hunton & Williams LLP and Owens Moss, PLLC, as Co-Disclosure Counsel.

FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report for the City for its fiscal year ended September 30, 2015, including the audited financial statements of the City audited by Banks, Finley, White & Co., independent auditors, is included herein as APPENDIX C. Banks, Finley, White & Co., the City's independent auditors, (1) have not been engaged to perform and have not performed, since the date of the report on the audited financial statements contained herein, any procedures with respect to such financial statements and (2) have not performed any procedures relating to this Official Statement. The consent of Banks, Finley, White & Co. for the use of the financial statements herein has not been sought.

CONTINUING DISCLOSURE

To assist the Underwriters in complying with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission of the United States of America, the City has entered into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C. ("DAC"), the initial dissemination agent, for the benefit of holders of the Series 2016 Bonds wherein DAC, on behalf of the City, has agreed to provide annually certain financial information and operating data relating to the City and the System (the "Annual Reports"), and to provide notices through the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board (the "MSRB") (or such other system as may be subsequently authorized by the MSRB). The Annual Reports and notices of material events will be filed by the City through the EMMA system (or such other system as may be subsequently authorized by the MSRB). The specific nature of the information to be contained in the Annual Reports or the notices of material events and the other provisions of the Continuing Disclosure Agreement are set forth in "APPENDIX F" hereto. A failure by the City to comply with the Continuing Disclosure Agreement must be reported in accordance with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission of the United States of America and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2016 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2016 Bonds and their market price. See "APPENDIX F — FORM OF CONTINUING DISCLOSURE AGREEMENT."

The City has various series of bonds outstanding that are subject to continuing disclosure requirements. Certain of the City's annual disclosure obligations are required to be satisfied by March 31st of each year, others must be satisfied 180 days after its fiscal year end (*i.e.*, March 27/28), 230 days after its fiscal year end (*i.e.*, May 16/17) or 12 months after its fiscal year end (*i.e.*, September 30). In the past, the City has not timely filed certain of its annual financial and operating reports. For example, the City filed its annual financial and operating reports for fiscal year ended 2011 on or about April 3, 2012, for fiscal year ended 2012 on or about May 30, 2013, for fiscal year ended 2013 on or about May 8, 2014, for fiscal year ended 2014 on or about May 15, 2015, and for fiscal year ended 2015 on or about May 3, 2016. Annual financial and operating reports for the City were filed past the required dates for fiscal years ending 2011 through 2015, and not all required tables were posted every year. The

untimely filings were due, in part, to delays in the finalization of the City's Comprehensive Annual Financial Report and complications due to inconsistent filing deadlines among its multiple continuing disclosure undertakings. The City has made concerted efforts in the organization of staff and improvements in financial systems designed to facilitate timely completion of the Comprehensive Annual Financial Report going forward. The City expects to amend its continuing disclosure undertakings to provide for consistent filing deadlines. The financial and operating data for the Combined Water and Sewer System that the City is responsible for filing was also not posted timely for fiscal years ending 2011 through 2015. In addition, there have been instances in which the City has failed to associate all of its posted annual information to all required CUSIPs, and financial and operating information for the water and sewer system for 2011 was available on EMMA only in an official statement and not in a separate filing. The budgets for the City were not timely filed for fiscal years ending 2011 through 2015. In many instances, the City also failed to file a "notice of failure to file" required annual financial and operating information on EMMA. Additionally, the City has disclosed some, but not all, of the underlying and insured rating changes. The City has made the necessary curative filings with respect to its past failures to file and late filings of its Comprehensive Annual Financial Reports and is in the process of posting rating changes. The City has taken steps to ensure that it will comply with all undertakings in the future in a timely manner. Specifically, the City has designated the Department of Administration (the "Department") as the responsible party for future filings. The City has also retained disclosure counsel and, as indicated above, DAC was retained to serve as third party dissemination agent to make the required continuing disclosure filings on behalf of the City. Among other additional measures, the Department has signed up to receive tickler system reminders from the MSRB's EMMA system.

RATINGS

The Series 2016 Bonds have been assigned a rating of "AA" (stable outlook) by S&P Global Rating ("S&P") on the basis of the municipal bond insurance policy being issued by the Bond Insurer at the time of delivery of the Series 2016 Bonds, with an underlying rating on the Series 2016 Bonds of "BBB" (stable outlook). See "BOND INSURANCE." Such rating reflects only the view of S&P, and an explanation of the significance of the rating may be obtained only from said rating agency. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency if, in their judgment, circumstances so warrant. Any downward revision, suspension or withdrawal of such rating may have an adverse effect on the liquidity and/or market price of the Series 2016 Bonds. The City has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

FINANCIAL ADVISOR

The City has retained Kipling Jones & Co., Houston, Texas, as independent financial advisor (the "Financial Advisor") in connection with the sale and issuance of the Series 2016 Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the City with respect to the preparation of documents, the preparation for the sale of the Series 2016 Bonds and of the time of the sale, tax-exempt bond market conditions and other factors related to the sale of said Series 2016 Bonds. Although the Financial Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein.

UNDERWRITING

The Series 2016 Bonds have been sold by negotiated sale to the Underwriter, and the Underwriter has agreed, subject to certain conditions set forth in a bond purchase agreement between the Underwriter and the City (the "Bond Purchase Agreement"), to purchase all of the Series 2016 Bonds from the City at a purchase price of \$18,623,514.04 (representing the par amount of the Series 2016 Bonds of \$17,135,000.00, plus original issue premium of \$1,607,397.65, and less an underwriter's discount of \$118,883.61), which represents 0.69% of the par amount of the Series 2016 Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriters to accept delivery of the Series 2016 Bonds are subject to various conditions of the Bond Purchase Agreement, but the Underwriters will be obligated to purchase all of the Series 2016 Bonds, if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2016 Bonds to the public.

No assurance can be given that any trading market will develop for the Series 2016 Bonds after their initial sale to said Underwriter. The City has no control over the prices at which the Series 2016 Bonds will initially be reoffered to the public.

VALIDATION

The Series 2016 Bonds were validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided by Sections 31-13-1 to 31-13-11, Mississippi Code of 1972, as amended.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2016 Bonds, the security for the payment of the Series 2016 Bonds and the rights and obligations of the Registered Owners thereof.

The information contained in this Official Statement has been taken from sources considered reliable, but is not guaranteed. Use of the words “shall” or “will” in this Official Statement or 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. To the best of our knowledge, information in this Official Statement does not include any untrue statement of material fact; nor does the information omit the statement of any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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The execution and delivery of this Official Statement, and its distribution and use by the Underwriters, have been duly authorized and approved by the City. Upon the delivery of the Series 2016 Bonds, the undersigned will furnish a certificate to the effect that, to the best of their knowledge, this Official Statement did not as of its date, and does not as of the date of delivery of the Series 2016 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which this Official Statement is to be used, or which is necessary in order to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

CITY OF JACKSON, MISSISSIPPI

By: /s/ Tony T. Yarber
Mayor

Attested by:

/s/ Kristi Moore
City Clerk

APPENDIX A
INFORMATION CONCERNING THE CITY

[See Attached]

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THE CITY

General Description

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

The City is the largest municipality in the State and is considered to be Mississippi’s governmental trade, financial, medical, educational and cultural center. It is also known as the “Distribution Center of the Deep South” because of its strategic location at the crossroads of Dallas/Houston, Atlanta, Memphis and New Orleans. The City is the location of the University of Mississippi Medical Center (“UMMC”), the State’s largest academic health science center, encompassing six health science schools: medicine, nursing, dentistry, health related professions, graduate studies and pharmacy. UMMC includes four specialized hospitals, including the only children’s hospital in the State, a women’s and infants’ hospital, and a critical care hospital. The City is the location for four other hospital/medical centers: St. Dominic, Mississippi Baptist, Merit Health Central and the G.V. (Sonny) Montgomery VA Medical Center. The Jackson metropolitan area is home to several major industries including the Nissan automotive assembly plant in Canton, Mississippi, Cal-Maine Foods (fresh egg provider), C-Spire Wireless (wireless provider), Trustmark National Bank, Ergon (refining and distribution of petroleum products) and Stuart C. Irby, Co. (electrical distribution).

The City is proud of its famed southern hospitality and quality of life. Community support is strong for the Mississippi Symphony Orchestra, the Mississippi Opera, Ballet Mississippi, the Mississippi Museum of Art, the Mississippi Natural Science Museum, the Mississippi Children’s Museum, the Mississippi Agriculture and Forestry Museum, the Smith-Robertson Museum and Cultural Center, the Old Capitol Museum, the Jackson Zoo, the New Stage Theatre and numerous theatrical and musical performances that occur each year throughout the City. The City annually hosts the Mississippi Blues Marathon, the U.S. PGA Tour Sanderson Farms Championship, the Mal’s Saint Paddy’s Day Parade, and the Sweet Potato Queen Zippity Doo Dah Parade. The Mississippi Veterans Memorial Stadium, with a capacity of 65,000 seats, is the home field for Jackson State University and hosts numerous sporting events, including the Capital City Classic, Battle of the Bands and the Mississippi High School Football Championships. The State Fairgrounds and Coliseum hosts the Mississippi State Fair, the Dixie National Rodeo, numerous trade shows, agriculture and equine events, and performing concerts. A new Museum of Mississippi History and the Mississippi Civil Rights Museum are located on adjoining sites near the Old Capitol Museum in downtown Jackson, at a total cost of \$70 million, and are estimated to be completed in 2017.

The USA International Ballet Competition is a two-week “Olympic-style” competition where dancers compete for gold, silver, and bronze medals, cash awards and scholarships. Designated as the official USA Competition by a 1982 Joint Resolution of Congress, the USA International Ballet Competition is held every four years, in the tradition of sister competitions in Varna, Bulgaria and Moscow, Russia. The City hosted the USA International Ballet Competition in 1979, 1982, 1986, 1990, 1994, 1998, 2002, 2006, 2010, and 2014.

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

Population

Population figures have been recorded as follows:

	1990	2000	2010	2015 (estimate)
City	196,367	184,256	173,514	170,674
County	254,441	250,800	245,365	242,891
Jackson MSA	446,941	525,346	567,122	578,777

SOURCE: Census Data Information, July 2016.

Government

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

Name and Title	Occupation	Position Held Since
Tony Yarber	Mayor	2014
Ashby Foote	Council Member	2014
Tyrone Hendrix	Council Member	2014
Melvin Priester, Jr.	Council Member	2013
Margaret Barrett Simon	Council Member	1985
De’Keither Stamps	Council Member	2015
Kenneth I. Stokes	Council Member	2015
Charles Tillman	Council Member	2005

Employee Benefits; Impact of GASB-68

The City participates in the State of Mississippi Public Employees’ Retirement System (“PERS”), a cost-sharing, multiple employer retirement system administered by the State of Mississippi for the benefit of its local governments and State personnel. Benefit provisions are established by State statute and may be amended from time to time only by the State Legislature.

Employer contribution rates are set by State statute. The percentage that an employer is required to contribute was increased from 14.26% to 15.75% effective July 1, 2013. The adequacy of these rates is assessed annually by actuarial valuation. Based on the actuarial report of Cavanaugh McDonald Consulting, LLC, the total unfunded actuarial accrued liability for the entire system as of June 30, 2015 was \$15,458,028,000, of which approximately \$171,688,452 would be attributable to the City, based on the City’s percentage of total employer contributions. In addition, under the City’s separate closed plan for fire and police, the City had unfunded actuarial accrued liability as of June 30, 2015 of \$54,472,885.

In June 2012, the Government Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions (“GASB-68”). The objective of GASB-68 is to improve accounting and financial reporting of government pensions. Also, GASB-68 improves information provided by government employers about financial support for pensions that is provided by other entities. Requirements of GASB-68 are effective for financial statements whose fiscal year begins after June 15, 2014 (Fiscal Year 2015 for the City). As a result of the implementation of GASB-68, it is anticipated that the City will record a liability on its balance sheet for the Fiscal Year ended September 30, 2015, equal to the portion of the total PERS unfunded actuarial accrued liability that is attributable to the City and the unfunded actuarial accrued liability for the City’s separate plan for fire and police.

City Budget Shortfall

In Fiscal Year 2015, the City had a general fund operating deficit which was funded with general fund reserves. In response, the City moved to a priority based budgeting model, focusing on those programs and initiatives most critical to the City’s on-going vision. From a practical standpoint, certain personnel of the City are being furloughed for the equivalent of 4 hours per pay period for Fiscal Years 2016 and possibly 2017, which should result in substantial savings. A hiring freeze of non-essential/non-emergency positions has been incorporated to evaluate current staffing levels and determine optimal staffing levels going forward. The City also restructured some of its general obligation debt through the issuance of refunding bonds to provide debt service relief for Fiscal Years 2016 through 2019. A moratorium on vehicle and/or heavy equipment purchases has been implemented for Fiscal Years 2016 and 2017 to allow time to reduce the amount of debt currently on the books in the form of capital lease payments.

Transportation

Two interstate highway systems intersect in the City. Interstate Highway 55 runs north and south and connects Memphis, Tennessee, to the north and the New Orleans, Louisiana metropolitan area, to the south. Interstate Highway 20 runs east and west and connects Birmingham, Alabama, and Atlanta, Georgia, to the east and Dallas, Texas, to the west. U.S. Highways 49, 51 and 80, State Highways 18 and 25 and a number of county highways provide access to all areas of the County and the State. U.S. Highway 49 connects the City to Hattiesburg, Mississippi, and the Mississippi Gulf Coast. The Natchez Trace Parkway, a limited access parkway maintained by the National Park Service extending 444 miles from Natchez, Mississippi to Nashville Tennessee, runs through the City.

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

Commercial air service is available at the Jackson-Medgar Wiley Evers International Airport (the "Airport"). The Airport is named after the late Medgar Wiley Evers, civil rights activist and field secretary of the Mississippi NAACP, assassinated in 1962 and buried with full military honors at Arlington National Cemetery. The Airport has a modern terminal and two 8,500-foot runways, has been designated as a general-purpose foreign trade zone, and is a U.S. Customs Port of Entry. The airport provides excellent facilities and service to private and corporate pilots, both transient and home-based. American, Delta, Continental, United, and US Air offer non-stop flights to Atlanta, Charlotte, Dallas/Ft. Worth, Houston-Bush Intercontinental, and Washington, D.C., with connecting service available to every major city in the United States. Air cargo carriers include United Parcel Service. The Mississippi Air Cargo Logistics Center provides the optimal location for air cargo and logistics management for consolidation and distribution. Trucking cargo is provided through BAX Global. A smaller airport, Hawkins Field, located near the City's downtown and adjacent to a major industrial park, provides fixed-base operations for private and corporate pilots and is also administrated by the Jackson Municipal Airport Authority.

The nearest port, the Port of Vicksburg (the "Port"), is located 44 miles west of the City on the Mississippi River in Warren County, Mississippi and is ranked 11th among U.S. inland ports based on trip ton miles. The Port, which has a channel depth of 12 feet and a width of 300 feet, is a U.S. Customs Port of Entry and a designated general-purpose foreign trade zone. The Port maintains a 150-ton crane and two 15-foot overhead cranes for all weather loading and unloading and 129,000 square feet of warehouse space. More than 3,000,000 tons of cargo pass through the Port each year. Truck traffic is in excess of 165,000 trucks annually.

Greyhound provides more than 40 inbound and outbound buses daily to other cities. Amtrak provides rail service from its station in the City's downtown and throughout its rail network. Citywide bus service is provided over 13 fixed routes and by on demand response handlift services via JATRAN, the City's transportation management company. A renovated (2004) Union Station serves as the multi-modal transportation center for Amtrak, Greyhound and JATRAN.

Educational Facilities

Public Schools. The Jackson Public School District is the second largest school district in the State, serving approximately 30,000 students with 60 schools: 7 high schools, 13 middle schools, 38 elementary schools, and two special schools. Students are enrolled in grades K-12, with 25 elementary schools offering pre-K classes. The Montessori curriculum is taught in two elementary schools. The District offers special programs for its intellectually and academically gifted students, including Open Doors, which is available to intellectually gifted students in grades 2- 6, and APAC (Academic and Performing Arts Complex) for students in grades 4-12. Besides the academic component, the APAC program includes an intense visual and performing arts school. International Baccalaureate programs are offered for grades K-5 through the Primary Years Programme, for students in grades 6-10 through the Middle Years Programme, and for students in grades 11-12 through the Diploma Programme. Fifty percent of the schools are rated successful "C", high performing "B", or star "A" by the Mississippi Department of Education, and every school is accredited by the Southern Association of Colleges and Schools.

Enrollment figures for the District for the 2015-16 scholastic year and for the four preceding years are as follows:

Scholastic Year	Enrollment
2015-16	28,019
2014-15	29,062
2013-14	29,488
2012-13	29,738
2011-12	29,898

SOURCE: Mississippi Department of Education website: www.mde.k12.ms.us, July 2016

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

Per Capita Income

The following represents per capita income annually from 2010 to 2014 for the County, Mississippi and the United States of America:

Year	County	Mississippi	United States	County as Percentage of United States
2014	\$ 38,344	\$ 34,431	\$ 46,049	83.3%
2013	37,101	33,629	44,438	83.5
2012	37,662	33,127	44,266	85.1
2011	37,247	31,976	42,453	87.7
2010	35,566	30,783	40,277	88.3

SOURCE: Bureau of Economic Analysis, *Regional Economic Accounts – Per Capita Personal Income*, (2010-2014), July 2016.

Retail Sales and Sales Tax Collected

State and Fiscal Year Ended June 30	Total Sales	Sales Tax Collected
2015	\$ 2,802,435,689	\$ 181,074,618
2014	2,814,704,825	181,729,049
2013	2,845,672,204	181,195,355
2012	2,734,272,875	176,309,964
2011	2,677,040,723	173,414,443

SOURCE: Mississippi Department of Revenue, Annual Reports 2011 through 2015, July 2016.

Major Employers

The following is a partial listing of the Jackson metropolitan area's major employers, their products or services and their approximate number of employees:

Employers	Product or Service	Employees
State of Mississippi	State Government Services	31,500
University of Mississippi	Medical Center / Academic Health Science Center	8,000
United States Government	Federal Government Services	5,500
Nissan North America, Inc.	Automotive Manufacturing	5,000
Jackson Public School District	K-12 Public Education	4,800
Rankin County School District	K-12 Public Education	3,000
Baptist Health Systems	Healthcare Services	2,875
Wal-Mart Stores, Inc.	Retail	2,725
St. Dominic Health Services	Healthcare Services	2,600
Mississippi State Hospital	Mental Health, Medical, and Nursing Home Care	2,500
City of Jackson	Local Government Services	2,300
Jackson State University	Higher Education	1,500
Madison County School District	K-12 Public Education	1,500
AT&T	Communication Services	1,300
Merit Health System	Healthcare Services	1,236
Central Mississippi Medical Center	Healthcare Services	1,200
Kroger	Grocery Store	1,200
Trustmark National Bank	Financial Services	1,075
United Parcel Service	Parcel Service	975
Saks, Inc.	Back Office Operations	800
Entergy	Electric/Utility	765
Eaton Aerospace	Aerospace	625

SOURCE: Greater Jackson Chamber Partnership, May 2016.

County Employment Statistics

<i>Residence Based Employment</i>	2011	2012	2013	2014	2015
Civilian Labor Force	119,990	118,440	116,280	112,990	110,730
Unemployed	11,350	10,020	9,130	7,960	6,740
Employed	108,640	108,420	107,150	105,030	103,990
<i>Establishment Based Employment</i>					
Manufacturing	3,560	3,640	3,470	3,480	3,650
Nonmanufacturing	129,120	127,070	129,950	129,350	127,170
Natural Resources and Mining	260	270	260	250	260
Construction	4,290	3,900	3,510	3,410	3,710
Trade, Transportation, Utilities	19,590	18,850	18,530	18,190	18,250
Information	2,150	2,070	2,120	2,040	2,040
Financial Activities	7,060	7,170	7,050	7,010	6,910
Professional & Business Services	15,390	15,310	17,950	17,780	15,010
Education & Health Services	24,380	24,230	25,120	25,230	25,820
Leisure & Hospitality	9,970	9,910	10,830	11,000	10,350
Other Services	7,130	6,730	6,940	6,960	6,780
Government	38,900	38,630	37,640	37,480	38,040
Education	14,790	14,820	14,850	14,800	13,740

SOURCE: *Annual Labor Force*, (2011-2015), Labor Market Information Department, Mississippi Department Employment Security, July 2016

County Unemployment Statistics

	2012	2013	2014	2015	2016
January	9.3%	9.7%	8.2%	6.7%	6.4%
February	9.0	9.1	8.1	6.1	5.5
March	8.4	8.5	7.9	5.6	5.2
April	7.8	7.8	6.5	5.3	4.7
May	8.6	8.6	7.6	6.3	5.6
June	9.7	9.4	8.1	6.7	
July	9.7	9.0	8.4	6.6	
August	8.7	8.0	7.1	5.5	
September	8.6	8.4	7.1	5.8	
October	8.7	8.5	6.7	5.9	
November	7.7	7.3	6.1	5.7	
December	<u>8.8</u>	<u>7.5</u>	<u>6.4</u>	<u>6.6</u>	
Annual Average	8.8%	8.5%	7.4%	6.1%	

SOURCE: Mississippi Department of Employment Security, July 2016.

TAX INFORMATION

Procedure for Property Assessments. The Tax Assessor of the County assesses all real and personal property subject to taxation in the County, including property in the City, except motor vehicles and property owned by public service corporations, both of which are required by law to be assessed by the State Department of Revenue. All taxable real property situated in the County is assessed each year and taxes thereon paid for the ensuing year. Assessment rolls of such property subject to taxation are prepared by the County Tax Assessor and are delivered to the Board of Supervisors on the first Monday in July. Thereafter, the assessments are equalized by the Board of Supervisors and notice is given to the taxpayers that the Board of Supervisors will meet to hear objections to the assessments. After objections are heard, the Board of Supervisors adjusts the rolls and submits them to the Department of Revenue. The Department of Revenue may then accept the rolls, or, if it finds the rolls incorrect in any valuation, it may return the rolls to the Board of Supervisors for correction. The Board of Supervisors then revises the tax rolls in accordance with the recommendations of the Department of Revenue. If the Board of Supervisors has any objections to the direction of the Department of Revenue to revise the rolls, it may arrange a hearing before the Department of Revenue. Otherwise, the assessment rolls are finalized and are submitted to the County Tax Collector for collection. The assessed value of motor vehicles is determined by an assessment schedule prepared each year by the Department of Revenue. With minor exceptions, the property of public utilities is assessed each year by the Department of Revenue.

Section 21-33-9, Mississippi Code of 1972, as amended, provides that the governing authority of a municipality which is located within a county having completed a county-wide reappraisal approved by the State Department of Revenue and which has been furnished a true copy of that part of the county assessment roll containing the property located within a municipality as provided in Section 27-35-167, Mississippi Code of 1972, as amended, shall adopt such assessment rolls for its assessment purposes. The City is utilizing the assessment rolls of the County.

The City may not correct or revise such assessment rolls except for the purpose of conforming the City's assessment roll to corrections or revisions made to the County's assessment roll. All objections to the City's assessment roll may be heard by the Board of Supervisors of the County at the time and in the manner that objections to the County assessment roll are heard. The Board of Supervisors of the County shall notify, in writing, the Governing Body and the Tax Assessor of the City of any corrections or revisions made by it to the part of the County assessment roll adopted as the City's assessment roll.

Procedure for Tax Collections. The Governing Body is required each year to levy taxes upon all of the taxable property within the City to provide sufficient revenue to cover the operating expenses of the City, including the payment of the principal of and interest on its outstanding general obligation bonds. If any taxpayer neglects or refuses to pay his taxes on the due date thereof, the unpaid taxes will bear interest at the rate of one percent per

month or fractional part thereof from the delinquent date to the date of payment of such taxes. When enforcement officers take action to collect delinquent taxes, other fees, penalties and costs may accrue. Both real and personal property are subject to being sold at public sale for nonpayment of taxes.

Section 21-33-63, Mississippi Code of 1972, as amended, and related statutes provide that after the fifth day of August in each year, the Tax Collector for the City shall advertise all lands in the City on which all taxes due and in arrears have not been paid, as well as all land liable for sale, at the door of the courthouse of the County or any place within the courthouse that the Tax Collector for the City shall designate in the advertisement, on the last Monday of August. The owner, or any person interested in the land sold for taxes, may redeem the land at any time within two years after the date of sale by paying all taxes, costs, interest and damages due to the county's chancery clerk. A valid tax sale will mature two years after the date of sale unless the land is redeemed and title will vest in the purchaser on such date.

Ad valorem taxes are due and payable on or before February 1 of the year following the year of assessment of such taxes.

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

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

Assessed Valuation^{1, 2}

Class	2011	2012	2013	2014	2015
Real Property	\$ 809,368,529	\$ 810,977,848	\$ 805,068,802	\$ 792,551,066	\$ 782,206,847
Personal Property ²	<u>396,605,625</u>	<u>413,249,466</u>	<u>396,924,146</u>	<u>423,157,579</u>	<u>429,291,423</u>
TOTAL	<u>\$1,205,974,154</u>	<u>\$1,224,227,314</u>	<u>\$1,201,992,948</u>	<u>\$1,215,708,645</u>	<u>\$1,211,498,270</u>

¹ The total assessed valuation is approved in September preceding the fiscal year of the County and represents the value of real property and public utility property for the year indicated on which taxes are assessed for the following fiscal year's budget. For example, the taxes for the assessed valuation figures for 2015 will be collected starting in January, 2016 for the 2015-2016 fiscal year budget of the County.

² Information obtained from the City's Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2015.

³ Personal Property includes mobile homes and public utilities.

SOURCE: City of Jackson, May 2016.

The above assessed valuations for assessment years 2011 through 2015 are based upon the following assessment ratios:

- (a) real and personal property (excluding single-family, owner-occupied residential real property and motor vehicles, respectively), fifteen percent (15%) of true value;
- (b) single-family, owner-occupied residential real property, ten percent (10%) of true value; and
- (c) motor vehicles and public utility property, thirty percent (30%) of true value.

The 1986 Session of the Mississippi Legislature adopted House Concurrent Resolution No. 41 pursuant to which there was proposed an amendment to Section 112 of the Mississippi Constitution of 1890 (the

“Amendment”). The Amendment provided, inter alia, that the assessment ratio of any one (1) class of property shall not be more than three times the assessment ratio on any other class of property.

The Amendment set forth five classes of property and the assessment ratios which would be applicable thereto upon the adoption of the Amendment. The assessment ratios set forth in the Amendment are identical to those established by Section 27-35-4, Mississippi Code of 1972, as amended, as it existed prior to the Amendment, except that the assessment ratio for single-family, owner-occupied, residential real property under the Amendment is set at 10% of true value as opposed to 15% of true value under previously existing law. The Amendment was ratified by the electorate on June 3, 1986.

The assessed valuation figures above do not include property exempt from all County ad valorem taxes for a period of up to 10 years, primarily for new or expanded manufacturing facilities. This real and personal property will become subject to County ad valorem taxation at different points in time during the next 10 years. In addition, certain other industrial and manufacturing facilities are exempt from ad valorem taxation pursuant to Section 57-3-33, Mississippi Code of 1972, as amended, and other applicable laws.

Tax Levy Per \$1,000 Valuation¹

(Fiscal Year in which Taxes Levied)	2012	2013	2014	2015	2016
General Fund	45.68	46.61	49.77	42.42	47.39
Parks & Recreation Fund	2.00	2.00	2.00	2.00	2.00
Debt Service Fund	3.20	3.04	5.30	7.56	2.98
Special Revenue Pension Fund	5.75	4.89	5.00	4.48	3.89
Jackson/Hinds Library System	<u>1.40</u>	<u>1.49</u>	<u>1.49</u>	<u>1.57</u>	<u>1.77</u>
TOTAL LEVY	<u>58.03</u>	<u>58.03</u>	<u>63.56</u>	<u>58.03</u>	<u>58.03</u>

¹ Tax Levy figures are given in mills.

SOURCE: City of Jackson, July 2016.

Ad Valorem Tax Collections

Fiscal Year Ended September 30	Amount Levied	Amount Collected	Difference Over (Under)
2015	\$ 59,436,000	\$ 59,842,000	\$ 406,000
2014	69,499,000	68,081,000	(1,418,000)
2013	69,069,000	62,253,000	(6,816,000)
2012	67,138,000	62,267,000	(4,871,000)

¹ Information obtained from City of Jackson, Department of Administration.

SOURCE: City of Jackson, July 2016.

Ten Largest Taxpayers

The top ten largest taxpayers in the City for Fiscal Year 2015 are as follows:

Taxpayer	Assessed Valuation	Taxes Collected
Entergy of Mississippi, Inc.	\$123,844,978	\$7,535,497
BellSouth Telecommunications	35,430,387	1,605,623
Midcontinent Express Pipeline Corp	26,789,640	2,952,207
Gulf South Pipeline Co, LP	24,474,746	2,639,257
Atmos Energy	13,975,944	869,761
Entergy Services	11,399,101	1,592,686
Illinois Central Railroad	8,115,681	615,545
Walmart	6,350,363	1,037,940
Jackson HMA Inc., LLC	5,957,252	1,065,157
Texas Eastern Transmission Co	5,943,296	672,425

SOURCE: City of Jackson, July 2016.

DEBT INFORMATION

The City is subject to a general statutory debt limitation under which no city in the State may incur general obligation bonded indebtedness in an amount which will exceed 15% of the assessed value of all taxable property within such city according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of this 15% limitation, there may be deducted all bonds or other evidences of indebtedness, heretofore, or hereafter issued, for school, water and sewerage systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited or for the purpose of paying a city's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may a city contract any indebtedness which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20% of the assessed value of all taxable property within said city according to the last completed assessment for taxation.

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

Legal Debt Limit Statement

(as of July 1, 2016)

	15% Limit	20% Limit
Authorized Debt Limit		
(Last Completed Assessment for Taxation - \$1,211,498,270)	\$181,724,740	\$242,299,654
Present Debt Subject to Debt Limits ¹	<u>62,220,000</u>	<u>\$85,091,780</u>
Margin for Further Debt Under Debt Limits	<u>\$119,504,740</u>	<u>\$157,207,874</u>

SOURCE: City of Jackson, July 2016

Outstanding General Obligation Bonded Debt

(as of July 1, 2016)

Name of Issue	Date of Issue	Outstanding Principal
General Obligation Bond, Series 2003	1/15/03	\$ 5,690,000
General Obligation Series 2009 Street Bond	1/06/09	12,930,000
General Obligation Refunding Bonds 2010A-B	9/22/10	23,665,000
General Obligation Note, Series 2012	5/9/12	2,300,000
General Obligation Convention Center Refunding Bonds, Series 2013 ¹	2/28/13	64,490,000
General Obligation Refunding Bonds, Series 2015A-B	12/17/15	<u>17,635,000</u>
TOTAL		<u>\$126,710,000</u>

¹ Debt service on the General Obligation Convention Center Refunding Bonds, Series 2013 has been paid from the proceeds of an additional sales tax imposed on the gross proceeds of sales of restaurants, hotel and motel rooms, and of caterers at the Convention Center. Legislation passed by the Mississippi Legislature establishing the additional sales tax provides that these bonds shall only be included in the City's legal debt limit pursuant to Section 21-33-303, Mississippi Code of 1972, as amended, to the extent that the proceeds of the additional sales taxes are insufficient to pay the debt service on these bonds.

SOURCE: City of Jackson, July 2016

(as of July 1, 2016)

Tax Increment Limited Obligation Bond Issues	Date of Issue	Final Maturity Date	Par Amount	Outstanding Principal
Tax Increment 2007	12/31/07	03/01/20	\$2,270,000	\$940,000
Tax Increment 2009	04/01/09	10/31/24	407,000	254,000
Tax Increment 2009	06/01/09	07/01/15	375,000	-0
Tax Increment 2009	06/01/09	07/01/22	1,600,000	855,000
Tax Increment 2010	12/30/10	10/01/30	2,800,000	<u>2,031,132</u>
Total Outstanding Tax Increment Limited Obligation Bonds				<u>\$4,080,132</u>

SOURCE: City of Jackson, July 2016

Urban Renewal Bond Issues⁽¹⁾	Date of Issue	Final Maturity Date	Par Amount	Outstanding Principal
Urban Renewal Central Business District Development Program Project No 1, Series 2011-A & B	06/01/11	10/01/31	\$9,910,000	\$ 8,165,000
Urban Renewal Central District Development Program, Note Payable Series 2012-A	10/20/12	10/26/19	2,500,000	2,356,780
Urban Renewal Central District Development Program, Series 2014-A	07/26/16	05/01/2036	\$9,000,000	<u>\$9,000,000</u>
Urban Renewal Central District Development Program, Series 2015-A	11/01/2016	11/01/2018	\$3,350,000	<u>\$3,350,000</u>
Total Outstanding Tax Increment Limited Obligation Bonds				<u>\$22,871,780</u>

⁽¹⁾ These bonds are issued by the Jackson Redevelopment Authority ("JRA"). The City and JRA entered into contribution agreements whereby the City has agreed to contribute to JRA sums sufficient to pay the principal and interest on these bonds. These bonds are included in the City's 20% legal debt limit, but not the City's 15% debt limit.

SOURCE: City of Jackson, July 2016

Annual Debt Service¹**General Obligation Bonds**

Fiscal Year Ending 9/30	Principal	Interest	Total
2016	\$ 0.00	\$ 2,267,140.00	\$ 2,267,140.00
2017	0.00	2,711,561.00	2,711,561.00
2018	1,230,000.00	2,679,273.00	3,909,273.00
2019	3,900,000.00	2,573,390.00	6,473,390.00
2020	6,890,000.00	2,336,015.00	9,226,015.00
2021	7,230,000.00	1,988,603.00	9,218,603.00
2022	7,600,000.00	1,615,802.00	9,215,802.00
2023	7,985,000.00	1,222,391.00	9,207,391.00
2024	8,350,000.00	852,238.00	9,202,238.00
2025-2036	<u>16,735,000.00</u>	<u>5,006,806.00</u>	<u>21,741,806.00</u>
TOTAL	<u>\$59,920,000.00</u>	<u>\$23,253,219.00</u>	<u>\$83,173,219.00</u>

¹ Includes general obligation bonded indebtedness of the City, but does not include the General Obligation Convention Center Refunding 2013 or the City's \$11,500,000 General Obligation Note, Series 2012.

SOURCE: City of Jackson, July 2016

Other Outstanding Long Term Debt**(as of July 1, 2016)**

Name of Issue	Date of Issue	Original Issue Size	Outstanding
Water/Sewer Revenue Refunding Bonds, 2005	8/04/05	\$ 27,180,000	\$ 18,325,000
Water/Sewer Revenue Refunding Bonds, Series 2011A	8/18/11	46,720,000	41,880,000
Water/Sewer Revenue Refunding Bonds, Series 2011B	8/18/11	2,565,000	2,345,000
Water/Sewer Revenue Refunding Bonds, Series 2012A	8/29/12	63,045,000	63,045,000
Water/Sewer Revenue Refunding Bonds, Series 2012B	8/29/12	19,180,000	12,325,000
Water/Sewer Revenue Bonds, Series 2013	6/27/13	89,990,000	<u>89,990,000</u>
TOTAL			<u><u>\$227,910,000</u></u>

SOURCE: City of Jackson, July 2016

The City has various other debt and lease obligations that are subject to neither the 15 percent nor the 20 percent debt limitation, and which are described in more detail in the Notes to the financial statements of the City included as "APPENDIX B" hereto.

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APPENDIX B
INFORMATION CONCERNING THE SYSTEM

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INTRODUCTION

General

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

The System provides water services and sanitary sewer services, including wastewater treatment facilities, to residents of the City, residents of the City of Byram and some residents of Hinds County. All activities necessary to provide such services have been accounted for in the combined Water Fund and Sewer Fund (collectively the “Fund”), including administration, engineering, pumping and purification, transmission and distribution, financing and debt service, and billings and collections. The System is also charged an annual fee by the City’s General Fund for support services provided by the City, which is based on the City’s federally approved central service cost allocation plan. In fiscal year 2015, general administrative expenses of \$2,007,913 were charged to the System and such amount was recorded as revenues to the City’s General Fund. In addition to general administrative expenses, the System also pays a franchise fee of 2% of sales to the General Fund. In fiscal year 2015, franchise fees of \$830,597 were paid by the System and such amount was recorded as revenues to the City’s General Fund.

Analysis of Sales

The table set forth below presents total sales and customers of the System for fiscal years 2011-2015:

Fiscal Year	Water System/ Sewer Sales	Water System Customers	Sewer System Customers
2011	\$47,577,896	61,600	52,082
2012	47,966,053	60,776	51,175
2013	44,052,148	60,131	50,447
2014	69,423,278	58,919	49,494
2015	59,188,454	56,998	50,709

SOURCE: City of Jackson Comprehensive Annual Financial Reports, fiscal years ended 2011-2015.

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

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

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

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

Revenue in the Madison and Ridgeland West Sewage Disposal System Fund constitutes System Revenues available for debt service on the City's Water and Sewer System Revenue Bonds.

MANAGEMENT OF THE SYSTEM

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

The costs of water and sewer employees (currently 227) have been historically charged directly to the System and the City has historically charged an annual fee for support services provided by the City, based on the City's federally approved central service cost allocation plan. In addition, the System pays direct salary costs for two attorneys in the Legal Department, a system analyst in Information Systems, a four person utility cut repair crew in the street division, and a program manager in the solid waste division to manage the stormwater quality program.

Department of Administration

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

Michelle Battee-Day, Interim Director of Administration: Ms. Battee-Day joined the City of Jackson on October 6, 2014. As Deputy Director, she is responsible for the management of the Finance, Budget, Purchasing and Treasury Management daily operations. Ms. Battee-Day has over 17 years of experience in government finance and accounting. Prior to coming to the City, she served as the Financial Manager for the City of Atlanta (Georgia) Public Works Department and as the Public Safety Administrator for the City's Fire Department. Ms. Battee-Day holds a B.A. in Business Administration from Jackson State University.

Department of Public Works

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

Jarriot Smash, Interim Director of Public Works: Mr. Smash was appointed as the City's Public Works Director in June 2016. Prior to assuming this position Mr. Smash served as Deputy Director of Administration in the Department of Public Works and was the Energy Efficiency Management Coordinator for the City of Jackson. Mr. Smash's professional career spans more than 20 years, including 13 years in the private sector as a program manager and sales engineer for Delphi, a high-technology company in the automotive sector; and a process engineer for General Motors. He holds a Master of Science in Operations Management from Kettering University and a Bachelor of Science Degree in Mechanical Engineering from Southern University and Agricultural and Mechanical College at Baton Rouge. Mr. Smash is a Six Sigma Greenbelt.

Management Contract - Wastewater Treatment Facilities

The City of Jackson currently has a contract with United Water Services Mississippi, LLC (“United Water”), a Mississippi limited liability company with its principal office located in Indianapolis, Indiana. United Water serves as the sole and exclusive operations, maintenance and management agent of the City’s wastewater treatment facilities. The current five- year contract was extended and expires in November 2016. The City is in the process of evaluating responses to a solicitation for a new contract for maintenance and management of the wastewater treatment facilities. The City expects to have a new contract negotiated by September 2016.

Under the contract the City agrees to pay United Water an annual management fee in addition to payment by the City of actual labor costs and expenses incurred by United Water in the discharge of its obligations under the contract. The fixed fee is subject to an annual inflation adjustment of 75% of the Southern Region All Urban Consumer Price Index. The management fee paid for FY 2015 was \$383,383.

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

Management Contract - Wastewater Sludge Hauling

A private vendor has been hired to haul to disposal sites sludge generated by the Savanna Wastewater Treatment Plant and the Trahon Wastewater Treatment Plant. The cost of this service varies with the volume of sludge hauled. For fiscal year 2015, the cost of this service was \$482,721.00. As part of the hauling and disposal process, the City paid \$874,793.00, in tipping fees to dispose of sludge at the Little Dixie Landfill when weather conditions prevented land application by United Water.

THE WATER SYSTEM

General

The City has two principal sources of water for the System: a surface water treatment facility located in the vicinity of the Ross Barnett Reservoir (the “Curtis Plant”); and surface water treatment facility located east of Interstate 55 on Laurel Street (the “Fewell Plant”). The City’s Department of Public Works operates the City’s water facilities.

The Curtis Plant is a modern, computerized plant which began operation in June 1993 at an initial cost of \$23 million. At the time of its commissioning, it had a capacity of 25 million gallons per day (mgd). The water source for the plant is the Ross Barnett Reservoir. The Curtis Plant was designed to accommodate future expansions up to 75 mgd and, ultimately, 100 mgd as demand increased. A forty-eight-inch (48”) diameter water transmission line completed in 1997 connects the plant to the existing water distribution system. The most recent addition to the Curtis Plant, completed in 2008, was a \$62 million improvement program to increase production capacity at the facility to 50 mgd. The project included addition of advanced membrane filtration units, additional clearwell storage, disinfection system upgrades, mechanical and electrical improvements, and computer automation upgrades. Construction of a fifty-four-inch (54”) diameter transmission main to connect the Curtis Plant and the Fewell plant is completed and in service.

The Fewell Plant withdraws water from the Pearl River. It has a design capacity of 52 mgd with a functional maximum capacity of 30 mgd. Originally constructed in 1914, the plant has had several additions; the

most recent of which was in 2008 and consisted of a \$12.4 million improvement program in order to maintain a minimum production capacity of 25 mgd and to eliminate the discharge of solids into the Pearl River. The project included a solids collection system, disinfection system upgrades, mechanical and electrical improvements, and a computer automation upgrade.

The City formerly also operated two ground water well systems. The City completed construction of its Maddox Road Booster Station in July 2014 which allows the City to provide surface water to the well system customers. With completion of the Booster Station all infrastructure to serve the well system customers with surface water is in place. The City maintains the ground water well system along with the surface water system.

Over the years, the City has acquired private utility companies and has constructed numerous transmission mains, water storage facilities, and distribution facilities to provide service throughout the City and certain parts of Hinds County for a total service area of approximately 150 square miles. These water distribution facilities include approximately 906 miles of water mains ranging in size from 2 inches to 54 inches in diameter. In all, this distribution network serves approximately 70,000 water connections for a service population of approximately 250,000. The City also supplies potable water to the Nissan Plant and its suppliers near Canton, Mississippi through a contract with the State of Mississippi (the "State"). The City's existing water storage facilities have a capacity of 13 million gallons and the City will undertake to increase such capacity as necessary to comply with Mississippi State Department of Health requirements. In 2010, the State authorized a \$6,000,000 non-recourse loan to the City to make improvements to water infrastructure in the area around the State Capitol Complex, which was completed in 2014. Using these funds the City recently completed repairs to its 0.5 mg water tank located at Livingston Road near the Jackson Zoo, completed construction of a new 1.5 mg water tank located near Fortification Street and replaced water distribution lines in Capitol Street and its major cross streets, which area is the focus of much of the City's downtown revitalization. In August 2016, the City advertised for bids on the construction of a forty-eight-inch (48") transmission line that will deliver potable water from the Curtis Plant to South Jackson. The City expects the new line to be in service by the end of FYE2017.

Water Customers

As of September 30, 2015, the System had 56,998 customers who purchased 1,587,896,139 cubic feet of water annually (133,690 cubic feet of water equals 1 million gallons). Although residential customers accounted for approximately 89% of the total number of the System's water customers, residential customers comprised only 65.6% of the total volume of water sold by the System. The balance of the System's customers and sales of water was primarily commercial.

Water Customers

Fiscal Year	Residential	Commercial	Total
2011	54,430	7,170	61,600
2012	53,627	7,149	60,776
2013	53,028	7,103	60,131
2014	51,899	7,020	58,919
2015	50,757	6,241	56,998

SOURCE: Department of Public Works, City of Jackson; April 2016.

Water Rates and Charges

The current water rate is \$3.21 per 100 cubic feet of water consumed (\$3.21/CCF) and has been in effect since November 19, 2013. From January 1, 2011 to November 19, 2013 the rate was \$2.48/CCF. From October 8, 2004 to December 31, 2010, the rate was \$2.20/CCF, and from October 13, 2001 to October 7, 2004, the rate was \$1.77/CCF, and from December 29, 1998 to October 13, 2001 it was \$1.18/CCF. Water customers also pay a \$7.44 monthly service charge when using more than 300 cubic feet of water each month. For each meter serving more than one residential unit a service charge of \$7.44 times the number of residential units is assessed.

Water customers residing outside but within one mile of the corporate City limits are charged double the above rates, i.e., \$6.42 per 100 cubic feet (\$6.42/CCF) of water consumed; a \$14.88 monthly service charge for users of more than 300 cubic feet and for each meter serving more than one residential unit a service charge of \$14.88 times the number of residential units. Customers residing more than one mile outside the corporate City limits are charged \$1.48 per 100 cubic feet of water consumed (\$1.48/CCF), a rate which must be reviewed and approved by the Mississippi Public Service Commission (the "PSC"). These customers are not subject to a service charge.

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

Water System Monthly Fire Protection Charge

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

SOURCE: Department of Public Works, City of Jackson; April 2016.

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

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

Discounts For New Businesses

Minimum Capital Investment	Minimum Number of Employees or Daily Average Usage of 50,000 CF	Percentage Reduction in Water Charge
\$75 million	75	25%
50 million	50	20
25 million	25	15
10 million	25	10

SOURCE: Department of Public Works, City of Jackson; April 2016.

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

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

**Origin Of Water Revenues
(Year Ending September 30, 2015)**

Location	Active Accounts	Metered Consumption (cubic feet)	Total Water Sales*
Inside City	51,210	448,666,130	\$14,402,182
Outside City Limits (within 1 mile)	1,985	24,433,780	1,953,227
Outside City Limits (beyond mile)	3,803	33,577,553	543,466
Total	56,998	506,677,463	\$16,074,551

SOURCE: Department of Public Works, City of Jackson; April 2016.

*Due to metering issues within the city arising from the Siemens Performance Contract, the allocation among the three categories of customers cannot be determined with a reasonable degree of accuracy.

Note: The revenues shown above do not include the revenues generated from the monthly service charge that is assessed to customers using more than 3 CCF per month.

Largest Customers

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

**Largest Water Customers
(Year Ending September 30, 2015)**

Customer Name	Annual Usage FY 2015 (Cubic Feet Billed)	Volumetric Sales	Percentage of Total Annual Usage
Jackson State University	10,390,122	\$ 333,523	.02%
Mississippi Baptist Hospital	8,038,402	258,033	.02
Methodist Medical Center	7,375,039	236,739	.02
St. Dominic Hospital	6,980,976	224,089	.01
City Zoological Park	*13,812,205	443,375	.03
Double G. Coating	4,863,900	156,131	.01
Par Holdings/Jackson Square Apts.	2,145,417	68,868	.00
State Capitol Commission	5,470,706	175,610	.01
Griffin Industries	3,034,913	97,421	.01
One Thousand One Hotel, LLC	3,049,922	97,903	.01
MetroCenter	2,072,900	66,540	.00
	67,234,502	\$2,161,232	.14%

SOURCE: Department of Public Works, City of Jackson; April 2016.

*leak

Private Wells

The drilling of privately owned water wells is permitted under local laws. There are twenty-five (25) privately drilled industrial commercial water wells currently in operation within the City which are large enough (diameter of casing six (6) inches or greater) to require permitting by the State.

Industrial Commercial Water Wells

Organization	Total Wells
Entergy	6
Colonial Country Club	3
University Medical Center	4

Organization	Total Wells
Tri-State Brick	1
Jackson Plating Company	1
Frito Lay	1
Presto Manufacturing	1
Crescent Uniform & Linen Service	1
Filtrol	1
General Electric	1
Jackson Packaging	1
Coca-Cola	1
McCarty Processors	1
St. Dominic	1
Veterans Medical Center	1
Mississippi Baptist Hospital	2
Country Club of Jackson	2
Natural Science Museum	1
Mississippi Department of Transportation	1
Central Mississippi Medical Center	1
Total	25

SOURCE: State of Mississippi Department of Environmental Quality; April 2016.

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

Federal and State Water Requirements

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

THE SEWER SYSTEM

General

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

The primary wastewater treatment facility is located east of the Savanna Street exit off Interstate 55 South (the "Savanna Plant"). The Savanna Plant has a 46 million gallons per day ("mgd") permitted capacity during May through October and 60 mgd from November through April, and was placed in operation in 1975 at an original cost of \$15.3 million. It is a secondary treatment facility employing the contact stabilization mode of the activated

sludge process, utilizing the Ludzack-Effinger process for nitrogen and phosphorous removal. As a secondary treatment facility, the Savanna Plant is capable of removing approximately 90 percent of the biodegradable and inert substances (biochemical oxygen demand (“BOD”) and suspended solids) from the influent wastewater. The Savanna Plant consists of the following: storm lagoons, screens, raw sewage pump station, grit chambers, aeration tanks for contact re-aeration of return sludge and aerobic digestion of waste activated sludge, final clarifiers, pH adjustment facilities, chlorination/dechlorination facilities, effluent pump station, gravity thickeners for aerobically digested waste sludge, and sludge dewatering facilities for the digested sludge. Dewatered sludge is disposed of at either a landfill or on permitted land application sites. Treated wastewater is discharged into the Pearl River.

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

The third treatment facility is located in the Presidential Hills subdivision in the northwest part of the City. The facility provides treatment of wastewater flows from Bogue Chitto Creek Basin (the “Presidential Hills Facility”). The facility began operations in the early 1970’s as an aerated lagoon treatment process. In 2014, construction was completed on this facility making it a mechanical wastewater treatment plant utilizing the activated sludge process with a capacity of 1.4 MGD and an average daily flow of 0.3 MGD. Improvements were mandated by MDEQ and EPA to meet stringent nutrient removal requirements associated with the U.S. Clean Water Act.

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

As of September 30, 2015, the City’s sewer system served approximately 50,709 customers and contained over 874 miles of collection pipes.

Regional Sewage Treatment Program

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

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

- (i) to participate in the WQMP and to cooperate in said plan for financing, designing and constructing a regional sewage treatment system to be funded by a USEPA grant and other funds;
- (ii) to enter into agreements with governmental units, including municipalities, as may be required by the USEPA for funding, constructing, operating and maintaining said regional sewage treatment system;
- (iii) to fully cooperate and participate with the USEPA and other governmental agencies and units to expedite the implementation of such regional sewage treatment system as may be approved by the USEPA; and

- (iv) to construct, own, operate and maintain said regional sewage treatment system and to treat the sewage generated within the service areas as may be designated by the USEPA and to provide such service to the areas at an equitable cost. Upon completion of construction of the regional sewage treatment system, this service shall be available to phase out those existing sewage treatment plants and systems determined to be inadequate by the appropriate state and federal agencies. Such service by the regional sewage treatment system, in lieu of existing sewage treatment plants and systems, is subject to the condition that the existing plants and systems may be connected to the regional sewage treatment system at a justifiable economic cost.

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

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

The Rankin Sewer System and the West Rankin Utility Authority

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

In 2002, the City and the West Rankin Utility Authority (“Utility Authority”) entered into a long-term agreement for the treatment of wastewater from the Utility Authority’s members. Under the agreement, the City transferred the collection and interceptor system in Rankin County to the Utility Authority. The amount of the annual contract payment for the Utility Authority is based on the percentage of the Utility Authority’s contributed flow and the Utility Authority’s proportionate share of the operation and maintenance costs of the City’s treatment facilities as well as reimbursement to the City for a proportionate share of the City’s debt service obligations (incurred prior to the date of the agreement) that were used to construct or improve City facilities used in treatment of the Rankin Sewer System’s sewage. The Utility Authority also pays a surcharge of 50% for the treatment cost of all flows in excess of baseline flow, which is set by the agreement as 10 mgd annualized over 365 days. The agreement also allows the Utility Authority to request expansion of the treatment capacity at the Savanna Street Plant to the extent the Utility Authority is willing to pay the cost of the requested capacity expansion. A recent amendment to the agreement requires the Utility Authority to participate proportionately in any expansion of the treatment capacity of the Savanna Plant required by any State or Federal agreed order, consent decree or other administrative action.

The term of the agreement between the City and the Utility Authority is for an initial term of 30-years (expiring in 2032) with the option to extend the agreement in 10-year increments thereafter. The agreement has been amended to allow the Utility Authority to terminate the agreement four years after notice, provided that the notice is given to the City within 6 months of approval of the Composite Correction Plan, which is required under the consent Decree. Under a recent amendment to the agreement, the Utility Authority now has six months after the approval of the Composite Correction Plan for the Savanna Plant required by the City’s Consent Decree to notify the City of its intent to terminate the agreement. Currently the composite correction plan is anticipated to be approved during 2016. The agreement continues to allow the Utility Authority to terminate the agreement early in 2025 by

giving written notice to the City by September 30, 2022. The Utility Authority is currently seeking the issuance of a National Pollutant Discharge Elimination System (NPDES) permit that would allow it to construct a new 20 mgd wastewater treatment facility in Rankin County, Mississippi, which would discharge into the Pearl River. The City is actively opposing the issuance of the permit through the available legal process at the level of the Mississippi Department of Environmental Quality.

The Madison Sewer System and the Ridgeland West Agreement

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

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

Sewer Customers

As of September 30, 2015, the Sewer System had 50,709 customers who delivered 1,518,908,842 cubic feet annually of wastewater to the City for treatment. Although residential customers accounted for approximately 88.4% of the total number of the System’s sewer customers, residential customers delivered only approximately 65.6% of the total volume of wastewater treated by the System. The balance of the System’s sewer customers and sales were primarily commercial.

Sewer Customers

Fiscal Year	Residential	Commercial	Total
2011	46,047	6,035	52,082
2012	45,199	5,976	51,175
2013	44,544	5,932	50,477
2014	43,629	5,865	49,494
2015	44,842	5,867	50,709

SOURCE: Department of Public Works, City of Jackson; April 2016.

Sewer Rates and Charges

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

Under the City's present sewer rate ordinance, effective as of November 19, 2013 each customer is charged \$4.47 per 100 cubic feet of metered water consumption when the monthly water consumption is greater than the minimum usage amounts set forth in the following table for a given meter size. From January 1, 2011 until November 19, 2013, the rate was \$2.15/CCF. From October 8, 2004 to December 31, 2010, the rate was \$2.03/CCF. From October 13, 2001 to October 7, 2004, the rate was \$1.97/CCF, and from December 29, 1998 to October 13, 2001, it was \$1.47/CCF.

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

Sewer Rates And Charges

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

SOURCE: Department of Public Works, City of Jackson; April 2016.

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

Discounts For New Businesses⁽¹⁾

Minimum Capital Investment	Minimum Number of Employees or Daily Average Usage of 133,000CF	Percentage Reduction in Sewer Charge
\$75 million	75	25%
50 million	50	20
25 million	25	15
10 million	25	10

SOURCE: Department of Public Works, City of Jackson; April 2016.

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

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Largest Customers

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

Largest Sewer Customers (Year Ending September 30, 2015)

Customer Name	Annual Usage (Cubic Feet Billed)	Volumetric Sales	Percentage Total Annual Usage
University of Mississippi Medical Center	48,461,865	\$2,166,245	0.14%
Mississippi Baptist Hospital	8,038,402	359,316	0.02
Jackson State University	10,390,122	468,438	0.03
Methodist Medical Center	7,375,039	329,664	0.02
St. Dominic Hospital	6,980,976	312,049	0.02
Double G. Coating	4,863,900	217,416	0.02
Veteran's Administrative Hospital	4,959,577	221,693	0.01
Par Holdings/Jackson Square Apts.	2,145,417	95,900	0.01
State Capitol Commission	5,470,706	244,540	0.02
Griffin Industries	3,034,913	135,660	0.01
One Thousand One Hotel, LLC	3,049,922	136,331	0.01
Metro Center	2,072,900	92,658	0.01
	106,843,739	\$4,775,915	0.31%

SOURCE: Department of Public Works, City of Jackson; April 2016.

Federal and State Sewerage Requirements

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

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

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

FUTURE SYSTEM NEEDS

In March 2013, the City entered into a Consent Decree with the USEPA and the Mississippi Commission on Environmental Quality (the “Consent Decree”) which requires upgrades currently expected to cost \$400 million over a seventeen and a one-half year period ending in or about 2030. The parties to the Consent Decree have identified three priority projects that require repairs/improvements to the System: (1) repairs to the Savanna Street Plant, (2) repairs to the West Bank Interceptor and (3) repair and replacement to damaged collection lines. The City was required to submit a Financing & Cost Analysis Program by August 31, 2014. The analysis was submitted to USEPA and is currently under review. For more information about the Consent Decree, SEE “USEPA CONSENT DECREE” herein.

System Master Plan

A comprehensive Water and Wastewater System Masterplan (the “1997 Masterplan”) commissioned by the City was issued in September, 1997. The 1997 Water System Master Plan was updated in 2013. The 1997 Masterplan addresses present and future needs of the City’s System. The 1997 Masterplan indicated an aggregate of \$375,000,000 in capital improvements to the System would be necessary by 2012 to meet anticipated demand and compliance requirements under pertinent federal and State statutes, regulations and administrative orders, to include (i) \$180,000,000 in capital improvements necessary to ensure the adequacy of the City’s water production, treatment, transmission and distribution facilities and (ii) \$195,000,000 in capital improvements to meet future wastewater requirements for the City’s service area. The 2015 value of these capital improvements was estimated to be \$533,778,110 in current dollars.

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

The updated Master Plan addresses the needs of the water system for the next 20 years. This plan assesses improvements needed for transmission line replacement and upgrade, distribution line replacement and upgrade, water treatment plant upgrades, implementation of a water asset management program, and a targeted Capitol Complex Project. Information from the Master Plan will be utilized in completing and approval of the Infrastructure Master Plan and the Capital Improvements Plan.

Infrastructure CIP

In January 2014, a majority of the qualified voters in the City approved a 1% sales tax increase to address “infrastructure needs” and to help close a funding gap. The City developed an infrastructure improvement plan (the “Infrastructure CIP”) that provides a 20-year strategy for sustainable investment in the City’s roads, bridges, drainage and water infrastructure. Each CIP year has a planning budget of \$50 million subject to the actual amount of sales taxes collected. Through the end of calendar year 2015, \$1.9 million of funds had been committed to infrastructure projects, of which \$239,000 was for drainage improvements and water line replacement.

AGREED ORDERS WITH MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY

Agreed Order No. 5823-10

The Mississippi Commission on Environmental Quality (“MCEQ”), acting through the staff and Executive Director of the Mississippi Department of Environmental Quality (“MDEQ”), found that at various times from March 21, 2009, through August 24, 2009, the City experienced problems that violated certain provisions of its National Pollution Discharge Elimination System (“NPDES”) permit for its Savannah Street Waste Water Treatment Facility (the “SSWWTF”) and its associated collection system. MCEQ further found that the City failed to timely submit applications for permit reissuance for certain of its biosolids land application sites. Without admitting or

denying these findings, the City and MCEQ agreed to the terms and conditions of Agreed Order No. 5823-10. The City is currently subject to this agreed order with respect to the System.

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

1. to submit for approval to MDEQ on or before August 31, 2010, a Sewer Overflow Response Plan (“SORP”) establishing timely and effective methods and means of (i) responding to, cleaning up, and/or minimizing the impact of all sanitary sewer overflows; (ii) reporting the location, volume, cause, impact, and other pertinent information of all sanitary sewer overflows to the appropriate regulatory agencies; and (iii) notifying the potentially impacted public (which plan has been approved and implemented);

2. to submit for approval to MDEQ on or before August 31, 2010, a written maintenance plan for all pumps in the influent pump station at the “SSWWTF” (which has been approved);

3. to submit for approval to MDEQ on or before August 31, 2010, an engineering study on the City’s sludge handling and disposal practices associated with the SSWWTF (which study has been approved);

4. to submit for approval to MDEQ on or before November 30, 2010, a Sludge and Solids Removal Plan that provides for the removal and proper disposal of excess, accumulated sludge/solids from the SSWWTF’s storm diversion cells. This Plan was approved by MDEQ and a contractor removed biosolids from the storm diversion cells. This project is on schedule to be completed by April 2014 as required by the Agreed Order. The City has solicited proposals from contractors and anticipates issuing a Notice to Proceed on this project by May 1, 2016; and

5. to submit for approval to MDEQ on or before November 30, 2010, a Sludge and Solids Removal Plan that provides for the removal and proper disposal of excess, accumulated sludge/solids from the SSWWTF’s aeration basins and secondary clarifiers within the SSWWTF. The City successfully completed this approved plan.

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

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

Agreed Order No. 6005 11

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

upgraded plant commissioned in November 2014. The plant has successfully operated without effluent violations since that date.

USEPA CONSENT DECREE

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

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

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

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

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

No work on sewer sheds, or the Savanna Plant. Two major projects update to presidential hills and west bank interceptor and studies (including a flow monitoring study of the sewer sheds and condition assessment of the west bank interceptor).

This program is currently in progress.

The City is in compliance with its obligations under the Consent Decree. All required reports and submittals are available on the internet at www.cojcd.org.

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

LEAD ACTION LEVEL EXCELLENCE

The City is required to conduct periodic random sampling of potable water moving through its plants and distribution system for analysis by the Mississippi Department of Health. Based upon samples collected in June 2015 a report, issued in January 2016, concluded that as many as 22% of the homes in the City exceeded the federal lead “action level.” The results were determined to be attributable to inadequate corrosion control. The State

Department of Health issued a compliance plan which requires the City to create an updated site plan for sampling and required the City to hire an engineer to conduct a corrosion control study. As part of the study, the City was required to identify homes within the sample group with the highest exceedance level and regularly test water control parameters until the completion of the study. In April 2016, the City hired an engineering firm to conduct retesting and wider sampling which revealed that the City is in compliance with state health regulations, although a general health advisory is in place for at risk segments of the population.

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APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR SEPTEMBER 30, 2015



Comprehensive Annual Financial Report

For the Year Ended September 30, 2015
Department of Administration
Finance Division

Mayor Tony T. Yarber

**CITY OF JACKSON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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INTRODUCTION SECTION



May 11, 2016

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

A requirement of Mississippi law is that local governments annually publish audited financial statements. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015 for the City of Jackson, MS is submitted herewith.

An unmodified opinion on the financial statements of the City of Jackson, MS has been issued by Banks, Finley & White Co. for the year ended September 30, 2015. The Independent Auditor's Report is included in the front of the financial section of the CAFR. The City of Jackson is also required to have an audit performed in compliance with the Single Audit Act of 1996 regarding grants received from the federal government. The Single Audit report was issued by Banks, Finley & White Co.

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

All of the governmental activities and business-type activities of the City of Jackson, MS, as well as the Jackson Redevelopment Authority (JRA) and the Capital City Convention Center Commission (component units of the city) are included in the 2015 CAFR. JRA and the Capital City Convention Center Commission are presented as a proprietary fund type within the CAFR because the City exercises significant oversight responsibility. The approval of JRA's administrative operating costs and appointments to its Board of Commissioners are authorized by the City's governing body. Additionally, JRA accounts for its separate funds and maintains revenues sufficient to meet their operating costs, debt service and system replacement and maintenance needs for their parking garages and other urban renewal projects. The Capital City Convention Center Commission is accountable as

a component unit of the City because of its fiscal dependency on the City of Jackson.

Four Proprietary Funds, which provide a variety of services on a fee-for-services basis, are among those funds whose financial operations are included in the CAFR. These Proprietary Funds are the Water/Sewage Disposal System, Madison Sewage Disposal System, Transportation, and Sanitation and Recycling.

Organizationally, the 2015 CAFR provides information in three major sections: Introductory, Financial, and Statistical. The Introductory Section encompasses the Letter of Transmittal, the Organizational Chart of the Executive Branch of the City of Jackson, MS, and a list of principal elected and appointed officials. The Financial Section consists of the Independent Accountants' Report, the Basic Financial Statements, Notes to the Financial Statements and the various individual fund and account group financial statements and schedules. Additionally, a narrative introduction, overview, and analysis are provided in the form of Management's Discussion and Analysis (MD&A). We recommend that the MD&A on pages 4-12 be carefully examined by the reader in order to provide a more concise picture of the financial position of the City.

CITY PROFILE AND REPORTING ENTITY

Historical Background

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

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

Jackson Today

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

A comprehensive range of municipal services including public safety, street maintenance, water, sewer, and sanitation services, social programs, recreation activities, cultural events and general administration are provided to Jackson's citizens. These services are provided in the context of the broad public policy initiatives as determined by the elected officials of Jackson, MS. Public Safety, Economic Development, Infrastructure Stability, Innovation and Education were the policy initiatives for FY15.

The City of Jackson, MS is required to submit its municipal budget on an annual basis to the City Council for adoption on or before the fifteenth day of the last month in the fiscal year. A budget process, linking policy initiatives, services, and available resources, is utilized to develop the budget. As the primary financial planning and control document, the budget provides the foundation for City operations.

The budget is crafted to include expenditures by fund, department and category:

Fund: General, Special Revenue, Debt Service, Proprietary, Trust, and Capital,

Department: Administration, General Government, Human & Cultural, Parks & Recreation, Police, Fire, Personnel, Public Works, and Planning

Category: Personal Services, Supplies and Material, Other Services and Charges, and Capital Outlay.

General Property Taxes, Licenses and Permits, Fines and Forfeitures, Intergovernmental, Admissions, Fees, Rentals, Interest, Other Revenues, and Operating Transfers are the categories that comprise the revenue budget.

During the fiscal year, department directors may transfer resources within a department by following established guidelines. These transfers, along with other budget adjustments, are incorporated into Budget Revisions that must be approved by the City Council. The Executive Branch is afforded the opportunity to submit a maximum of three Budget Revisions to the City Council for approval within the fiscal year.

ECONOMIC OUTLOOK

The City is the seat of government for the State of Mississippi and home to a diverse economy. In addition to governmental services, major industries located within the city

limits or in close proximity include the Nissan auto plant and manufacturers of power, metal fabrication, airplane parts, and machine parts and engines. However, due to the national economic downturn, the city, state, and industries alike have been impacted by the national recession. Jackson continues to be the site of the largest financial institutions in the state. Numerous healthcare facilities and health service agencies, including the state's only medical school, provide employment to more than 30,090 professionals and staff.

As the educational, cultural, medical, and governmental center of the state, the Jackson metropolitan surrounding area has a relatively stable unemployment rate of 6.4 percent (Source: MS Department of Employment Security, Annual Labor Force Report) with an employed labor force of 171,155. This unemployment rate compares favorably to the state's overall unemployment rate of 6.6 percent. Over the previous years, the unemployment rate has ranged from a high of 9.2 percent to a low of 4.8 percent for 2015.

Jackson, MS, is highly dependent upon the public sector as an economic engine. While public sector employment is generally more stable than private sector employment, the spin-off businesses and entrepreneurial opportunities that are needed for sustained growth is not generated at the desired level. Thus, the economic development efforts must look toward business-government partnerships as a part of the solution.

The City of Jackson has taken a proactive approach to addressing this issue. Our approach is multi-pronged, Jackson is partnered with the Central Mississippi Planning and Development District (CMPDD), Mississippi Development Authority (MDA), Hinds County Economic Development Authority, and the Greater Jackson Chamber Partnership. The City of Jackson is poised to make significant economic development changes in the immediate future. Over the last year we have seen major industry growth, an increase in job creation and new developments. The Meridian at Fondren is a pro-proposed mixed-use development in the Fondren (midtown) area of Jackson that is comprised of over 9400 square feet of residential, retail/restaurant and office space. Seraphim Solar System anticipates generating 250 new jobs within three years of commencing operations. Seraphim will offer on the job training and benefits for employees, and will utilize the City's Jobs for Jacksonians Program to recruit qualified individuals and construction firms to meet the company's needs. Cherokee Brick & Tile Company, is a Georgia corporation that has expanded its private brick manufacturing company by purchasing Tri-State Brick and remodeling the facility. Cherokee Brick & Tile is committed to the City of Jackson, and will create 20-50 new jobs.

The City has also begun to benefit from a variety of downtown revitalization efforts. These efforts include the Capital Street Resurfacing Project; which has transformed Capital Street, a major thoroughfare in downtown Jackson into a two-way street that includes roundabouts, new landscaping and other traffic calming measures. The completion of the first phase of this parkway project has made it possible to easily connect the greater downtown area to Jackson State University. Overall occupancy in the downtown area is 85 percent and is expected to remain stable. The high percentage of college-educated residents who reside in Jackson is a positive trend that can further the City's efforts to becoming a dynamic urban center.

The total renovation and completion of the King Edward Hotel (Hilton Garden Inn); the development of Class A office space at the Pinnacle building; and the opening of the Standard Life Building as a mixed use facility continues to generate resurgence in the downtown area. Upon completion, the District at Eastover will be a 585,000 square foot mixed use development located on Interstate 55 in Jackson, will feature a cinema, retail/restaurant components, medical offices, banking and residential units. Phase I has been completed and construction of the entire project is expected to be completed in FY17.

Jackson property owners pay property taxes for county, city, and school totaling \$178.80 per \$1000 of assessed value. The assessment rate is 10 percent for residential property, 15 percent for other real property and 30 percent for personal property. There is no local income tax in Jackson.

FINANCIAL OUTLOOK

The City remains financially stable. As mentioned elsewhere in this report, the city experienced a decrease in its unrestricted fund balance reserve. The city is taking the following steps to restore its unrestricted fund balance reserve and to reduce the likelihood of this occurring in the future:

1. The city's proposed financial plan includes the establishment of a budget stabilization fund which will provide a mechanism by which funds which exceed budget needs (including the required fund balance) may be set aside.
2. The city must re-define its **core services**. The city has historically provided services that extend beyond public safety, water and wastewater and infrastructure (streets & bridges) management. Our citizens have benefited tremendously from these services but the cost of providing them has begun to drain the city of much needed resources which has affected the city's ability to provide the core services.
3. The city must continue to explore, create and implement additional revenue streams (i.e. parking meters, explore ways to monetize the city's assets, explore private management of certain city facilities).
4. The hiring of all non-essential personnel will be suspended.
5. All non-emergency overtime and overtime not previously approved by the department director will be suspended.
6. Requests for non-emergency purchases and travel will be suspended.
7. Reduce funding provided to outside agencies.
8. Discontinue the youth employment and the summer enrichment programs until the city's reserve has been restored.
9. The city must be pro-active in its efforts to eliminate fraud and abuse of city resources.

The unassigned General Fund balance available for future appropriation is \$5,524,550 million, which includes \$4,991,025 million attributable to the City's General Fund reserve policy. An additional \$3,209,682 million is reserved for inventories and state tort claims.

As of FYE 2015, the City's ratings were:

	General Obligation Bonds	Revenue Bonds
Standard & Poor's	AA-	A +
Moody's	Aa2	A2

The estimated ratio of net bonded debt to estimated assessed valuations and the amount of bonded debt per capita in FY 2015 are useful gauges of the City's debt position.

POPULATION:	173,514
BONDED DEBT PER CAPITA:	\$ 675.22
REAL & PERSONAL PROPERTY ASSESSED VALUE:	\$ 1,022,124,591
NET BONDED DEBT (G.O):	\$ 128,750,000
RATIO OF DEBT TO ASSESSED VALUE:	12.16%

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

BONDS OUTSTANDING

Category	Amount Outstanding Sept. 30, 2015	Amount Outstanding Sept. 30, 2014
General Obligation	\$ 124,150	\$ 132,380
General Obligation Note	4,600	6,900
Tax Increment Limited Obligation	4,572	5,111
Bonded Debt	\$ 133,322	\$ 144,391
Revenue Bonds	227,910	233,660
Urban Renewal Bonds - Component Unit	14,877	15,370
Total	\$ 376,109	\$ 393,421

PROPRIETARY FUNDS – CHANGES IN NET POSITION

Fund	2015	2014
Water/Sewage Disposal Fund	\$ 12,202	\$ 12,674
Madison Sewage Disposal Fund	(7)	(35)
Transportation Fund	227	3,173
Sanitation and Recycling Fund	626	364
Change in Net Position	<u>\$ 13,048</u>	<u>\$ 16,176</u>

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi employer, cost-sharing pension plan and an agent multi employer pension plan. Substantially, the City of Jackson full-time employees participate in the multi employer cost-sharing pension plan. Benefit and contribution provisions are established by state law and may be amended only by the State of Mississippi Legislature. The employer and employees' contributions represented 15.75% and 9.00% of covered payroll, respectively.

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$7,887,975 and employee benefit costs were \$15,635,230 during fiscal year 2015. The City's General fund appropriated \$7,435,233 to the Employees' Group Benefit fund.

FINANCIAL POLICIES

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

SELECT RECOGNITIONS

JACKSON POLICE DEPARTMENT ACCREDITATION: The Jackson Police Department received Accreditation from the MS Law Enforcement Accreditation Commission (MSLEAC) in February 2016. The MSLEAC assessment team consists of law enforcement practitioners (Chiefs and Sheriffs) whose agencies are already accredited. JPD met 140 standards set forth by the Accreditation Commission. JPD is the 27th agency to become accredited in the State of Mississippi.

PARKS AND RECREATION RECEIVES AWARD: The Mississippi Recreation and Parks Association (MRPA) named the City of Jackson Parks and Recreation Department the winner of the "Special Event Award of Merit Class III" for the 2015 Easter Egg Hunt. Class III is the largest city population of 35,000 or greater. The Department of Parks and Recreation hosts a free Easter Egg Hunt each year. The 2015 hunt was held at VA Legion Softball Complex in April 2015. The mission of the Mississippi Recreation and Parks Association is to provide avenues to build communities, reduce crime, and improve the health of Mississippians. The association works closely with state and local recreation professionals to publicize and support statewide and local parks and recreational activities.

BEST PLACE TO START A BUSINESS: Wallet Hub released rankings in 2015 of the best cities to startup a business. Jackson was ranked No. 5 out of 150. Wallet Hub analyzed the relative start-up opportunities that exist in the 150 most populated U.S. cities. The company used 13 unique metrics, ranging from 5-year survival rate and the affordability of office space to the educational attainment of the local labor force. Our findings, as well as expert commentary and a detailed methodology, can be found below.

FORBES: JACKSON AMONG TOP 10 UP-AND-COMING CITIES FOR RECENT COLLEGE GRADS: The business magazine in 2015 named the Capital City as one of the 10 up-and-coming cities for recent college graduates. Here's the magazine's description: Jackson is located on the Pearl River and is famous for its music, including Gospel, Blues, and R&B. Jackson is also home to the world famous Malaco Records recording studio, where many notable musicians got their start. The city hosts a number of cultural events including CelticFest Mississippi, Crossroads Film Festival, Jubilee Jam, Mississippi State Fair and the USA International Ballet Competition. A number of Jackson's downtown sites provide historical and cultural homage to the city's past and present including the Alamo Theatre, the Mississippi Governor's Mansion, the Oaks House Museum, the Mississippi Sports Hall of Fame and Museum, the Mississippi Agriculture and Forestry Museum and the Mississippi Museum of Art.

PGA TOURNAMENT: Sanderson Farms announced that it would remain the title sponsor of the PGA event in Mississippi's capital city through 2026. The Sanderson Farms PGA Championship is a premiere tournament drawing thousands to Jackson, where they patronize retail shops, restaurants and hotels. The tournament helps boost our economy and place us on a national stage, showing that our great city is a venue to host world-class events.

FUTURE INITIATIVES

WHAT WORKS CITIES INITIATIVE: The City of Jackson was selected to participate in the Bloomberg Philanthropies *What Works Cities Initiative*. Following extensive preparation, the city unveiled its new Open Data portal in April 2016. The portal will enable all citizens to access current city data. The City has been heavily involved in the What Works Cities initiative since late last year. The mission of What Works Cities is to elevate and accelerate cities' use of data and evidence to engage citizens, make government more effective, and improve people's lives. Initially, our portal will track road repairs, economic development projects, crime statistics and the Mayor's goals.

GATEWAY PROJECT: The City began work on "Gateway Housing Initiative," a new multi-phase initiative to restore neighborhoods in West Jackson. We're currently in Phase I of the pilot project, representing a \$1.1 million investment. The overall project cost is estimated to be \$4.1 million. The project includes properties to be conveyed by the state to the city and made ready for development. In collaboration with the Mississippi Housing Partnership and other partners, the City is utilizing federal HOME grant funds to comprehensively rehabilitate qualified homes. The target area in Phase I includes Claiborne St., Ellis Ave., Holland St., Houston St., Jayne St., Macy St., and Moss St. The pilot project will have a focus on infrastructure, housing and economic development.

NEIGHBORS FIRST LOT PROGRAM: In early 2016, the City is approved the Neighbors First Lot Program, which is designed to address blight and revitalize underutilized residential properties in the City of Jackson. The Neighbors First Lot Program allows the City of Jackson to transfer City-owned lots in a pre-determined planning area to the neighbors of those properties for a designated amount that starts at \$10, but will not exceed \$250. The program requires the resident to own property in the neighborhood, street or block. The program supports city efforts to help citizens reclaim their communities, and will also help increase revenue for the City as residents continue to pay their property taxes after obtaining the new property.

COMMUNITY IMPROVEMENT: The administration restructured this division and placed it within the Police Department in 2014. Since then, nearly 200 dilapidated structures have been torn down. Compared to 2013 when no structures were being demolished. These efforts help rid communities of abandoned structures; which helps reduce crime. It also supports beautification and helps to build stronger communities.

FEMA Hazard Mitigation Grant: This grant was awarded to the City of Jackson for The Lynch Creek Drainage - Phase II Construction in the amount \$1,969,762.00 with a Federal Share of \$1,477,321.00 and a Non- Federal share of \$492,447.00. This Grant is designed to help communities implement hazard mitigation measures following a Presidential Major Disaster Declaration. This Grant will also reduce long term risk to people and property from natural hazards and reduce repetitive flooding to apartment buildings and households in the West Jackson area near Ellis Avenue and Robinson Rd. The City will widen the creek and improve the slope by deepening Lynch Creek from St. Charles Ave past Robinson Rd.

PROGRESS UPDATE

Jackson's Infrastructure Master Plan (IMP) will transform the city through comprehensive improvement to its roads, bridges and drainage, and water/sewer systems. The City of Jackson will benefit immensely from the IMP. It will improve the quality of life for citizens and visitors alike by ensuring that jobs and minority participation are integrated components of the IMP projects as well as employment opportunities for local Jacksonians through the Jackson 500 program. Further, the IMP will emphasize complete streets ensuring safe, ADA compliant thoroughways that offer a variety of modes of transportation including public transportation, pedestrian and bike routes. Improving the state and capacity of our infrastructure systems will facilitate economic development opportunities which will attract, sustain and grow businesses. As part of the IMP, the City of Jackson will also incorporate green infrastructure projects. Greening the Capital City will make our communities more vibrant, protect natural resources and improve water quality.

TIGER GRANT AWARD

Transportation Investment Generating Economic Recovery (TIGER) is a supplementary discretionary grant program included in the American Recovery and Reinvestment Act of 2009. The U.S. Department of Transportation allocated \$500 million towards infrastructure improvement projects across the United States. The City of Jackson submitted an application for the reconstruction of two streets. On October 27, 2015, the U.S. Department of Transportation announced the City of Jackson would be awarded \$16,500,000.00 for the construction and engineering design for the two roadway projects which includes the reconstruction of State Street from Hartfield Street to Sheppard Road and the West County Line Road Interchange at US 51. This allocation will also require the City to provide a 20% minimum match.

ACKNOWLEDGMENTS

I would like to express my heartfelt appreciation to the staff of the Department of Administration, and specifically, the Finance Division for their diligence and dedication in the preparation of this report. We would also like to acknowledge and appreciate other departments and divisions across the city who has contributed, whether directly or indirectly, to the preparation of this report.

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

Finally, we would like to acknowledge the Mayor and City Council members for their consistent dedication to the city's goal of excellence in all aspects of financial management. We sincerely appreciate their continued support.

Respectfully submitted,

A handwritten signature in black ink that reads "Michelle Battee-Day". The signature is written in a cursive, flowing style.

Michelle Battee-Day, Interim Director
Department of Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Jackson
Mississippi**

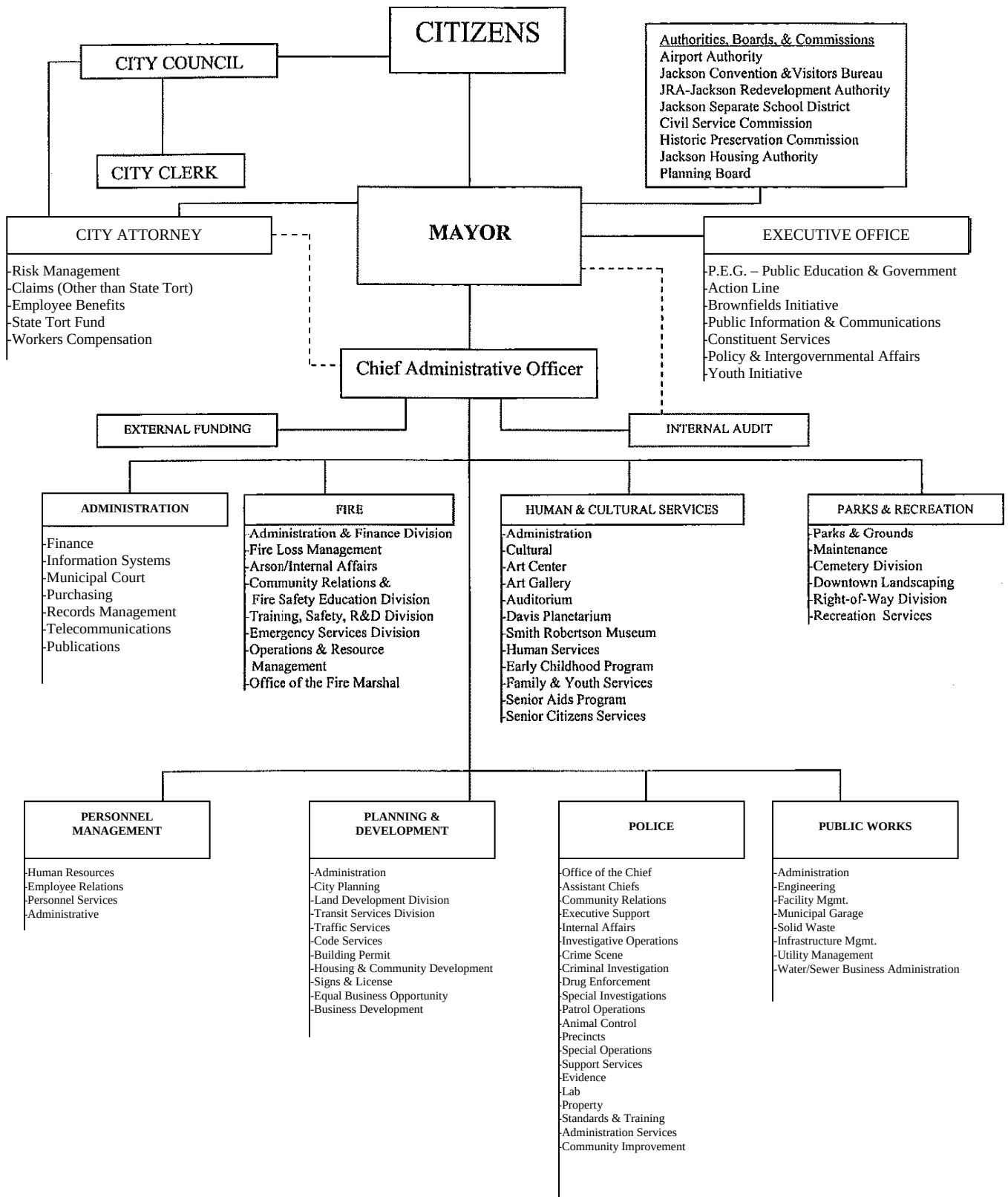
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014



Executive Director/CEO

CITY OF JACKSON ORGANIZATIONAL CHART



CITY OF JACKSON
MAYOR, CITY COUNCIL AND CITY OFFICIALS
SEPTEMBER 30, 2015

EXECUTIVE

Tony Yarber
MAYOR

LEGISLATIVE

CITY COUNCIL

Ashby Foote
Ward 1

Melvin Priester, Jr.
Ward 2
President of Council

Kenneth Stokes
Ward 3

De'Keither Stamps
Ward 4

Charles Tillman
Ward 5

Tyrone Hendrix
Ward 6
Vice President of Council

Margaret C. Barrett-Simon
Ward 7

Kristi Moore
City Clerk

EXECUTIVE BRANCH

Gus McCoy
Chief Administrative Officer

Jackie Woods
Chief of Staff

Chief of Police
Fire Chief
Director of Public Works
Director of Planning and Development
Director of Human and Cultural Services
Director of Parks and Recreation
Director of Personnel Management
Director of Administration
Director of Communications
City Attorney

Lee Vance
Ronerick Simpson
Kishia Powell
Eric Jefferson
Adriane Doresy-Kidd
Allen Jones
Denise McKay
Trivia A. Jones
Shelia Byrd
Monica Joiner

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FINANCIAL SECTION



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Tony Yarber
and Honorable Members of the City Council
City of Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit of the City of Jackson, Mississippi, as follows: the Capital City Convention Center Commission which represents 11.84 percent, 8.44 percent, and 0.47 percent, respectively, of the assets, net position, and revenues of the Capital City Convention Center Commission. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jackson, Mississippi, as of September 30, 2015, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Federal Grants Special Revenue Fund, and the Capital Project Improvement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As explained in Note 6, 7, and 8 to the financial statements, in 2015, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement Number 27*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 81 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 and other auditors 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 opinions on the financial statements that collectively comprise the City of Jackson, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital asset schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profits Organizations*, and is also not a required part of the basic financial statements of the City of Jackson, Mississippi.

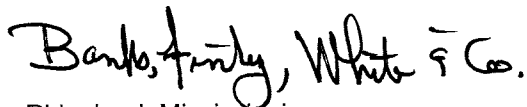
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other

records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2016, on our consideration of the City of Jackson, Mississippi'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 City of Jackson, Mississippi's internal control over financial reporting and compliance.



Ridgeland, Mississippi
May 11, 2016

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Jackson, we offer readers of the City of Jackson's financial statements this narrative overview and analysis of the financial activities of the City of Jackson for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - x of this report.

Financial Highlights

- The assets of the City of Jackson exceeded its liabilities at the close of the most recent fiscal year by \$227 million (*net position*). Of this amount, there is \$(114) million in unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$245 million.
- As of the close of the current fiscal year, the City of Jackson's governmental funds reported *combined* ending fund balances of \$28.3 million, a decrease of \$13.5 million in comparison with the prior year. Approximately sixteen (16) percent of this total amount is \$4.6 million (unassigned) and is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year unassigned fund balance for the general fund was \$5.5 million, or four (4) percent of total general fund expenditures.
- The City of Jackson's total debt decreased by \$42.1 million (9.7 percent) during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Jackson's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 13-15 of this report.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Jackson maintains fifteen (15) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal Grant Fund, Debt Service Fund, Improvement Fund, 1998 General Obligation Bond Fund, 2003 General Obligation Bond Fund, 2009 General Obligation Bond Fund, and Capitol Street 2-Way, all of which are considered to be major funds. Data from the other seven (7) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16-29 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 30-34 of this report.

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

The basic fiduciary fund financial statements can be found on pages 35-36 of this report.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 37-91 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Jackson's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 92-95 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major proprietary funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 96-111 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$227 million at the close of September 30, 2015.

By far the largest portion of the City of Jackson's net position (1.48 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Jackson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Jackson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

City of Jackson's Net Position (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 127,959	\$ 138,222	\$ 97,990	\$ 115,028	\$ 225,949	\$ 253,250
Capital assets	286,634	358,743	482,310	466,200	768,944	824,943
Total assets	414,593	496,965	580,300	581,228	994,893	1,078,193
Deferred Outflows of Resources	25,591	63	1,930	125	27,521	188
Long-term liabilities outstanding	177,048	189,566	274,686	278,206	451,734	467,772
Other Liabilities	220,336	42,346	32,346	26,213	252,682	68,559
Total Liabilities	397,384	231,912	307,032	304,419	704,416	536,331
Deferred Inflows of Resources	88,773	69,917	2,386	-	91,159	69,917
Net position:						
Invested in capital assets, net of related debt	121,798	197,642	213,137	192,012	334,935	389,654
Restricted	5,926	5,726	-	-	5,926	5,726
Unrestricted	(173,697)	(8,169)	59,675	84,672	(114,022)	76,503
Total net position	\$ (45,973)	\$ 195,199	\$ 272,812	\$ 276,684	\$ 226,839	\$ 471,883

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Jackson's total net position decreased by \$245 million during the current fiscal year.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

City of Jackson's Changes in Net Position (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	\$ 10,125	\$ 12,850	\$ 71,914	\$ 81,156	\$ 82,039	\$ 94,006
Operating grants and contributions	11,912	8,251	570	506	12,482	8,757
Capital grants and contributions	5,200	7,016	2,143	2,516	7,343	9,532
General revenues:						
Property taxes	77,881	77,634	-	-	77,881	77,634
Sales taxes	31,937	32,740	-	-	31,937	32,740
Franchise taxes	8,975	9,667	-	-	8,975	9,667
Other	1,448	2,349	126	316	1,574	2,665
Total revenues	147,478	150,507	74,753	84,494	222,231	235,001
Expenses:						
General government	40,626	15,780	-	-	40,626	15,780
Public safety	64,797	27,031	-	-	64,797	27,031
Public works	19,595	14,505	-	-	19,595	14,505
Human and cultural services	16,719	7,831	-	-	16,719	7,831
Employee benefits	1,564	8,232	-	-	1,564	8,232
Interest on long-term debt	5,911	844	-	-	5,911	844
Water/Sewer	-	-	45,439	55,554	45,439	55,554
Transportation	-	-	8,213	7,995	8,213	7,995
Madison-Ridgeland Sewage	-	-	55	109	55	109
Sanitation	-	-	10,857	10,765	10,857	10,765
Total expenses	149,212	74,223	64,564	74,423	213,776	148,646
Increase in net position before transfers	(1,734)	76,284	10,189	10,071	8,455	86,355
Transfers	(3,054)	(6,106)	3,054	6,106	-	-
Increase in net position	(4,788)	70,178	13,243	16,177	8,455	86,355
Net position - October 1, 2014	195,200	146,826	276,684	260,507	471,884	407,332
Prior year adjustment	(236,385)	(21,804)	(17,115)	-	(253,500)	(21,804)
Net position - September 30, 2015	\$ (45,973)	\$ 195,200	\$ 272,812	\$ 276,684	\$ 226,839	\$ 471,883

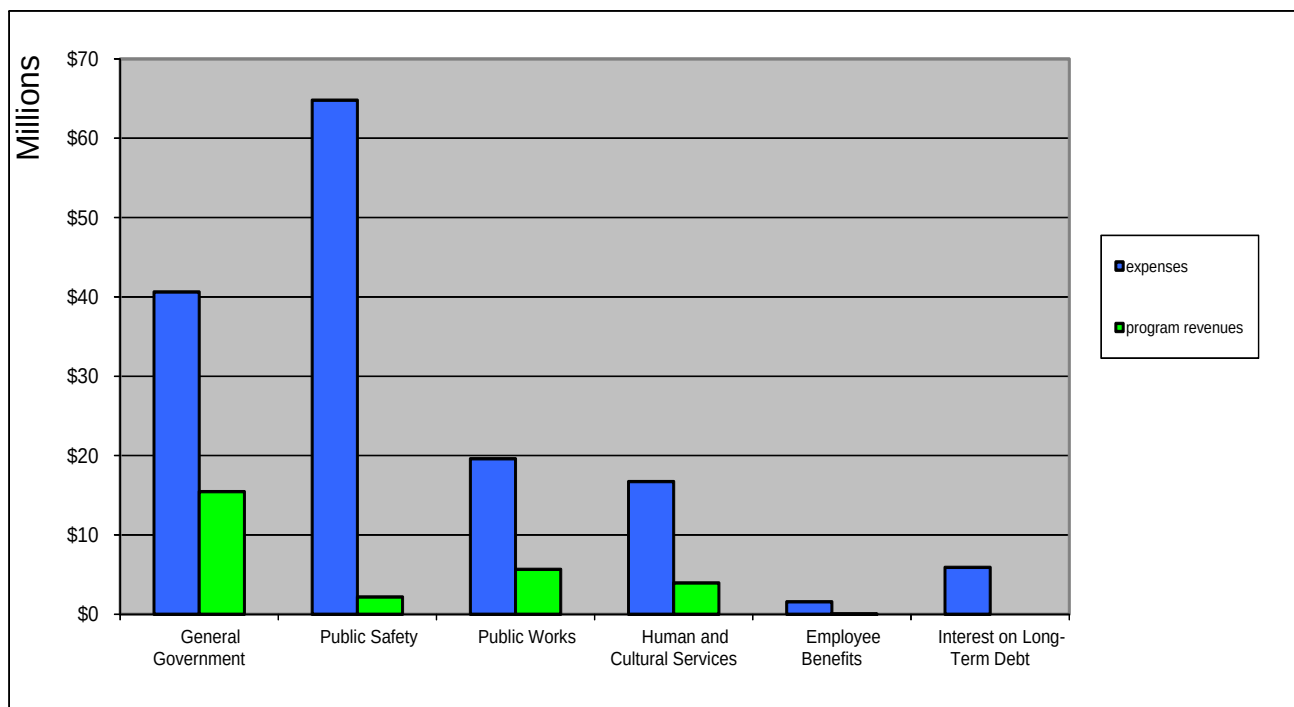
Governmental activities. Governmental activities decreased the City of Jackson's net position by \$241 million.

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

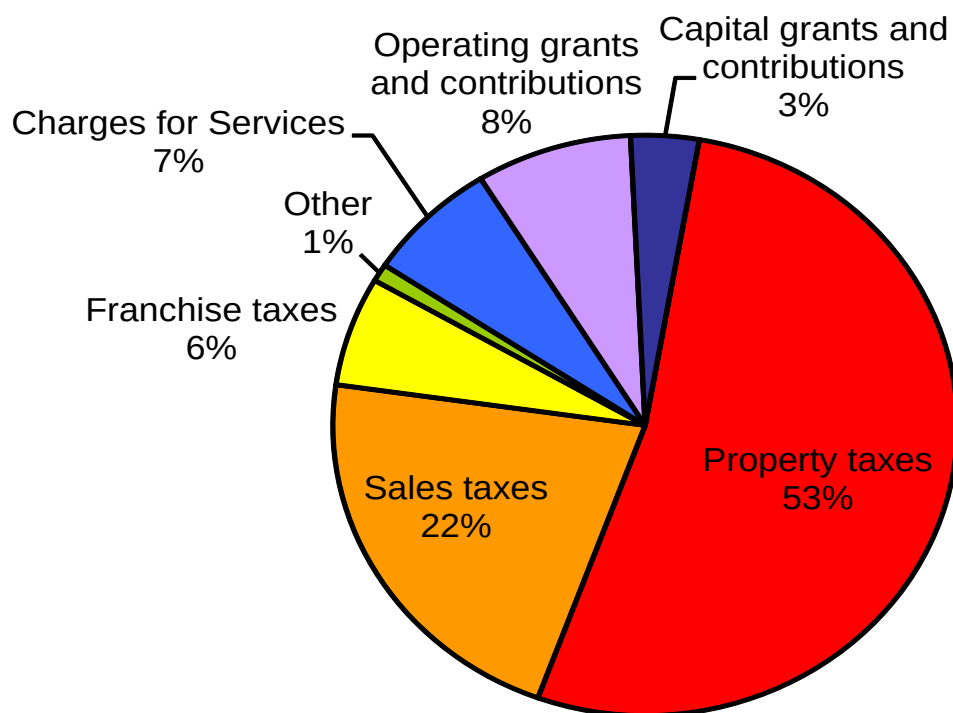
In prior years, the City had not presented the asset resulting from the 1997 contribution of bond proceeds to fund the actuarial accrued liability for the MRS plan. In 2007, pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the City calculated its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

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

Expenses and Program Revenues – Governmental Activities



Revenues by source – Governmental Activities



CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

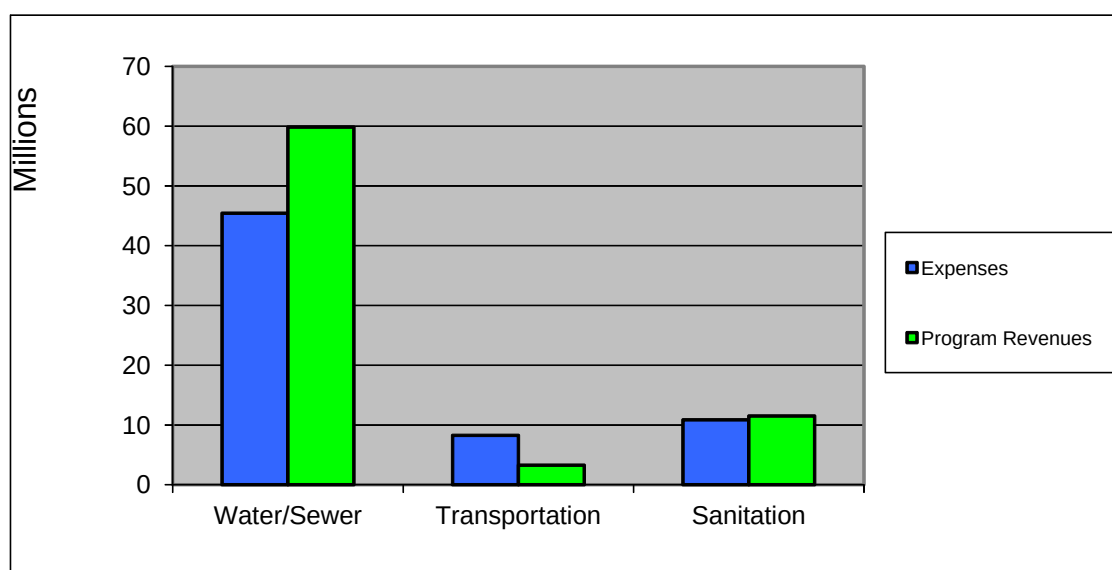
Financial Analysis of the Government's Funds

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

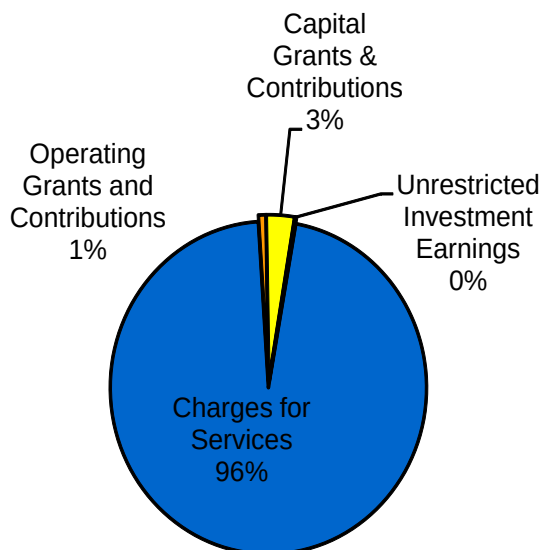
Governmental funds. The focus of the City of Jackson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Jackson's financing requirements. In particular, unreserved fund balance may serve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

Business-type activities. Business-type activities decreased the City of Jackson's net position by \$3.9 million. This increase is primarily in the Water Sewer fund.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$28.3 million, a decrease of \$13.5 million in comparison with the prior year. Sixteen (16) percent of this total amount is \$5 million which is available for spending at the government's discretion (*unassigned*). Of the remaining fund balance, \$875,212 is *nonspendable* and is not in spendable form, \$8,426,219 is *restricted* and has limitations imposed on its use by external parties, \$11,968,421 is *committed* for specific purposes imposed by the City Council, and \$2,004,467 is *assigned* for various purposes by the Director of Administration. Additional information on governmental fund balance can be found in Note 5 of the Notes to the Financial Statements including information on the specific purpose for amounts restricted, committed, and assigned.

The general fund is the chief operating fund of the City of Jackson. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.5 million, while total fund balance reached \$12.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

During the current fiscal year, the fund balance of the City of Jackson's general fund decreased by \$11,708,104. The increase in fund balance for the federal grant fund \$204,195 is for a variety of restricted purposes. The debt service fund has a total fund balance increase of \$464,289 which is partially revenue from property taxes and the payment of debt. The decrease in fund balance for the improvement fund \$1,963,346 is to liquidate contracts and purchase orders. The increase in fund balance for the 1998 GO Bond \$250 and the decrease in fund balance for the 2003 GO Bond \$1,201,194 is the natural spend down of bond proceeds. The 2009 GO Bond had a fund balance decrease of \$807,652 due to indebtedness incurred during the year. The Capitol Street 2-Way had a fund balance decrease of \$1,744,100 due to street improvement projects.

The debt service fund has a total fund balance of \$4.5 million, all of which is reserved for the payment of debt service.

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

Unrestricted net position of the Water/Sewage Disposal System Fund at the end of the year amounted to \$56.8 million. The decrease in net position for the Water/Sewage Disposal System Fund was \$22 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget expenditures were a \$2.5 million increase and can be briefly summarized as follows:

- \$0.8 million increase in capital outlay
- \$0.8 million increase in contract services and charges
- \$0.5 million decrease in personnel services
- \$1.4 million increase in supplies and materials

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

- Actual personnel services for all city departments was \$2.7 million less than the final budget.
- Actual capital outlay for all city departments was \$1.5 million less than the final budget.
- Actual contractual services and charges throughout all city departments was \$0.7 million less than the final budget.
- Actual supplies and materials for all city departments was \$1.5 million less than the final budget.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital assets. The City of Jackson's investment in capital assets for its governmental and business type activities as of September 30, 2015, amounts to \$769 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The total decrease in the City of Jackson's investment in capital assets for the current fiscal year was 6.8% (a 20.1% decrease for governmental activities and a 3.5% increase in business activities).

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

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

City of Jackson's Capital Assets (net of depreciation) (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 13,690	\$ 13,931	\$ 1,838	\$ 1,838	\$ 15,528	\$ 15,769
Building & systems	51,440	52,905	32,254	34,957	83,694	87,862
Machinery and equipment	16,577	15,211	15,616	16,251	32,193	31,462
Infrastructure	173,909	159,018	238,564	246,174	412,473	405,192
Construction in progress	31,018	117,678	194,039	166,980	225,057	284,658
Total	\$ 286,634	\$ 358,743	\$ 482,311	\$ 466,200	\$ 768,945	\$ 824,943

Additional information on the City of Jackson's capital assets can be found in Note 4 on pages 53-56 of this report.

Long-term debt. At the end of the current fiscal year, the City of Jackson had total bonded debt outstanding of \$357 million. Of this amount, \$129 million comprises debt backed by the full faith and credit of the City. The remainder of the City of Jackson's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

City of Jackson's Outstanding Debt General Obligation and Revenue Bonds and Other Loans (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 124,150	\$ 132,380	\$ -	\$ -	\$ 124,150	\$ 132,380
Revenue bonds	-	-	227,910	233,660	227,910	233,660
Tax increment bonds	4,576	5,111	-	-	4,576	5,111
Loans, notes and leases	29,695	34,537	7,740	30,461	37,435	64,998
Total	\$ 158,421	\$ 172,028	\$ 235,650	\$ 264,121	\$ 394,071	\$ 436,149

The City of Jackson's total debt decreased by \$42 million during the current fiscal year.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>Moody's</u>	<u>Standard & Poor's</u>
Revenue	A2	A+
General Obligation Bonds	Aa2	AA-
Urban Renewal Revenue Bonds	Aa3	A

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

Additional information on the City of Jackson's long-term debt can be found in Note 4 on pages 63-74 of this report.

Economic Factors and Next Year's Budgets and Rates

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

All of these factors were considered in preparing the City of Jackson's budget for the 2015 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased \$11.1 million.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

City of Jackson
Statement of Net Position
As of September 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Jackson Redevelopment Authority	Capital City Convention Center Commission
ASSETS					
Cash and cash equivalents	\$ 39,476,129	\$ 7,055,362	\$ 46,531,491	\$ 4,117,641	\$ 717,947
Accounts receivable, net	193,306	49,522,875	49,716,181	-	-
Other receivable	65,958,667	583,024	66,541,691	4,334,959	1,205,502
Intergovernmental receivable	10,125,546	273,485	10,399,031	-	-
Internal balances	1,891,730	(1,891,730)	-	-	-
Due from	-	92,735	92,735	-	-
Inventories	875,212	1,553,002	2,428,214	-	54,477
Prepaid Expenses	549	615,141	615,690	2,732	29,667
Net pension asset	9,437,769	-	9,437,769	-	-
Restricted assets:					
Cash and cash equivalents	-	28,285,183	28,285,183	30,267	1,500,000
Investments	-	11,900,693	11,900,693	-	500,000
Capital assets:					
Land	13,690,521	1,837,999	15,528,520	4,858,591	5,819,385
Buildings	51,440,045	32,254,222	83,694,267	26,409,395	63,283,445
Automotive and equipment	16,576,913	15,615,394	32,192,307	94,649	5,049,836
Infrastructure	173,908,550	238,564,202	412,472,752	-	-
Construction in Progress	31,018,202	194,038,723	225,056,925	-	-
Property held for development	-	-	-	5,924,146	-
Total assets	414,593,139	580,300,310	994,893,449	45,772,380	78,160,259
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	25,591,069	1,929,849	27,520,918	-	-
Total deferred outflows of resources	25,591,069	1,929,849	27,520,918	-	-
LIABILITIES					
Liabilities:					
Accounts Payable	7,958,179	5,394,757	13,352,936	532,550	338,761
Accrued interest payable	680,342	2,473,561	3,153,903	157,392	-
Unearned revenue	-	-	-	-	212,641
Due to	-	92,735	92,735	-	-
Other liabilities	9,779,981	3,453,936	13,233,917	22,682	177,182
Noncurrent liabilities:					
Net other postemployment benefits	29,702,405	4,473,594	34,175,999	-	-
Pension liability	172,214,687	16,457,793	188,672,480	-	-
Due within one year	19,303,851	14,704,315	34,008,166	514,959	-
Due in more than one year	157,744,187	259,981,953	417,726,140	14,225,666	-
Total liabilities	397,383,632	307,032,644	704,416,276	15,453,249	728,584
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	88,773,302	2,385,678	91,158,980	-	-
NET POSITION					
Invested in capital assets, net of related debt	121,798,249	213,136,884	334,935,133	24,961,115	74,152,666
Restricted for:					
Debt service	4,509,339	-	4,509,339	7,585	-
Capital projects	1,416,460	-	1,416,460	-	-
Capital City Convention Center	-	-	-	-	1,991,904
Unrestricted	(173,696,774)	59,674,953	(114,021,821)	5,350,431	1,287,105
Total net position	<u>\$ (45,972,726)</u>	<u>\$ 272,811,837</u>	<u>\$ 226,839,111</u>	<u>\$ 30,319,131</u>	<u>\$ 77,431,675</u>

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

City of Jackson
Statement of Activities
For the year ended September 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 40,625,666	\$ 9,280,567	\$ 6,137,839	\$ 36,300
Public safety	64,796,862	195,125	1,890,160	96,649
Public works	19,594,624	194,494	392,870	5,064,998
Human and cultural services	16,719,318	454,958	3,486,630	2,092
Employee benefits	1,564,106	-	4,416	-
Interest on long-term debt	5,911,542	-	-	-
Total governmental activities	<u>149,212,118</u>	<u>10,125,144</u>	<u>11,911,915</u>	<u>5,200,039</u>
Business-type activities:				
Water/Sewer	45,439,320	59,849,314	-	-
Transportation	8,213,063	715,595	480,000	2,079,916
Madison-Ridgeland Sewage	54,847	-	-	-
Sanitation	10,857,164	11,349,294	90,046	63,332
Total business-type activities	<u>64,564,394</u>	<u>71,914,203</u>	<u>570,046</u>	<u>2,143,248</u>
Total primary government	<u>\$ 213,776,512</u>	<u>\$ 82,039,347</u>	<u>\$ 12,481,961</u>	<u>\$ 7,343,287</u>
Component units:				
Jackson Redevelopment Authority	\$ 3,347,449	\$ 1,089,745	\$ 767,670	\$ 440,000
Capital City Convention Center Commission	10,262,069	2,202,678	-	-
Total component units	<u>\$ 13,609,518</u>	<u>\$ 3,292,423</u>	<u>\$ 767,670</u>	<u>\$ 440,000</u>

General revenues:

Property taxes
Sales taxes
Franchise taxes
Unrestricted investment earnings
Gain on sale of capital assets
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year as previously reported

Prior period adjustment

Net position - beginning of year as adjusted

Net position - ending

(Continued)

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

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Jackson Redevelopment Authority	Capital City Convention Center Commission
\$ (25,170,960)	\$ -	\$ (25,170,960)	\$ -	\$ -
(62,614,928)	-	(62,614,928)	-	-
(13,942,262)	-	(13,942,262)	-	-
(12,775,638)	-	(12,775,638)	-	-
(1,559,690)	-	(1,559,690)	-	-
(5,911,542)	-	(5,911,542)	-	-
(121,975,020)	-	(121,975,020)	-	-
-	14,409,994	14,409,994	-	-
-	(4,937,552)	(4,937,552)	-	-
-	(54,847)	(54,847)	-	-
-	645,508	645,508	-	-
-	10,063,103	10,063,103	-	-
\$ (121,975,020)	\$ 10,063,103	\$ (111,911,917)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (1,050,034)	\$ -
-	-	-	-	(8,059,391)
\$ -	\$ -	\$ -	\$ (1,050,034)	\$ (8,059,391)
77,880,442	-	77,880,442	-	-
31,937,289	-	31,937,289	-	4,623,544
8,975,338	-	8,975,338	-	-
59,403	123,796	183,199	146,468	10,292
317,959	2,425	320,384	-	-
1,070,831	-	1,070,831	2,141,963	-
(3,053,897)	3,053,897	-	-	103
117,187,365	3,180,118	120,367,483	2,288,431	4,633,939
(4,787,655)	13,243,221	8,455,566	1,238,397	(3,425,452)
195,199,270	276,684,091	471,883,361	28,110,567	80,857,127
(236,384,341)	(17,115,475)	(253,499,816)	970,167	-
(41,185,071)	259,568,616	218,383,545	29,080,734	80,857,127
\$ (45,972,726)	\$ 272,811,837	\$ 226,839,111	\$ 30,319,131	\$ 77,431,675

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

City of Jackson
Balance Sheet
Governmental Funds
As of September 30, 2015

	<u>General Fund</u>	<u>Federal Grant</u>	<u>Debt Service</u>	<u>Improvement Fund</u>
ASSETS				
Cash and cash equivalents	\$ 19,284,627	\$ 3,000,105	\$ 4,675,371	\$ 4,909,341
Other receivable	55,717,060	3,500	-	-
Intergovernmental receivable	-	1,259,296	8,743,127	-
Special assessment receivable	-	-	42,547	-
Due from other funds	4,374,342	-	-	-
Inventories	875,212	-	-	-
Prepaid expenses	-	-	-	549
Total assets	<u>\$ 80,251,241</u>	<u>\$ 4,262,901</u>	<u>\$13,461,045</u>	<u>\$ 4,909,890</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,688,695	\$ 324,833	\$ 166,032	\$ 378,016
Contracts and Retainage Payable	-	47,840	-	-
Due to other funds	-	813,894	-	-
Other liabilities	<u>9,551,653</u>	<u>35,165</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>15,240,348</u>	<u>1,221,732</u>	<u>166,032</u>	<u>378,016</u>
DEFERRED INFLOWS OR RESOURCES				
Unavailable revenue-deferred revenue	-	391,141	-	-
Unavailable revenue-property taxes	<u>52,275,907</u>	<u>-</u>	<u>8,785,674</u>	<u>-</u>
Total deferred inflows of resources	<u>52,275,907</u>	<u>391,141</u>	<u>8,785,674</u>	<u>-</u>
Fund Balances				
Nonspendable	875,212	-	-	-
Restricted	550,377	2,650,028	4,509,339	-
Committed	3,780,380	-	-	4,531,874
Assigned	2,004,467	-	-	-
Unassigned	<u>5,524,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>12,734,986</u>	<u>2,650,028</u>	<u>4,509,339</u>	<u>4,531,874</u>
Total liabilities and fund balances	<u>\$ 80,251,241</u>	<u>\$ 4,262,901</u>	<u>\$13,461,045</u>	<u>\$ 4,909,890</u>

(Continued)

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

1998 GO Bond	2003 GO Bond	2009 GO Bond	Capitol Street 2- way	Nonmajor Governmental Funds	Total Governmental Funds
\$ 178,738	\$ -	\$ 500,657	\$ 1,475,294	\$ 4,253,370	\$ 38,277,503
-	9,609	-	-	7,530,108	63,260,277
-	-	-	123,057	66	10,125,546
-	-	-	-	-	42,547
-	-	-	-	-	4,374,342
-	-	-	-	-	875,212
-	-	-	-	-	549
<u>\$ 178,738</u>	<u>\$ 9,609</u>	<u>\$ 500,657</u>	<u>\$ 1,598,351</u>	<u>\$ 11,783,544</u>	<u>\$ 116,955,976</u>
\$ -	\$ 70,771	\$ -	\$ 1,752	\$ 423,594	\$ 7,053,693
-	-	-	361,494	-	409,334
-	436,878	-	-	1,231,839	2,482,611
-	-	-	-	193,163	9,779,981
<u>-</u>	<u>507,649</u>	<u>-</u>	<u>363,246</u>	<u>1,848,596</u>	<u>19,725,619</u>
-	-	-	-	-	391,141
-	-	-	-	7,476,806	68,538,387
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,476,806</u>	<u>68,929,528</u>
-	-	-	-	-	875,212
-	-	-	-	716,475	8,426,219
178,738	-	500,657	1,235,105	1,741,667	11,968,421
-	-	-	-	-	2,004,467
-	(498,040)	-	-	-	5,026,510
<u>178,738</u>	<u>(498,040)</u>	<u>500,657</u>	<u>1,235,105</u>	<u>2,458,142</u>	<u>28,300,829</u>
<u>\$ 178,738</u>	<u>\$ 9,609</u>	<u>\$ 500,657</u>	<u>\$ 1,598,351</u>	<u>\$ 11,783,544</u>	<u>\$ 116,955,976</u>

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

City of Jackson
Reconciliation of Balance Sheet - Governmental Funds
To the Statement of Net Position
September 30, 2015

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

Total fund balances - governmental funds	\$ 28,300,829
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	286,634,231
Net pension assets recorded in governmental activities that are not a financial resource and therefore are not reported in the governmental funds	9,437,769
Internal service fund is used to account for the group benefit plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	608,805
Receivable recognized on the full accrual basis for the government-wide statements but not on the fund statements	2,655,843
Revenues that were earned but unavailable to the city and recorded as unearned in the fund statements	(295,823)
Net pension obligations recorded in governmental activities that are not a financial resource and therefore are not reported in the governmental funds	
Net pension liability	(172,214,686)
Net other postemployment benefits	(29,702,406)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	25,591,069
Deferred inflows of resources related to pensions	(19,547,951)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and loans payable, net of refunding gains, premium and discounts	(149,159,085)
Accrued interest on long-term debt	(680,342)
Capital leases	(15,676,897)
Compensated absences	(4,273,429)
Claims payable	(2,562,989)
Workers' Compensation Benefits	(5,375,638)
Other liabilities	287,974
Net position of governmental activities	\$ <u>(45,972,726)</u>

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

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City of Jackson
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Federal Grant	Debt Service	Improvement Fund
REVENUES				
General property taxes	\$ 51,683,308	\$ -	\$ 8,870,529	\$ 990,861
Licenses and permits	1,970,581	-	1,431	-
Intergovernmental	35,914,158	6,074,284	274,195	471,070
Fines and forfeitures	3,457,187	-	-	-
Special assessments	-	-	20,650	-
Admissions, fees, rentals and concessions	4,492,443	-	-	-
Interest	31,894	1,576	8,771	8,207
Other	13,917,579	213,328	3,984,130	380,984
Total revenues	<u>111,467,150</u>	<u>6,289,188</u>	<u>13,159,706</u>	<u>1,851,122</u>
EXPENDITURES				
Current:				
General government	24,577,913	2,655,163	-	1,137,554
Public safety	53,921,824	103,466	-	11,610
Public works	9,743,413	16,484	-	2,193,368
Human and Cultural services	4,177,595	4,431,742	-	56,487
Employee benefits	2,140,554	-	-	-
Debt Service:				
Principal	4,474,851	-	11,171,206	-
Interest and service charges	332,840	-	6,157,328	-
Capital outlay:				
General government	1,734,398	-	-	-
Public works	1,343,223	-	-	23,349
Public safety	3,019,210	85,121	-	6,526
Human and Cultural services	666,449	55,119	-	4,590
Total expenditures	<u>106,132,270</u>	<u>7,347,095</u>	<u>17,328,534</u>	<u>3,433,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,334,880</u>	<u>(1,057,907)</u>	<u>(4,168,828)</u>	<u>(1,582,362)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,262,102	4,633,117	-
Transfers out	(19,455,164)	-	-	(380,984)
Proceeds from capitalized leases	2,095,046	-	-	-
Sale of capital assets	317,134	-	-	-
Total other financing sources (uses)	<u>(17,042,984)</u>	<u>1,262,102</u>	<u>4,633,117</u>	<u>(380,984)</u>
Net change in fund balances	<u>(11,708,104)</u>	<u>204,195</u>	<u>464,289</u>	<u>(1,963,346)</u>
Fund balances at beginning of year	<u>24,443,090</u>	<u>2,445,833</u>	<u>4,045,050</u>	<u>6,495,220</u>
Fund balances at end of year	<u>\$ 12,734,986</u>	<u>\$ 2,650,028</u>	<u>\$ 4,509,339</u>	<u>\$ 4,531,874</u>

(Continued)

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

1998 GO Bond	2003 GO Bond	2009 GO Bond	Capitol Street 2-way	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 7,573,898	\$ 69,118,596
-	-	-	-	1,201	1,973,213
-	773,859	1,890	3,578,444	400,803	47,488,703
-	-	-	-	-	3,457,187
-	-	-	-	-	20,650
-	-	-	-	202,301	4,694,744
250	2,485	1,242	14	4,964	59,403
-	-	-	-	129,540	18,625,561
250	776,344	3,132	3,578,458	8,312,707	145,438,057
-	-	-	-	-	28,370,630
-	-	-	-	31,203	54,068,103
-	1,977,538	729,385	1,834,358	59,622	16,554,168
-	-	-	-	5,953,280	14,619,104
-	-	-	-	5,412,534	7,553,088
-	-	-	-	54,347	15,700,404
-	-	-	-	1,157	6,491,325
-	-	-	-	-	1,734,398
-	-	81,399	-	-	1,447,971
-	-	-	-	29,118	3,139,975
-	-	-	-	497,261	1,223,419
-	1,977,538	810,784	1,834,358	12,038,522	150,902,585
250	(1,201,194)	(807,652)	1,744,100	(3,725,815)	(5,464,528)
-	-	-	-	3,451,799	9,347,018
-	-	-	-	-	(19,836,148)
-	-	-	-	-	2,095,046
-	-	-	-	825	317,959
-	-	-	-	3,452,624	(8,076,125)
250	(1,201,194)	(807,652)	1,744,100	(273,191)	(13,540,653)
178,488	703,154	1,308,309	(508,995)	2,731,333	41,841,482
\$ 178,738	\$ (498,040)	\$ 500,657	\$ 1,235,105	\$ 2,458,142	\$ 28,300,829

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

City of Jackson
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2015

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

Net change in fund balances – total governmental funds	\$ (13,540,653)
Prior period adjustment	63,197
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	(1,837,787)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to Governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas, these amounts are expensed and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	11,942,182
Activities from debt related transactions	
New capital lease proceeds reported in the fund statements	(2,095,046)
Retirement of prior leases	4,298,244
The statement of activities reports pension expenditure and other activity related to net pension liability	(121,580)
Increase in net pension asset reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	260,339
Increase in net other postemployment benefits liability reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	(3,804,248)
Expenses reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	(1,789,602)
Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements	1,722,345
Internal service fund net activity not reported on the governmental fund statement	<u>114,954</u>
Change in the net position of governmental activities	<u><u>\$ (4,787,655)</u></u>

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

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City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget- positive(negative)
Revenues:				
General property taxes				
Current realty taxes	\$ 30,462,693	\$ 30,462,693	\$ 29,929,822	\$ (532,871)
Current personal taxes	12,698,181	12,698,181	13,331,423	633,242
Ad valorem taxes on automobiles	6,321,806	6,321,806	6,843,822	522,016
Delinquent taxes	450,000	450,000	843,958	393,958
Delinquent personal taxes	50,000	50,000	21,663	(28,337)
Interest on delinquent taxes	590,000	590,000	583,492	(6,508)
Community improvement	177,000	177,000	129,128	(47,872)
Total general property taxes	50,749,680	50,749,680	51,683,308	933,628
Licenses and permits				
Privilege licenses	430,000	430,000	358,891	(71,109)
Building permits	825,000	1,155,225	1,157,499	2,274
Air conditioning and duct permits	36,300	36,300	57,179	20,879
Plumbing permits	30,000	30,000	51,610	21,610
Electric permits	127,000	127,000	162,785	35,785
Gas Permits	33,000	33,000	24,789	(8,211)
Historic preservation application	1,200	1,200	858	(342)
Landscape permits	220	220	45	(175)
Dance hall and other recreational fees	5,600	5,600	10,114	4,514
Taxicab license fees	1,100	1,100	1,191	91
Sign permits	59,500	59,500	52,966	(6,534)
Zoning permits	22,000	22,000	42,149	20,149
Combustible and flammable liquid permits	7,000	7,000	7,135	135
Fireworks Display Permit	400	400	600	200
Aircraft registration	8,000	8,000	7,799	(201)
Transit Merchants-Peddlers License	4,200	4,200	3,075	(1,125)
Boarding, Lodging-Licenses	250	250	530	280
Adult entertainment-and License	14,000	14,000	5,679	(8,321)
Special event fee	12,000	12,000	9,610	(2,390)
Maintenance fees	11,100	11,100	6,106	(4,994)
Fire inspection permit	4,000	4,000	6,420	2,420
Annual vehicle inspection	7,150	7,150	3,551	(3,599)
Total licenses and permits	1,639,020	1,969,245	1,970,581	1,336

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- positive(negative)</u>
Revenues (Continued):				
Intergovernmental Revenues:				
State Grants and Shared Revenues:				
Alcohol permits	\$ 269,000	\$ 269,000	\$ 254,250	\$ (14,750)
Gasoline Tax	30,000	30,000	46,884	16,884
Municipal revolving fund	86,519	86,519	86,528	9
State reimb training academy	-	-	142,611	142,611
State fire protection	945,602	945,602	944,119	(1,483)
Sales tax	31,658,003	31,658,003	31,636,155	(21,848)
Bus & truck privilege tax	405,000	405,000	369,473	(35,527)
Wireless radio communication program	100,000	247,260	124,149	(123,111)
Homestead exemption	1,563,921	1,563,921	1,538,537	(25,384)
Total state grants shared revenues	35,058,045	35,205,305	35,142,706	(62,599)
Federal and State Grants and Shared Revenues:				
MDOT Summer Youth reimbursement	23,022	23,022	34,803	11,781
MDOT Litter Pick Up	18,000	18,000	18,379	379
Other police grants	50,000	50,000	117,621	67,621
Total federal and state shared revenues	91,022	91,022	170,803	79,781
County Revenues:				
Pro rata road tax	592,000	592,000	593,790	1,790
Smith Robertson Museum	-	-	6,859	6,859
Total county revenue	592,000	592,000	600,649	8,649
Total intergovernmental revenues	35,741,067	35,888,327	35,914,158	25,831
Fines and Forfeitures:				
Court & misdemeanor fines	750,000	750,000	707,516	(42,484)
Vehicle parking fines	135,000	135,000	106,108	(28,892)
Moving traffic violations	1,145,000	1,145,000	1,195,312	50,312
City court costs	16,000	16,000	15,506	(494)
Bad check fee and Warrant fee	142,200	142,200	153,212	11,012
Animal control citations	1,400	1,400	377	(1,023)
Municipal court computer	16,000	16,000	17,537	1,537
Municipal court drivers impr fee	40,000	40,000	37,360	(2,640)
Expungement fee	7,000	7,000	6,861	(139)
Jackson collection fee	146,000	146,000	170,458	24,458
Miscellaneous Court Docket fee	140,000	140,000	119,957	(20,043)
Dropped charge fee	4,500	4,500	2,250	(2,250)
Cash bond - clearing account	-	-	13,036	13,036
Rearrangement fee	25,000	25,000	19,525	(5,475)
Daily storage fee-vehicle	30,000	30,000	36,345	6,345
Administrative fee - del cases	400,000	400,000	354,878	(45,122)
Contempt fee	130,000	130,000	123,665	(6,335)
Computerized Crime prevention	24,000	24,000	20,196	(3,804)
Municipal Court Enhancement fee	150,000	240,610	180,199	(60,411)
Jackson Enhancement fee	100,000	100,000	90,124	(9,876)
Wrecker fees	85,000	85,000	86,765	1,765
Total fines and forfeitures	3,487,100	3,577,710	3,457,187	(120,523)

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget- positive(negative)
Revenues (Continued):				
Admissions, Fees, Rentals and Concessions:				
Parking meters	\$ 150,000	\$ 150,000	\$ 182,524	\$ 32,524
Municipal Auditorium:				
Rentals	398,000	398,000	175,823	(222,177)
Concessions	2,200	2,200	2,325	125
Local record fee	5,000	5,000	4,037	(963)
Pistol Range rent	3,000	3,000	3,583	583
Outdoor adversting	12,000	12,000	11,970	(30)
Fire Water flow test fee	2,250	2,250	900	(1,350)
Fire Reports	8,500	8,500	8,530	30
Daycare Fire Inspection-Aftercare	5,500	5,500	-	(5,500)
Accident report fee	87,000	87,000	126,825	39,825
Background check fee	12,000	12,000	8,175	(3,825)
Bail bondsman applicant photo	100	100	15	(85)
Bail bondsman mug shot fee	100	100	45	(55)
Bail bondsman ID card	675	675	-	(675)
Fingerprinting	16,000	16,000	13,985	(2,015)
Verification of records	25,000	25,000	28,017	3,017
Fire sprinkler plans review	100	100	5,050	4,950
Rents & Royalties	11,090	11,090	11,100	10
Telecommunication Franchise Agreement	664,514	664,514	660,943	(3,571)
Tower Rentals	2,779,000	2,779,000	3,185,188	406,188
Arts Center:				
Admissions, rents and royalties	3,500	3,500	-	(3,500)
Community room rent	9,000	9,000	9,240	240
Concessions	600	600	799	199
Planetarium:				
Admissions,Discovery Shop, etc.	32,300	32,300	45,322	13,022
Senior Centers Reservation Fee	5,100	5,100	833	(4,267)
Smith Robertson Museum:				
Gift shop	750	750	441	(309)
Donations	3,000	3,000	980	(2,020)
Admissions, rental	5,400	5,400	5,793	393
Total admissions and rentals	4,241,679	4,241,679	4,492,443	250,764
Interest:				
Earned on investments	25,000	25,000	967	(24,033)
Earned on accounts	800	800	30,927	30,127
Total interest earned	25,800	25,800	31,894	6,094

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>positive(negative)</u>
Revenues (Continued):				
Other Revenues:				
Public utility	\$ 4,800,000	\$ 4,800,000	\$ 5,059,663	\$ 259,663
Franchise cable television	1,590,000	1,590,000	1,475,320	(114,680)
Water Sewer Franchise Fee	830,597	830,597	830,597	-
Nuclear power plant	1,580,994	1,580,994	1,609,758	28,764
In-lieu-of property tax	-	-	23,703	23,703
Small animal control	6,000	6,000	465	(5,535)
Police-sale of weapons	-	-	9	9
Parking fee-City employees	600	600	11,396	10,796
Police	363,000	363,000	-	(363,000)
Indirect cost	2,608,590	2,608,590	2,639,526	30,936
Street index books	-	-	8	8
Downtown Jackson Partners	135,117	135,117	148,281	13,164
Electrical exam	100	100	100	-
Penalty on demo/grass/weeds	50,000	50,000	77,171	27,171
Cemeteries-openings/closings	11,000	11,000	9,675	(1,325)
Site plan review planning	14,000	14,000	10,602	(3,398)
Construction plan review	1,200	1,200	-	(1,200)
Building & Permit misc	100,000	100,000	107,094	7,094
Cafeteria plan-flexible spending	150,000	150,000	24,765	(125,235)
Administrative fee-payroll deductions	12,180	12,180	-	(12,180)
Sale of maps, plans, and specifications	1,000	1,000	948	(52)
Traffic	2,000	2,490	490	(2,000)
Legal/City Clerk/Finance and Management	9,000	9,000	11,027	2,027
Telecommunications	15,775	15,775	-	(15,775)
Fire Museum donations	600	600	650	50
Fire-Arson/Internal Affairs donations	3,700	3,700	341	(3,359)
Fire Department	13,000	13,500	2,500	(11,000)
Grants & Donations	241,454	240,353	2,890	(237,463)
I.D. Badge fee-city employee	-	-	270	270
Abstract fees	8,000	8,000	10,466	2,466
Settlement of insurance claim	82,000	84,355	72,187	(12,168)
Proceeds from assets and forfeitures	10,000	87,349	133,171	45,822
P E G Revenue	149,489	149,489	157,486	7,997
Other	-	958,507	1,497,020	538,513
Total other revenues	12,789,396	13,827,496	13,917,579	90,083
Total revenues	108,673,742	110,279,937	111,467,150	1,187,213

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget- positive(negative)
Expenditures:				
Current Operations:				
General Government				
Administration and Intra-governmental				
Personnel services	\$ 12,073,925	\$ 11,973,175	\$ 11,233,170	\$ 740,005
Supplies	1,541,013	1,459,843	880,038	579,805
Other services and charges	6,401,385	8,062,705	6,025,183	2,037,522
Capital outlay	1,740,273	2,449,854	1,733,742	716,112
Total Department of Administration	21,756,596	23,945,577	19,872,133	4,073,444
Personnel				
Personnel services	907,528	907,828	857,581	50,247
Supplies	15,119	18,330	8,025	10,305
Other services and charges	157,083	172,636	151,226	21,410
Capital Outlay	4,234	170	-	170
Total Department of Personnel	1,083,964	1,098,964	1,016,832	82,132
Planning				
Personnel services	2,181,456	2,192,756	1,855,652	337,104
Supplies	78,329	81,879	46,774	35,105
Other services and charges	4,802,572	4,811,722	4,491,877	319,845
Capital Outlay	2,759	2,759	656	2,103
Total Department of Planning	7,065,116	7,089,116	6,394,959	694,157
Total General Government	29,905,676	32,133,657	27,283,924	4,849,733
Department of Human and Cultural Services				
Health and Welfare				
Personnel services	1,488,836	1,526,309	1,434,467	91,842
Supplies	37,740	33,159	28,605	4,554
Other services and charges	899,034	923,075	806,490	116,585
Capital outlay	282,766	292,769	292,768	1
Total Health and Welfare	2,708,376	2,775,312	2,562,330	212,982
Culture and Recreation				
Personnel services	666,894	624,205	546,987	77,218
Supplies	96,942	120,031	83,754	36,277
Other services and charges	1,625,110	1,852,538	1,596,707	255,831
Capital outlay	465,916	432,472	373,681	58,791
Total Culture and Recreation	2,854,862	3,029,246	2,601,129	428,117
Total Department of Human and Cultural Services	5,563,238	5,804,558	5,163,459	641,099
Department of Public Safety				
Personnel services	47,126,695	49,615,145	49,615,145	-
Supplies	3,735,615	3,223,130	3,223,130	-
Other services and charges	4,626,341	4,263,367	3,934,751	328,616
Capital outlay	4,599,256	4,414,401	3,019,210	1,395,191
Total Department of Public Safety	60,087,907	61,516,043	59,792,236	1,723,807

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>positive(negative)</u>
Expenditures (Continued):				
Department of Public Works				
Personnel services	\$ 7,991,883	\$ 6,983,883	\$ 6,413,622	\$ 570,261
Supplies	1,893,943	1,894,433	1,460,497	433,936
Other services and charges	2,785,315	2,726,998	2,534,755	192,243
Capital outlay	1,629,228	1,892,045	1,343,223	548,822
Total Department of Public Works	<u>14,300,369</u>	<u>13,497,359</u>	<u>11,752,097</u>	<u>1,745,262</u>
Current Operations				
Employee Benefits				
Supplies	100,000	165,585	123,538	42,047
Other services and charges	1,985,679	2,017,021	2,017,016	5
Total Employee Benefits	<u>2,085,679</u>	<u>2,182,606</u>	<u>2,140,554</u>	<u>42,052</u>
Total expenditures	<u>111,942,869</u>	<u>115,134,223</u>	<u>106,132,270</u>	<u>9,001,953</u>
Excess(deficiency) of revenues over expenditures	<u>(3,269,127)</u>	<u>(4,854,286)</u>	<u>5,334,880</u>	<u>10,189,166</u>
Other Financing Sources(Uses)				
Transfers in	-	25,000	-	25,000
Transfers out	(19,476,240)	(20,503,016)	(19,455,164)	(1,047,852)
Proceeds from long term debt	2,555,465	3,021,465	2,095,046	926,419
Sale of capital assets	139,000	244,905	317,134	(72,229)
Total other financing sources(uses)	<u>(16,781,775)</u>	<u>(17,211,646)</u>	<u>(17,042,984)</u>	<u>(168,662)</u>
Net change in fund balance	<u>(20,050,902)</u>	<u>(22,065,932)</u>	<u>(11,708,104)</u>	<u>10,020,504</u>
Fund balances at beginning of year	<u>24,443,090</u>	<u>24,443,090</u>	<u>24,443,090</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,392,188</u>	<u>\$ 2,377,158</u>	<u>\$ 12,734,986</u>	<u>\$ 10,357,828</u>

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

City of Jackson
Federal Grants Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

	<u>Budget Amount</u>			
	<u>Original</u>	<u>Final</u>	<u>Actuals Amounts</u>	<u>Variance with Final Budget - positive(negative)</u>
REVENUES				
Intergovernmental	\$16,176,713	\$ 20,101,680	\$ 6,074,284	\$ (14,027,396)
Interest	-	-	1,576	1,576
Other	-	-	213,328	213,328
Total revenues	<u>16,176,713</u>	<u>20,101,680</u>	<u>6,289,188</u>	<u>(13,812,492)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	3,759,483	3,866,709	3,281,432	585,277
Supplies	811,812	788,967	579,925	209,042
Other Services and Charges	11,829,954	15,431,151	3,345,498	12,085,653
Capital Outlay	<u>965,487</u>	<u>1,276,126</u>	<u>140,240</u>	<u>1,135,886</u>
Total expenditures	<u>17,366,736</u>	<u>21,362,953</u>	<u>7,347,095</u>	<u>14,015,858</u>
Excess (deficiency) of revenues over expenditures	<u>(1,190,023)</u>	<u>(1,261,273)</u>	<u>(1,057,907)</u>	<u>(203,366)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	<u>1,190,023</u>	<u>1,261,273</u>	<u>1,262,102</u>	<u>829</u>
Total other financing sources (uses)	<u>1,190,023</u>	<u>1,261,273</u>	<u>1,262,102</u>	<u>829</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	-	204,195	204,195
Fund balances at beginning of year	<u>2,445,833</u>	<u>2,445,833</u>	<u>2,445,833</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,445,833</u>	<u>\$ 2,445,833</u>	<u>\$ 2,650,028</u>	<u>\$ 204,195</u>

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

City of Jackson
Improvement Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 988,257	\$ 990,861	\$ 990,861	\$ -
Intergovernmental Revenue	4,946,103	5,367,072	471,070	(4,896,002)
Interest	-	-	8,207	8,207
Other revenues	-	380,984	380,984	-
Total revenues	<u>5,934,360</u>	<u>6,738,917</u>	<u>1,851,122</u>	<u>(4,887,795)</u>
EXPENDITURES				
Current Operations				
Supplies	1,860,979	1,250,081	74,715	1,175,366
Other Services and Charges	10,946,345	11,590,154	3,324,304	8,265,850
Capital Outlay	<u>23,243</u>	<u>81,162</u>	<u>34,465</u>	<u>46,697</u>
Total expenditures	<u>12,830,567</u>	<u>12,921,397</u>	<u>3,433,484</u>	<u>9,487,913</u>
Deficiency of revenues over (under) expenditures	(6,896,207)	(6,182,480)	(1,582,362)	(4,600,118)
OTHER FINANCING SOURCES(USES)				
Transfers out	-	(380,984)	(380,984)	-
Total other financing sources uses	<u>-</u>	<u>(380,984)</u>	<u>(380,984)</u>	<u>-</u>
Net change in fund balances	(6,896,207)	(6,563,464)	(1,963,346)	(4,600,118)
Fund balances at beginning of year	<u>6,495,220</u>	<u>6,495,220</u>	<u>6,495,220</u>	<u>-</u>
Fund balances at end of year	<u>\$ (400,987)</u>	<u>\$ (68,244)</u>	<u>\$ 4,531,874</u>	<u>\$ (4,600,118)</u>

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

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City of Jackson
Statement of Net Position
Proprietary Funds
As of September 30, 2015

	Water/Sewage Disposal System	Sanitation	Nonmajor Enterprise Funds	Totals	Internal Service Fund
Assets					
Current Assets:					
Cash and cash equivalents	\$ 7,055,362	\$ -	\$ -	\$ 7,055,362	\$ 1,198,626
Accounts receivable, less allowances	41,145,515	8,377,360	-	49,522,875	193,306
Intergovernmental receivables	-	-	273,485	273,485	-
Other receivables	583,024	-	-	583,024	-
Prepaid expenses	615,141	-	-	615,141	-
Due from other funds	92,735	-	-	92,735	-
Restricted Assets					
Cash and cash equivalents	8,168,674	-	-	8,168,674	-
Inventories	1,553,002	-	-	1,553,002	-
Total Current Assets	<u>59,213,453</u>	<u>8,377,360</u>	<u>273,485</u>	<u>67,864,298</u>	<u>1,391,932</u>
Noncurrent Assets:					
Restricted Assets					
Cash and cash equivalents	20,116,509	-	-	20,116,509	-
Investments	11,900,693	-	-	11,900,693	-
Total Noncurrent Assets	<u>32,017,202</u>	<u>-</u>	<u>-</u>	<u>32,017,202</u>	<u>-</u>
Capital Assets:					
Property, plant and equipment, at cost					
Land	1,387,999	-	450,000	1,837,999	-
Buildings	117,830,080	57,301	187,903	118,075,284	-
Water plant, distribution system and equipment	377,436,374	-	963,482	378,399,856	-
Automotive and other equipment	16,473,453	3,005,875	11,423,563	30,902,891	-
	513,127,906	3,063,176	13,024,948	529,216,030	-
Less: accumulated depreciation	<u>(230,707,846)</u>	<u>(2,042,059)</u>	<u>(8,194,307)</u>	<u>(240,944,212)</u>	<u>-</u>
	282,420,060	1,021,117	4,830,641	288,271,818	-
Construction in Progress	186,033,038	-	8,005,684	194,038,722	-
Net property, plant and equipment	<u>468,453,098</u>	<u>1,021,117</u>	<u>12,836,325</u>	<u>482,310,540</u>	<u>-</u>
Total Assets	<u>559,683,753</u>	<u>9,398,477</u>	<u>13,109,810</u>	<u>582,192,040</u>	<u>1,391,932</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	<u>1,680,577</u>	<u>189,065</u>	<u>60,207</u>	<u>1,929,849</u>	
Total deferred outflows of resources	<u>\$ 1,680,577</u>	<u>\$ 189,065</u>	<u>\$ 60,207</u>	<u>\$ 1,929,849</u>	<u>\$ -</u>

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

City of Jackson
Statement of Net Position
Proprietary Funds
As of September 30, 2015

	Water/Sewage Disposal System	Sanitation	Nonmajor Enterprise Funds	Totals	Internal Service Fund
Liabilities and Fund Equity					
Current Liabilities Payable from Unrestricted Assets:					
Accounts/claims payable	\$ 2,476,254	\$ 214,986	\$ 719,160	\$ 3,410,400	\$ 1,208,913
Due to other funds	-	92,735	1,891,730	1,984,465	-
Compensated absences	265,491	47,416	5,234	318,141	-
Note payable	5,020,572	-	-	5,020,572	-
Retainage payable	1,984,357	-	-	1,984,357	-
Customer deposits	3,453,936	-	-	3,453,936	-
Current portion of Long-Term Debt:					
Lease obligations	1,096,950	193,512	259,745	1,550,207	-
State Department of Environmental Quality	1,885,395	-	-	1,885,395	-
Total Current Liabilities Payable from Unrestricted Assets	16,182,955	548,649	2,875,869	19,607,473	1,208,913
Current Liabilities Payable from Restricted Assets:					
Revenue bonds	5,930,000	-	-	5,930,000	-
Accrued interest payable	2,472,170	1,391	-	2,473,561	-
Total Current Liabilities Payable from Restricted Assets	8,402,170	1,391	-	8,403,561	-
Total Current Liabilities	24,585,125	550,040	2,875,869	28,011,034	1,208,913
Post Employment Benefits accrual	3,895,755	503,279	74,560	4,473,594	-
Pension liability	14,331,995	1,612,349	513,449	16,457,793	-
Long-Term Debt					
(less amounts classified as current liabilities):					
Compensated absences	158,209	6,555	10,681	175,445	-
Revenue bonds	234,890,591	-	-	234,890,591	-
(net of unamortized discount/premium)					
Lease obligations	658,482	327,335	182,877	1,168,694	-
State Department of Environmental Quality	23,747,223	-	-	23,747,223	-
Total Long-Term Debt	259,454,505	333,890	193,558	259,981,953	-
Total Liabilities	302,267,380	2,999,558	3,657,436	308,924,374	1,208,913
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	2,077,528	233,722	74,428	2,385,678	-
Total deferred inflows of resources	2,077,528	233,722	74,428	2,385,678	-
Net Position					
Invested in capital assets, net of related debt	200,242,911	500,270	12,393,703	213,136,884	-
Unrestricted	56,776,511	5,853,992	(2,955,550)	59,674,953	183,019
Total Net Position	\$ 257,019,422	\$ 6,354,262	\$ 9,438,153	\$ 272,811,837	\$ 183,019

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

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Water/Sewage Disposal System	Sanitation	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating Revenues:					
Sales to customers	\$ 59,188,454	\$11,349,294	\$ 715,595	\$ 71,253,343	\$ -
Contributions	-	-	-	-	4,712,847
Contributions - City Match	-	-	-	-	2,986,198
Other revenues	660,860	90,046	480,000	1,230,906	188,930
Total Operating Revenues	<u>59,849,314</u>	<u>11,439,340</u>	<u>1,195,595</u>	<u>72,484,249</u>	<u>7,887,975</u>
Operating Expenses:					
Personnel services	9,730,338	1,256,214	236,430	11,222,982	-
Supplies	5,968,638	228,731	623,168	6,820,537	-
Other services and charges	13,742,685	9,099,926	6,556,798	29,399,409	15,635,230
Depreciation	11,377,737	268,395	841,591	12,487,723	-
Total operating expenses	<u>40,819,398</u>	<u>10,853,266</u>	<u>8,257,987</u>	<u>59,930,651</u>	<u>15,635,230</u>
Operating income (loss)	<u>19,029,916</u>	<u>586,074</u>	<u>(7,062,392)</u>	<u>12,553,598</u>	<u>(7,747,255)</u>
Nonoperating revenues (expenses):					
Interest revenue	123,630	86	80	123,796	1,189
Interest and service charges on long-term debt and capitalized lease obligations	(4,619,922)	(3,898)	(9,923)	(4,633,743)	-
Gain (loss) on sale of capital assets	2,425	-	-	2,425	-
Total nonoperating revenues (expenses)	<u>(4,493,867)</u>	<u>(3,812)</u>	<u>(9,843)</u>	<u>(4,507,522)</u>	<u>1,189</u>
Income (loss) before contributions and transfers	<u>14,536,049</u>	<u>582,262</u>	<u>(7,072,235)</u>	<u>8,046,076</u>	<u>(7,746,066)</u>
Capital contributions from grants	-	63,332	2,079,916	2,143,248	-
Transfers In:					
General Fund	-	-	4,783,092	4,783,092	7,435,233
Special Revenue Fund	-	-	380,984	380,984	-
Enterprise Fund	-	-	47,571	47,571	-
Transfers Out:					
Enterprise Fund	(47,571)	-	-	(47,571)	-
Debt Service Fund	(2,110,179)	-	-	(2,110,179)	-
Total Transfers In (Out)	<u>(2,157,750)</u>	<u>-</u>	<u>5,211,647</u>	<u>3,053,897</u>	<u>7,435,233</u>
Change in Net Position	<u>12,378,299</u>	<u>645,594</u>	<u>219,328</u>	<u>13,243,221</u>	<u>(310,833)</u>
Total net position - beginning previously reported	<u>259,545,849</u>	<u>7,385,450</u>	<u>9,752,792</u>	<u>276,684,091</u>	<u>493,852</u>
Prior period adjustment	<u>(14,904,726)</u>	<u>(1,676,782)</u>	<u>(533,967)</u>	<u>(17,115,475)</u>	<u>-</u>
Total net position - beginning, as restated	<u>244,641,123</u>	<u>5,708,668</u>	<u>9,218,825</u>	<u>259,568,616</u>	<u>493,852</u>
Total net position - ending	<u>\$257,019,422</u>	<u>\$6,354,262</u>	<u>\$ 9,438,153</u>	<u>\$ 272,811,837</u>	<u>\$ 183,019</u>

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

City of Jackson
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	<u>Water/Sewer Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 58,918,195	\$10,859,992	\$ 715,595	\$ 70,493,782	\$ 7,699,045
Receipts from other revenue	660,860	90,046	1,166,455	1,917,361	97,807
Payments to suppliers	(29,520,111)	(9,979,540)	(8,129,718)	(47,629,369)	(15,489,788)
Payments to employees	<u>(9,495,944)</u>	<u>(1,234,051)</u>	<u>(222,874)</u>	<u>(10,952,869)</u>	<u>-</u>
Net Cash provided by (used for)					
Operating Activities	<u>20,563,000</u>	<u>(263,553)</u>	<u>(6,470,542)</u>	<u>13,828,905</u>	<u>(7,692,936)</u>
Cash Flows from Noncapital Financing Activities					
Transfers In	-	-	5,211,647	5,211,647	7,435,233
Transfers Out	<u>(2,157,750)</u>	<u>-</u>	<u>-</u>	<u>(2,157,750)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>(2,157,750)</u>	<u>-</u>	<u>5,211,647</u>	<u>3,053,897</u>	<u>7,435,233</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(26,045,996)	(388,133)	(2,084,852)	(28,518,981)	-
Proceeds from sale of capital assets	2,425	-	-	2,425	-
Proceeds from capital debt	5,439,799	195,755	272,688	5,908,242	-
Principal paid on capital debt	(8,567,776)	(273,172)	(201,034)	(9,041,982)	-
Proceeds from capital contributions	-	63,332	2,079,916	2,143,248	-
Interest paid on capital debt	<u>(4,258,687)</u>	<u>(3,898)</u>	<u>(9,923)</u>	<u>(4,272,508)</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>(33,430,235)</u>	<u>(406,116)</u>	<u>56,795</u>	<u>(33,779,556)</u>	<u>-</u>
Cash Flow Provided by (Used for) Investing Activities:					
Proceeds from sale and maturities of investment securities	20,029,755	-	-	20,029,755	-
Interest on investments	<u>123,630</u>	<u>86</u>	<u>80</u>	<u>123,796</u>	<u>1,189</u>
Net Cash provided by investing activities	<u>20,153,385</u>	<u>86</u>	<u>80</u>	<u>20,153,551</u>	<u>1,189</u>
Net increase (decrease) in cash and cash equivalents	5,128,400	(669,583)	(1,202,020)	3,256,797	(256,514)
Cash and cash equivalents at beginning of year	<u>30,212,145</u>	<u>669,583</u>	<u>1,202,020</u>	<u>32,083,748</u>	<u>1,455,140</u>
Cash and cash equivalents at end of year	<u>\$ 35,340,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,340,545</u>	<u>\$ 1,198,626</u>

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

City of Jackson
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	<u>Water/Sewer Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash					
Provided by (Used for) Operating Activities:					
Operating income (loss)	\$ 19,029,916	\$ 586,074	\$ (7,062,392)	\$ 12,553,598	\$ (7,747,255)
Depreciation Expense	11,377,737	268,395	841,591	12,487,723	-
(Increase) decrease in accounts receivable, net	(1,421,309)	(489,302)	-	(1,910,611)	(91,123)
(Increase) decrease in inventories	(35,174)	-	-	(35,174)	-
(Increase) decrease in other receivable	1,151,050	-	811,285	1,962,335	-
(Increase) decrease in prepaid expenses	353,247	258,400	-	611,647	-
(Increase) decrease in deferred charges	-	-	(124,830)	(124,830)	-
(Increase) decrease in due from other funds	(92,735)	-	-	(92,735)	-
Increase (decrease) in due to other funds	-	92,735	(1,037,213)	(944,478)	-
Increase (decrease) in accounts payable and retainage	(9,269,572)	(1,003,409)	87,461	(10,185,520)	145,442
Increase (decrease) in accrued interest payable	(4,737)	1,391	-	(3,346)	-
Increase (decrease) in compensated absences	(53,332)	(11,700)	5,245	(59,787)	-
Increase (decrease) in customer deposits	(759,817)	-	-	(759,817)	-
Increase (decrease) in other liabilities	287,726	33,863	8,311	329,900	-
Total adjustments	1,533,084	(849,627)	591,850	1,275,307	54,319
Net cash provided by (used for) operating activities	<u>\$ 20,563,000</u>	<u>\$ (263,553)</u>	<u>\$ (6,470,542)</u>	<u>\$ 13,828,905</u>	<u>\$ (7,692,936)</u>
Noncash Investing, Capital, and Financing					
Activities:					
Borrowing under capital lease	\$ 74,733	\$ 195,755	\$ 272,688	\$ -	\$ -
Recap of cash and cash equivalents:					
Cash and cash equivalents	\$ 7,055,362	\$ -	\$ -	\$ 7,055,362	\$ 1,198,626
Restricted cash and cash equivalents	28,285,183	-	-	28,285,183	-
	<u>\$ 35,340,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,340,545</u>	<u>\$ 1,198,626</u>

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

**CITY OF JACKSON
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015**

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 541,270	\$ 19,984,084
Investment at fair value:		
Certificate of deposit	<u>32,598</u>	<u>-</u>
Total assets	\$ <u><u>573,868</u></u>	\$ <u><u>19,984,084</u></u>
Liabilities and Net Position		
Liabilities:		
Payables to others	\$ <u>-</u>	\$ <u>19,984,084</u>
Total liabilities	<u>-</u>	\$ <u><u>19,984,084</u></u>
Net Position:		
Held in trust	<u>573,868</u>	
Total net position	<u>573,868</u>	
Total liabilities and net position	\$ <u><u>573,868</u></u>	

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

**CITY OF JACKSON
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Trust Funds</u>
Additions:	
Interest	\$ 770
Other additions	<u>209,496</u>
Total additions	\$ <u>210,266</u>
Deductions:	
General government	
Trust funds	\$ <u>143,483</u>
Total deductions	<u>143,483</u>
Change in Net Position	<u>66,783</u>
Net position at beginning of year	<u>507,085</u>
Net position at end of year	\$ <u><u>573,868</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 1 – Summary of Significant Accounting Policies

A. REPORTING ENTITY

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

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

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

Discretely Presented Component Unit

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

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

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

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

A. REPORTING ENTITY (Continued):

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

Related Organizations

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

Airport Authority
100 International Drive
Jackson, MS 39208

Jackson Housing Authority
2747 Livingston Road
Jackson, MS 39213

Jackson Public School District
662 South President Street
Jackson, MS 39201

Metro Jackson Convention & Visitors Bureau
921 North President Street
Jackson, MS 39202

Joint Ventures

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

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

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

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

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

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

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

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

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

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

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

The City reports the following major government funds:

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

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

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

Improvement Fund – This fund is used to account for revenues that are legally restricted for improvements to City facilities. The revenues are provided by external grantors.

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

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

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

Capitol Street 2-Way – This fund is used to account for revenues restricted for improvements to Capitol Street.

The City reports the following major proprietary funds:

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

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

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

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

Additionally, the City reports the following fund types:

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

Fiduciary Funds:

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

The purpose of the City's Agency Funds is to collect and remit to the related organizations the property taxes collected and proceeds of a special sales tax received from the State. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date generally within 90 days of the date acquired by the City. Collateral as further discussed in Note 4.A, is pledged by the various financial institutions to secure City funds.

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Investments

Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Statutes authorize the City to invest in U.S. Government obligations,

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND RESOURCES, AND NET POSITION OR EQUITY (Continued):

3. Investments (Continued)

U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the City of Jackson, in consultation with its investment advisors and custodial bank, has determined the fair values.

4. Restricted Assets

Certain proceeds of the City's Proprietary Fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and trust accounts and their use is limited by applicable bond covenants. Restricted amounts in governmental activities include amounts set aside by law for state tort claims and amounts accumulated for general obligation bond debt service.

5. Inventories

Inventories are priced at cost using the weighted average method. Inventories are accounted for using the consumption method and are not charged out until used. Inventories consist of major stores of materials and supplies held at central locations. The user departments and other funds of the City are charged for the cost value of the items, as they are withdrawn from inventory.

6. Capital Assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. The City's classes of capital assets and their capitalization levels are: land – cost or fair market value, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$1,000, infrastructure - \$100,000, and construction in progress – based on the project's class. The cost of normal maintenance and repair that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures within governmental activities are not capitalized.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND RESOURCES, AND NET POSITION OR EQUITY (Continued):

6. Capital Assets (Continued):

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from the sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

7. Compensated Absences

The City accrues accumulated unpaid personal leave and associated employee-related cost when earned (or estimated to be earned) by employees up to 240 hours. For the Proprietary Funds and the government-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentation. The compensated absences liability is liquidated by the following funds: general fund, special revenue, transportation, sanitation & water/sewer.

8. Bond Discounts, Bond Premiums and Issuance Costs

In the governmental funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts and bond premiums are amortized over the terms of the bonds outstanding method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable. Bond issuance costs, excluding any prepaid bond issuance, are reported as expenses in the year of the debt issuance. Gains (losses) on refundings are reported as deferred outflows/inflows of resources.

9. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near fair market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND RESOURCES, AND NET POSITION OR EQUITY (Continued):

10. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are recognized at the levy date. All property taxes are billed, collected and recognized as revenue within the same period for which they are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In, applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provided and deferred revenue by the recipient.

11. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

12. Reserves and Designations

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure. City has a municipal bond debt service reserve insurance policy for the proprietary funds in lieu of cash. Amounts reserved for state tort claims represent amounts required by state law to be segregated for these purposes. The unreserved designated fund balance of the Capital Projects Funds is appropriated for expenditures in future years.

13. Net Position

Net position represents the difference between assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net investments in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investments in capital assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

14. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND RESOURCES, AND NET POSITION OR EQUITY (Continued):

14. Fund Balance (Continued)

Restricted - This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Amounts formally designated by City Council through equally binding ordinances or resolutions for a specific purpose that cannot be used for another purpose unless the City Council formally changes the use.

Assigned - This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the City Council, Mayor or their designee as established in the City's Fund Balance Policy.

Unassigned - This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

15. Fund Balance/Net Position Policy

The City has adopted a fund balance / net position policy that is tailored to the needs of the City to ensure against unanticipated events that would adversely affect the financial condition of the City and will not jeopardize the continuation of necessary public services. This policy will ensure the City maintains adequate fund balance / net position and reserves in the City's various operating funds to provide the capacity to: (1) provide sufficient cash flow for daily financial needs, (2) secure and maintain investment grade bond ratings, (3) offset significant economic downturns and revenue shortfalls, and (4) provide funds for unforeseen expenditures related to emergencies.

The City will maintain reservations of Fund Balance / Net Position in the General Fund and Proprietary funds of the City. The City shall retain the minimum requirement for each fund listed below.

General Fund – There shall be a reservation (unassigned) of fund balance equal to 7.5% of the adopted General Fund operating revenues. For the purposes of the calculation, the current fiscal year budget shall be the budget as originally adopted by resolution on or before September 15th for the subsequent fiscal year. The reserve shall be in addition to all other reserves or designations of the fund balance, including but not limited to reserves for encumbrances, donations, advances to other funds, designations for compensated absences, and insurance.

Enterprise Fund – The City maintains a Sanitation Fund, Water & Sewer Fund, and Transportation Fund. Under the Water & Sewer Bond Ordinance, the following Fund Balance/Reserves are required: 1/12 of O&M budget for Operation & Maintenance; 1/12 of actual debt service; and, 2/12 of O&M budget for Contingent Fund.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND RESOURCES, AND NET POSITION OR EQUITY (Continued):

15. Fund Balance/Net Position Policy (Continued)

The total Required Fund Balance/Reserve for 2015 is \$9,178,392. The amount on deposit is \$4,991,025 which has resulted in a reserve deficit \$4,187,367 at September 30, 2015.

Replenishment of Reserve Deficits - If, at the end of any fiscal year, the actual amount of unassigned fund balance or unassigned net position falls below the required fund levels set forth herein, the Mayor shall prepare and submit a plan for expenditure or expense reductions and / or revenue increases to the City Council. As a part of the annual budget review, the City Council shall review and, if necessary, amend the plan submitted by the Mayor for restoring the amounts of unassigned fund balance or unassigned net position to the required levels.

16. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in NOTE 6.F.

17. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

18. Deferred Outflows/Inflows of Resources

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. *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/expenditure) until then. *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 until that time.

All of the primary government's deferred outflows of resources on the statement of net position are a result of deferrals concerning bonded debt. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Deferred amount on refunding of debt is reported in the deferred inflows or deferred outflow sections of the statement of position.

The governmental funds report unavailable revenues from two sources: property taxes and Federal and State financial assistance. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND RESOURCES, AND NET POSITION OR EQUITY (Continued):

19. New Accounting Pronouncements

During the fiscal year 2015 the City implemented the following GASB pronouncements:

In June 2012, GASB issued Statement No. 68: The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014.

The City will adopt the following new accounting pronouncements in future years:

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application". This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND RESOURCES, AND NET POSITION OR EQUITY (Continued):

19. New Accounting Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial statements, results of operations or cash flows upon adoption.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 2 – Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$177,728 difference are as follows (in thousands):

Bonds payable	\$ 142,743
Less: Issuance premium	6,728
Less: Issuance discount (to be amortized as interest expense)	(312)
Accrued interest payable	680
Capital leases payable	15,677
Claims and judgments	2,563
Compensated absences	4,273
Workers' Compensation Benefits	<u>5,376</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 177,728</u>

Another element of that reconciliation explains that “Internal service funds are used to account for the group benefit plan. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$183 difference are as follows (in thousands):

Net position of the internal service funds	<u>\$ 183</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 183</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(1,838) difference are as follows (in thousands):

Capital outlay	\$ 7,546
Depreciation expense	<u>(9,384)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,838)</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 2 – Reconciliation of government-wide and fund financial statements (Continued):

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued):

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$11,402 difference are as follows (in thousands):

Principal repayments:	
General obligation debt	\$ 8,230
Limited obligation debt	535
Other debt	<u>2,637</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 11,402</u>

Another element of that reconciliation states that “The activities from debt related transactions include new capital lease proceeds reported in the fund statements and retirement of prior lease.” The details of this (\$2,203) difference are as follows (in thousands):

Debt issued or incurred:	
Capital lease financing	\$ 2,095
Principal repayments:	
Payment on capital lease	<u>(4,298)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (2,203)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$2,083 difference are as follows (in thousands):

Compensated absences	\$ (131)
Workers' compensation benefits	1,405
Claims and judgments	353
Accrued interest	(40)
Amortization of bond premium	518
Amortization of bond discounts	<u>(22)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 2,083</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 2 – Reconciliation of government-wide and fund financial statements (Continued):

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued):

Another element of that reconciliation states that “Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements.” The details of this \$1,722 difference are as follows (in thousands):

Property taxes receivable	<u>\$ 1,722</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 1,722</u></u>

Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this \$115 difference are as follows (in thousands):

Change in net position of the internal service funds	<u>\$ 115</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 115</u></u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 3 – Stewardship, Compliance and Accountability

A. BUDGETARY INFORMATION

The City follows these procedures in establishing budgetary data reflected in the financial statements.

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department Directors submit proposed expenditure budgets to the Finance Division of the Department of Administration by June 1 each year.
3. The Finance Division of the Department of Administration reviews the expenditure budgets, and the necessary revisions are communicated to department directors.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared by July 1, and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
6. The budget is formally amended in September each year or any time that budget revisions through funds reallocation are necessary or a budget deficit is indicated.
7. The City prepares annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds, Internal Service Fund and Trust Funds (with the exception of the Charitable Trust Fire and Police Fund). Budgets for the Enterprise Funds are prepared on a GAAP basis but exclude depreciation and bad debt expense and include debt retirement payments. The General Fund, Debt Service Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund and Trust Funds are prepared in accordance with GAAP. Budget and actual comparisons are presented in the accompanying financial statements for all governmental type funds for which a budget is adopted.

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- a. Revenues are reviewed at least quarterly, and the projections are adjusted if warranted. These adjustments to expected revenues, if material, can precipitate adjustments to the expenditure budget.
- b. Adjustments to transfer approved expenditure budgets from one department to another or to transfer from one category to another within a department must be approved by the City Council.
- c. All new appropriations must be approved by the City Council and are normally submitted by the Mayor's Office.

The legal level of control for all budgets adopted is at the category level by funds with the exception of the General Fund, which is appropriated at the category level by department. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 3 – Stewardship, Compliance and Accountability (Continued):

A. BUDGETARY INFORMATION (Continued):

The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. The Finance Division of the Department of Administration advises the Mayor whenever a requested expenditure will exceed budgeted amounts. The City Council may approve expenditures in excess of budgeted amounts in various funds or departments as appropriate, as long as total annual expenditures do not exceed available resources. Adjustments in expenditure rates, if necessary, are implemented by the City Council as required, so that the total expenditures and resources will remain in balance throughout the year.

8. Budgeted expenditure or expense amounts as originally adopted were amended by the City Council in September 2015 as provided by law, as follows (in thousands):

	Originally Adopted Budget	Budget as Amended	Increase (Decrease)
General Fund	\$ 131,419	\$ 135,637	\$ 4,218
Special Revenue Funds	43,374	48,317	4,943
Debt Service Fund	23,687	26,283	2,596
Capital Projects Funds	17,373	29,204	11,831
Enterprise Funds	257,669	277,160	19,491
Internal Service Fund	14,654	14,654	-
	<u>\$ 488,176</u>	<u>\$ 531,255</u>	<u>\$ 43,079</u>

9. Unexpended appropriations lapse at year end in all funds.

B. DEFICIT FUND BALANCES / NET POSITION

The City has no deficit fund balances/net position by individual fund as of September 30, 2015.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds

A. DEPOSITS AND INVESTMENTS

1. Policies and Practices

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

2. Deposits – Primary government

At year end, the carrying amount of the City's deposits was \$95,342,028 and the bank balances totaled \$85,326,527. Of the bank balances, \$250,000 was insured by federal deposit insurance and \$85,076,527 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

3. Investments – Primary Government

As of September 30, 2015, the City had investments consisting of U.S. Agencies at a total fair value of \$11,900,693 with a total Portfolio Weighted Average maturity of less than one year.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to losses from rising interest rates, the City's investment policy limits investment maturities in its portfolio to no more than 12 months for U.S. Treasury obligations for all investments except bond funds. With respect to bond funds, the City can invest in obligations of U.S. federal agencies for no more than 18 months.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possessions of an outside party. Consistent with the City's investment policy, all investments above are held by a counterparty and are not insured but are backed by the U. S. government.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- Money market mutual funds where portfolios consist entirely of U. S. governmental and/or federal agency securities
- Bonds or direct obligations of the:
 - United States of America
 - State of Mississippi
 - County or Municipality of Mississippi
 - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

A. DEPOSITS AND INVESTMENTS (Continued):

4. Cash and Investments - Component Units

The component unit's policy is to invest available funds in the following types of investments: 1) direct obligations of the U. S. of America, including such instruments as treasury bills, treasury notes and treasury bonds; 2) obligations of U. S. Government agencies that are deliverable on the Federal Reserve System; 3) Repurchase agreements in U. S. Government securities made with dealers that report to and are regulated by the Federal Reserve Bank; 4) deposits with financial institutions which are insured or are fully collateralized by qualifying securities.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation (FDIC). As of September 30, 2015 all of the component unit's cash deposits in excess of the amounts covered by the FDIC were covered under the collateral pool administered by the State Treasurer.

Investments are reflected at cost, which approximates fair value. These investments were uninsured, unregistered, and held by the counterparty brokerage firm. At September 30, 2015, investments of the component unit consisted of the following (in thousands):

Capital City Convention Center Commission
Certificate of deposit:
Unrestricted \$ 500

B. RECEIVABLES

Receivables at September 30, 2015, for the primary government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Federal Grant</u>	<u>2003 G O Bond</u>	<u>Nonmajor and Other Funds</u>	<u>Capitol Street 2-Way</u>	<u>Total</u>
Receivables:									
Accounts receivable	\$ -	\$ -	\$ 41,146	\$ 8,377	\$ -	\$ -	\$ 193	\$ -	\$ 49,716
Intergovernmental	-	8,743	-	-	1,259	10	274	123	10,409
Other	<u>55,717</u>	<u>43</u>	<u>583</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>7,530</u>	<u>-</u>	<u>63,877</u>
Gross receivables	<u>\$55,717</u>	<u>\$ 8,786</u>	<u>\$ 41,729</u>	<u>\$ 8,377</u>	<u>\$ 1,263</u>	<u>\$ 10</u>	<u>\$ 7,997</u>	<u>\$ 123</u>	<u>\$ 124,002</u>

Receivables of Water and Sewer are reported net of uncollectible amounts.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

B. RECEIVABLES (Continued):

1. Property taxes

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds, Rankin and Madison Counties bill and collect the real, personal and auto ad valorem taxes for the City of Jackson, Jackson Municipal Separate School District and the Jackson/Hinds Library System. Automobile taxes are remitted monthly and real and personal taxes are remitted on a weekly basis to the City of Jackson. Hinds County remits directly to the Jackson Municipal Separate School District taxes collected for all school funds except the Bond and Interest Fund in accordance with State law. Hinds County also remits to the City a pro rata share of road and bridge taxes collected by the County.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due on February 1 and one-fourth each on May 1 and August 1.

Tax millage levies for 2014 were collected in the current fiscal year and statutory maximum millage rates were as follows:

<u>Fund</u>	<u>Levy (in mills)</u>	<u>Purpose</u>	<u>Maximum</u>
General Fund	42.42	General	None
Parks and Recreation Fund	2.00	Recreation	2.00 mills
Debt Service Fund	7.56	Debt retirement	None
Disability and Relief Fund	<u>4.48</u>	Retirement	None
Total City of Jackson	<u>56.46</u>		
Jackson/Hinds Library System	<u>1.57</u>	Public library	None
Jackson Municipal Separate School District:			
District Supplement Levy	65.91	Public schools	None
Special Debt Retirement Levy	2.48	Public schools	None
Special Debt Retirement Bond	5.03	Public schools	None
Special Debt Retirement	<u>9.02</u>	Public schools	None
	<u>82.44</u>		
Total mills	<u>140.47</u>		

The City levies an assessment for the Landscape Improvement fund which consists of nine cents of the gross square footage of land and building of property owners located in the downtown development district.

The City is permitted to levy taxes based on a percentage of up to 100% of fair value of property at the millage indicated above. At the present time, the City levies taxes based on 10% of fair value for homeowner-occupied real property, 15% of fair value for all other real and personal property, and 30% of fair value for all motor vehicles and property owned by public service corporations. The City may levy taxes as necessary to meet bonded debt retirement. Limitations are imposed on the amount of bonded debt that may be issued based upon assessed valuation of properties.

Annual tax increases for all purposes except payment of general obligation bonds and interest are limited by State law to 10% of the preceding year's receipts plus new construction.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

B. RECEIVABLES (Continued):

1. Property taxes (Continued):

The State levies a 7% sales tax on retail sales and remits 18.5% of collections to the City monthly. Intergovernmental revenue of the General Fund includes \$31,636,155 of sales tax revenue.

In accordance with the Local and Private Act, since January 1, 2005 the City has levied, assessed and is collecting: (a) tax of 1% of the gross proceeds of sales of restaurants and of sales of food and beverages in the hotels and motels, within the City; (b) a tax of 3% of the gross proceeds of sales of hotel and motel rooms and lodging within the City; and (c) a tax of 3% of gross proceeds of sales at the Convention Center by caterers. The tax is primarily to be used for debt service payments on bonds issued for the construction of a convention center.

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 865,621
Interest on delinquent property taxes receivable (general fund)	583,492
Special assessments not yet due (debt service fund)	42,547
Current year tax assessments (all funds)	67,046,727
Grant drawdowns prior to meeting all eligibility requirements	<u>391,141</u>
Total unearned revenue for governmental funds	<u>\$ 68,929,528</u>

C. CHANGES IN CAPITAL ASSETS

1. Primary government capital asset activity for the year ended September 30, 2015, was as follows (thousands):

	Balance September 30, 2014	Additions	Deletions	Adjustment	Balance September 30, 2015
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 13,930	\$ -	\$ 239	\$ -	\$ 13,691
Construction in progress	117,678	4,428	20,817	(70,271)	31,018
Total capital assets not being depreciated	<u>131,608</u>	<u>4,428</u>	<u>21,056</u>	<u>(70,271)</u>	<u>44,709</u>
Capital assets being depreciated:					
Buildings	81,480	-	-	-	81,480
Infrastructure	265,817	19,715	-	-	285,532
Automotive and equipment	72,402	4,480	987	-	75,895
Total capital assets being depreciated	<u>419,699</u>	<u>24,195</u>	<u>987</u>	<u>-</u>	<u>442,907</u>
Less accumulated depreciation for:					
Buildings	(28,574)	(1,466)	-	-	(30,040)
Infrastructure	(106,798)	(4,825)	-	-	(111,623)
Automotive and equipment	(57,192)	(3,092)	966	-	(59,318)
Total accumulated depreciation	<u>(192,564)</u>	<u>(9,383)</u>	<u>966</u>	<u>-</u>	<u>(200,981)</u>
Total capital assets being depreciated, net	<u>227,135</u>	<u>14,812</u>	<u>21</u>	<u>-</u>	<u>241,926</u>
Total governmental activities capital assets, net	<u>\$ 358,743</u>	<u>\$ 19,240</u>	<u>\$ 21,077</u>	<u>\$ (70,271)</u>	<u>\$ 286,635</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued):

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,838	\$ -	\$ -	\$ 1,838
Construction in progress	166,980	27,243	184	194,039
Total capital assets not being depreciated	<u>168,818</u>	<u>27,243</u>	<u>184</u>	<u>195,877</u>
Capital assets being depreciated:				
Buildings	118,075	-	-	118,075
Infrastructure	378,214	184	-	378,398
Automotive and equipment	29,629	1,354	80	30,903
Total capital assets being depreciated	<u>525,918</u>	<u>1,538</u>	<u>80</u>	<u>527,376</u>
Less accumulated depreciation for:				
Buildings	(83,117)	(2,704)	-	(85,821)
Infrastructure	(132,040)	(7,794)	-	(139,834)
Automotive and equipment	(13,378)	(1,990)	80	(15,288)
Total accumulated depreciation	<u>(228,535)</u>	<u>(12,488)</u>	<u>80</u>	<u>(240,943)</u>
Total capital assets being depreciated, net	<u>297,383</u>	<u>(10,949)</u>	<u>-</u>	<u>286,433</u>
 Total business-type activities capital assets, net	 <u>\$ 466,201</u>	 <u>\$ 16,294</u>	 <u>\$ 184</u>	 <u>\$ 482,310</u>

2. Depreciation expense was charged to functions of the primary government as follows (in thousands):

Governmental Activities:	
General government	\$ 1,876
Public Works	3,003
Human & Cultural	1,689
Public Safety	<u>2,815</u>
Total depreciation expense – governmental activities	<u>\$ 9,383</u>
 Business-Type Activities:	
Water/Sewer	\$ 11,378
Sanitation	268
Madison-Ridgeland Sewage	14
Transportation	<u>828</u>
Total depreciation expense – business-type activities	<u>\$ 12,488</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued):

3. Construction work in progress at September 30, 2015 for the governmental activities of the primary government is composed of the following:

Project	Spent-to-date	Remaining Commitment
1982 Industrial Park Bond	\$ 49,993	\$ -
1998 G O Public Improvement Construction Bond	12,304,909	-
2003 G O Public Improvement Construction Bond	9,161,326	127,791
2008 G O Street Construction Bond	426,842	17,621
Capital Project Fund	34,993	-
Capitol Street 2-Way Project	6,541,708	872,655
Museum to Market Trail	206,355	68,591
Economic Development Initiative –		
Traffic – Repair and Replacement	2,097,946	60,045
Drainage – Repair and Replacement	194,130	40,108
Total	\$ <u>31,018,202</u>	\$ <u>1,186,811</u>

4. Construction work in progress at September 30, 2015 for primary government enterprise funds is composed of the following:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water/Sewer Construction Fund	<u>\$194,038,723</u>	<u>\$18,631,514</u>
Total	<u>\$194,038,723</u>	<u>\$18,631,514</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued)

5. A summary of changes in capital asset for component units is as follows (in thousands):

Activity for the Jackson Redevelopment Authority for the year ended September 30, 2015, was as follows:

Business-Type Activities:	Balance September 30, 2014	Additions	Deletions	Adjustments	Balance September 30, 2015
Capital assets not being depreciated:					
Land	\$ 4,538	\$ -	\$ -	\$ 321	\$ 4,859
Property held for development	1,913	-	389	4,400	5,924
Total capital assets not being depreciated	6,541	-	389	4,721	10,783
Other capital assets:					
Land improvements	80	-	-	(4)	76
Buildings	54,342	9	-	(3,746)	50,605
Equipment and furniture	1,466	-	-	-	1,466
Total other capital assets	55,888	9	-	(3,750)	52,147
Less accumulated depreciation for:					
Land improvements	(29)	-	-	-	(29)
Buildings	(22,995)	1,248	-	-	(24,243)
Equipment and furniture	(1,344)	26	-	(1)	(1,371)
Total capital assets being depreciated	(24,368)	1,274	-	(1)	(25,643)
Total other capital assets, net	31,520	(1,265)	-	(3,751)	26,504
Total capital assets, net	\$ 37,971	\$ (1,265)	\$ 389	\$ 970	\$ 37,287

Depreciation expense was charged to activities as follows (in thousands):

Urban renewal projects	\$ 825
Rehabilitation loan services	2
Parking facilities	447
Total	<u>\$ 1,274</u>

Activity for the Capital City Convention Center Commission for the year ended September 30, 2015, was as follows (in thousands):

Business-Type Activities:	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Capital assets not being depreciated:				
Land	\$ 5,852	\$ 17	\$ 50	\$ 5,819
Building and improvements	80,033	79	-	80,112
Equipment	4,837	213	-	5,050
	90,722	309	50	90,981
Less accumulated depreciation	(14,282)	(2,547)	-	(16,829)
Total capital assets, net	\$ 76,440	\$ (2,238)	\$ 50	\$ 74,152

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Individual fund interfund receivable and payable balances as of September 30, 2015 follows (in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 4,374	\$ -
Water/Sewage Disposal System	93	-
Sanitation	-	93
Federal Grant Fund	-	814
Capitol Street 2-Way	-	437
Nonmajor Governmental Fund	-	1,232
Nonmajor Proprietary Fund	-	1,891
Total	<u>\$ 4,467</u>	<u>\$ 4,467</u>

Summary of transfer in/transfer out within primary government (in thousands):

	Transfer In	Transfer Out
General Fund	\$ -	\$ 19,455
Debt Service Fund	4,633	-
Proprietary Fund	-	2,158
Federal Grant Fund	1,262	-
Nonmajor Governmental Funds	3,452	-
Internal Service Fund	7,435	-
Nonmajor Proprietary Funds	5,212	-
Improvement Fund	-	381
Total	<u>\$ 21,994</u>	<u>\$ 21,994</u>

Interfund transfers at September 30, 2015 consist of the following (in thousands):

\$ 2,523	From the General Fund to the Debt Service Fund to subsidize operations.
1,263	From the General Fund to the Federal Grant Fund to subsidize operations.
3,451	From the General Fund to the Nonmajor Governmental Fund to subsidize operations.
7,435	From the General Fund to the Internal Service Fund to subsidize operations.
48	From the Proprietary Fund to the Nonmajor Proprietary Fund to subsidize operations.
381	From the Improvement Fund to the Nonmajor Proprietary Fund to subsidize operations.
4,783	From the General Fund to the Nonmajor Proprietary Fund to subsidize operations.
<u>2,110</u>	From the Proprietary Fund to the Debt Service Fund to subsidize operations.
<u>\$ 21,994</u>	

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

E. CAPITAL LEASES:

The City leases property with varying terms and options. Most leases contain a clause that states that the lease shall terminate in the event that no funds or insufficient funds are appropriated. However, if renewal is reasonably assured, leases are considered noncancellable leases for financial reporting purposes.

The City has financed through lease agreements the acquisition of the data processing division computer system, word-processing systems for the legal division, computerized records management system and a computer-aided dispatch system for the fire and police departments, and various copying and duplicating equipment. In addition, tractors have been acquired for both the Water Maintenance and the Engineering Maintenance divisions; golf carts have been acquired for the City's golf courses and riding lawn mowers have been acquired for park maintenance. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception. Future minimum lease payments under operating leases are disclosed in the following note. At September 30, 2015, there were assets under capital lease totaling \$22,994,172 for machinery and equipment. Future minimum lease payments for capital leases are disclosed in Note 4.G.8.

The City has reported the proceeds of capital leases related to its Proprietary Funds as inflows of cash since the City receives cash advances from the lessors and purchases the related assets.

F. OPERATING LEASES:

The City is obligated under certain noncancellable leases for land and buildings with terms remaining more than one year that are classified as operating leases. Operating leases do not give rise to property rights; therefore, the results of the lease agreements are not reflected in the City's account groups. Total lease expenditures for the rental of all land and buildings under operating leases for the year ended September 30, 2015, amounted to \$793,902. The following is a schedule by years of future minimum lease payments required under the noncancellable land and building operating leases as of September 30, 2015, (in thousands of dollars):

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 188
2017	123
2018	32
2020	32
2020 and thereafter	<u>2,166</u>
Total	<u>\$ 2,541</u>

The total rental expenditures for all operating leases of the City for the year ended September 30, 2015 totaled to \$1,540,703. There were no subleases or contingent rentals associated with the operating leases.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT:

1. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are to be repaid from proprietary revenues.

The City issued \$20 million of general obligation bonds in January 2003 to provide funds for the costs of: (A) erecting, repairing, improving, and equipping municipal buildings, (B) improving streets, (C) traffic signals, (D) drainage improvements.

On August 4, 2005, the City issued \$20,960,000 in General Obligation Refunding Bonds with an average interest rate of 4.26 percent to advance refund \$20,710,000 of outstanding General Obligation Bonds, Series 1998 with an average interest rate of 5.05. The net proceeds of \$21,904,652 (after payment of \$343,777 in underwriting fees, insurance and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the General Obligation Bonds, Series 1998. As a result, the General Obligation Bonds, Series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. A portion (\$7,490,000) of the General Obligation Bonds, Series 1998 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,401,036. This difference is being charged to operations through the year 2017. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$816,595 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$861,719.

On November 8, 2006, the City issued \$65,000,000 in General Obligation Bonds to provide funds (a) to purchase the City Bond to provide funds to the City in order to finance the acquisition, construction, equipping, and furnishing of a convention center in the City to be known as the Capital City Convention Center and for other authorized purposes under the Act (the "Construction Project"), and (b) to pay the Costs of Issuance of the Series 2006 Bonds and the City Bond, including the cost of the premium for the Bond Insurance Policy.

On January 1, 2009 the City issued \$26,210,000 General Obligation Street Resurfacing Bond. The Bonds are being issued to provide funds to (a) purchase the City Bond to provide funds to the City to pay the costs of constructing, improving and paving streets, sidewalks, driveways, parkways, walkways and public parking facilities, and purchasing land therefore; and constructing bridges and culverts and (b) pay the Costs of Issuance of the Bonds and the City Bond.

On September 1, 2010 the City issued \$23,665,000 in General Obligation Refunding Bonds Series A & B. The bonds were issued to provide funds to the City in order to refund, defease and/or restructure certain outstanding maturities on the \$5,490,000 General Obligation Refunding Bond, Series 1998, the \$35,000,000 General Obligation Bonds, Series 1998, the \$20,000,000 General Obligation Bonds, Series 2003, the \$20,960,000 General Obligation Refunding Bonds, Series 2005, the \$5,155,000 General Obligation Refunding Bonds, Series 2008, and the \$26,210,000 General Obligation Bonds, Series 2009, and to pay the costs of issuance.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (CONTINUED):

The average interest rate on the 2010 General Obligation Refunding Bond is 4.17%. The net proceeds of \$25,128,292 resulted in an economic loss to the City in the amount of (\$2,116,552). The 1998 General Obligation Bond \$5,490,000, the 1998 General Obligation Bond \$35,000,000, and the 2008 General Obligation Bond \$5,155,000 are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net position. A portion of the 2003 General Obligation Bond \$20,000,000, 2005 General Refunding Bond \$20,960,000, and the 2009 General Obligation Bond \$26,210,000 were not refunded.

On April 1, 2012 the City issued \$11,500,000 in General Obligation Note, Series 2012. The note was issued to provide (a) erecting municipal buildings; (b) establishing sanitary, storm, drainage or sewage and repairing, improving and extending the same; (c) constructing bridges; and (d) constructing, improving or paving streets, sidewalks, driveways, parkways, walkways or public parking facilities and purchasing land.

On February 21, 2013 the City issued \$64,940,000 in General Obligation Refunding Bonds, Series 2013. Net present value savings related to the refunding bonds totaled \$2,463,877.02 or 4.05%, 3.79%, and 3.47% of the refunded bonds and reduced total debt service by \$2,518,549. The proceeds of the Series 2013 Bonds will be used by the City for the purposes of (a) refunding, defeasing and/or restructuring all or a portion of the outstanding maturities of the 2006 City Bond and (b) paying certain costs of issuance of the Series 2013 Bonds and the City Bond. The 2006 Bank Bonds were issued to provide funds to purchase the 2006 City Bond. The proceeds of the 2006 City Bond were used by the City to finance construction and equipping of the Capital City Convention Center (the "Convention Center").

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 with principal maturing annually and interest due at various semi-annual dates. General obligation bonds currently outstanding at September 30, 2015, were as follows (in thousands):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>General Obligation Bonds:</u>					
MS Development Bank GO Bonds, Series 2003	01/05/03	2.00-5.25%	03/01/23	20,000	\$ 10,375
General Obligation Bonds, Refunding 2005	08/04/05	3.00-5.00%	10/01/17	20,960	5,030
General Obligation Bonds, Series 2006	11/08/06	3.60-5.00%	03/01/36	65,000	2,240
General Obligation Bonds, Series 2009	01/01/09	4.00-5.80%	01/01/24	26,210	18,045
General Obligation Refunding Series 2010A	09/01/10	3.00-5.00%	09/01/24	16,655	16,655
General Obligation Refunding Series 2010B	09/01/10	4.370%	09/01/24	7,010	7,010
General Obligation Refunding Series 2013	02/21/13	3.00-5.00%	03/01/36	64,940	<u>64,795</u>
Total General Obligation Bonds					<u>\$ 124,150</u>
	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>General Obligation Notes:</u>					
General Obligation Notes Payable Series 2012	04/01/12	1.71	09/01/24	11,500	<u>\$ 4,600</u>
Total General Obligation Notes					<u>\$ 4,600</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

2. Revenue Bonds

On August 4, 2005, the City issued \$27,180,000 in Water/Sewer System Revenue Refunding Bonds with an average interest rate of 4.32 percent to advance refund \$25,800,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 5.21. The net proceeds of \$27,758,429 (after payment of \$496,236 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the Water/Sewer System Revenue Bonds, Series 1999. As a result, the Water/Sewer System Revenue Bonds, Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund. A portion (\$5,085,000) of the Water/Sewer System Revenue Bonds, Series 1999 was not refunded. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,785,028. This difference is being charged to operations through the year 2024. The City completed the advance refunding to reduce its total debt service payments over the next 19 years by \$1,057,504 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,383,192.

On September 1, 2011, the City issued \$46,720,000 and \$2,565,000 in Water/Sewer System Revenue Refunding Bonds to advance refund \$42,355,000 of outstanding Water/Sewer System Revenue Bonds, Series 2002, \$1,140,000 of outstanding Water/Sewer Revenue Refunding, Series 2004, and \$2,790,000 of outstanding Water/Sewer Revenue Refunding, Series 2005. The purpose for issuing the Tax-Exempt Bonds is (a) to fund the 2011A Purchase Account, in order to provide funds for the purchase of the Tax-Exempt City Bond (which amounts are to provide financing for the refunding, defeasance and/or restructuring of a portion of the Prior Bonds pursuant to the Act), (b) to pay the premium for the Bond Insurance Policy and the Surety Bond for the Tax-Exempt Bonds, and (c) to fund the 2011A Bond Issuance Expense Account to pay the Costs of Issuance in connection with the Tax-Exempt Bonds and the Tax-Exempt City Bond. The purpose for issuing the Taxable Bonds is (a) to fund the 2011B Purchase Account, in order to provide funds for the purchase of the Taxable City Bond (which amounts are to provide financing for the refunding and/or restructuring of a portion of the Prior Bonds pursuant to the Act), (b) to pay the premium for the Bond Insurance Policy and the Surety Bond for the Taxable Bonds, and (c) to fund the 2011B Bond Issuance Expense Account to pay the Costs of Issuance in connection with the Taxable Bonds and the Taxable City Bond. The City completed the advance refunding to reduce its debt service payments over the next 23 years by \$3,838,070 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$144,146.

On September 1, 2012, the City issued \$63,045,000 and \$19,180,000 in Water/Sewer Revenue Refunding Bonds to advance refund \$76,120,000 of outstanding Water/Sewer System Revenue Refunding, Series 2004. The purpose for issuing the Tax-Exempt Bonds is (a) amount will provide financing for the refunding, defeasance and/or restructuring of the Series 2004 Bonds and the 2004 City Bonds, (b) as to the Taxable Bonds, to purchase the Taxable City Bond, which amount will provide financing for the refunding, defeasance and/or restructuring of the Series 2004 Bonds and 2004 City Bonds, (c) to pay premium for the Surety Bond and the Policy and (d) to fund the costs of issuance in connection with the Series 2012 Bonds and the Series 2012 City Bonds. The City completed the advance refunding to reduce its debt service payments over the next 22 years by \$3,067,182 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$3,062,988.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

On June 1, 2013, the City issued \$89,990,000 in Water/Sewer Revenue Bonds with an average interest rate of 6.07. The Series 2013 Bonds are being issued pursuant to the Act for the purpose of providing funds to purchase the Series 2013 City Bond. This amount will provide financing for improvement and repair of the system in accordance with the Performance Contract, pay the premium for the Surety Bond and the Policy, and a fund the costs of issuance in connection with the Series 2013 Bonds and the Series 2013 City Bond.

Revenue bonds outstanding, at September 30, 2015, were as follows (in thousands):

<u>Revenue Bonds:</u>	<u>Date of</u>	<u>Interest</u>	<u>Final</u>		
<u>Enterprise Funds:</u>	<u>Obligation</u>	<u>Rate</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
			<u>Date</u>		
Water/Sewer Revenue Refunding 2005	07/01/05	3.00-5.00%	09/01/24	27,180	\$ 18,325
Water/Sewer Revenue Refunding 2011A	09/01/11	2.50-5.00%	09/01/34	46,720	41,880
Water/Sewer Revenue Refunding 2011B	09/01/11	4.070-5.40%	09/01/34	2,565	2,345
Water/Sewer Revenue Refunding 2012A	09/01/12	3.50-5.00%	09/01/34	63,045	63,045
Water/Sewer Revenue Refunding 2012B	09/01/12	1.00-2.375%	09/01/20	19,180	12,325
Water/Sewer Revenue 2013	06/01/13	5.00-6.875%	06/01/39	89,990	89,990
					<u>\$ 227,910</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

3. Tax Increment Limited Obligation Bonds

The City issued \$2.270 million of tax increment limited obligation bonds in December 2007 to provide funds for the costs of constructing certain infrastructure improvements, site development and or site preparation in connection with the development and construction of a redevelopment project located within the City. The City entered into an Interlocal Cooperation Agreement with Hinds County, Mississippi, to provide the pledge of certain ad valorem tax revenues for the payment of the principal and interest on the bonds. As a result, the bonds are not a general obligation of the City.

On April 23, 2009, the City issued \$407,000 of tax increment limited obligation bonds to provide funds for infrastructure improvements, including site utilities such as electrical, water, sanitary sewer and natural gas lines; installation of storm drainage and site work; construction of entrances with curb and gutter, sidewalks; landscaping of rights-of-way; installation of fencing and entry gates; capitalized interest; related engineering costs and expenses; TIF plan preparation fees; other incidental costs; and related professional fees.

On June 16, 2009, the City issued \$375,000 of tax increment limited obligation bonds to provide funds for the purpose of constructing various infrastructure improvements in connection with a tax increment finance project including, but not limited to, installation and/or relocation of utilities such as water, sanitary sewer, construction of drainage improvements, construction of roadways with curb and gutter, asphalt overlay, landscaping of rights-of-way, related engineering fee, attorney's fees, TIF plan preparation fees, capitalized interest and other related costs.

On June 19, 2009, the City issued \$1,600,000 of tax increment limited obligation bonds to provide funds for infrastructure improvements supporting the project including, installation of site utilities such as water, sanitary sewer, and natural gas lines; landscaping of rights-of-way; capitalized interest; engineering; TIF Plan preparation fees; other incidental costs; and related professional fees for the project.

On December 30, 2010, the City issued \$2,800,000 of tax increment limited obligation bonds to provide funds for the renovation and related construction of properties generally known as the King Edward Hotel and Garage and the Standard Life Building and related properties located in a portion of the City Block bounded by Mill, Capitol, Roach, and Pearl Street.

Limited obligation bonds outstanding at September 30, 2015, are as follows (in thousands):

<u>Limited Obligation Bonds:</u>	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
General Long-Term Debt:					
Tax Increment Financing Bonds, 2007	12/28/2007	4.47%	3/1/2020	2,270	\$ 1,145
Tax Increment Financing Bonds, 2009	4/23/2009	4.20%	4/1/2024	407	280
Tax Increment Financing Bonds, 2009	6/19/2009	4.75%	7/1/2022	1,600	980
Tax Increment Financing Bonds, 2010	12/30/2010	4.75-5.50%	3/1/2030	2,800	<u>2,171</u>
Total Limited Obligation Bonds					<u>\$ 4,576</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

4. Section 108 Loan

On July 1, 2008, the City entered into a loan guaranty assistance in an amount not to exceed the \$10,000,000 under Section 108 of the Housing and Community Development Act of 1974 for the purpose of providing assistance for the Capital City Center Revitalization Project and for development of a revolving business loan program. Under the Contract for Loan Guarantee Assistance between the City and HUD, HUD authorized the City to loan up to \$10,000,000 under the 108 Program to TCI MS Investment, Inc. for special economic development activities under 24 CFR 570.703(i)(1) and 570.203(b) and, in particular, for "site assemblage" costs for the Revitalization Project. Upon repayment of the TCI Loan, the City is authorized to use funds under the 1098 program for the Business Loan Pool.

The Revitalization Project is to consist of development of two (2) hotels, commercial and retail space, a parking garage and residential facilities to help revitalize the City's CBD while providing job creation for persons of low and moderate income through construction activities and then through the new businesses opened as part of the Revitalization Project. The Business Loan Pool is to be used to provide loan to for-profit and non-profit businesses and organizations which meet the eligibility requirements of 24 CFR 570.703, the national objective requirements of 570.208 and, if applicable, the public benefit standards of 570.209(b).

As required by the Guaranty Agreement, the City also entered into an agreement with Regions Bank to serve as custodian of original loan and security documents for the loan to TCI.

5. Jackson Redevelopment Authority

Urban Renewal Bonds and Notes

Urban renewal bonds and notes are issued to provide funds for various rehabilitation projects at September 30, 2015, were as follows (in thousands):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>Urban Renewal Bonds:</u>					
Enterprise Funds:					
Urban Renewal Bond, Series, 2011-A	06/01/11	3.25%	06/01/31	7,165	\$ 6,265
Urban Renewal Bond, Series, 2011-B	06/01/11	5.15%	06/01/23	2,745	2,360
Note Payable, Series 2012	10/01/13	5.25%	10/26/19	2,500	2,402
Urban Renewal Bond, Series 2013	05/01/14	1.375%	11/01/15	3,850	<u>3,850</u>
Total Urban Renewal Bonds and Notes					<u>\$ 14,877</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

6. A summary of long-term debt transactions for the primary government and for the component unit for the year ended September 30, 2015, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and loans payable:					
General obligation bonds	\$ 132,380	\$ -	\$ 8,230	\$ 124,150	\$ 6,360
Limited obligation bonds	5,111	-	535	4,576	496
General Obligation Note	6,900	-	2,300	4,600	2,300
State revolving loan MDA	303	-	44	259	43
Miss. Development Bank Loan	2,453	-	294	2,159	294
Section 108 Loan	7,000	-	-	7,000	-
Less deferred amounts:					
For issuance discount	(291)	-	22	(313)	-
For issuance premium	7,246	-	518	6,728	-
Total bonds payable	161,102	-	11,943	149,159	9,493
Capital leases	17,881	2,095	4,299	15,677	3,911
Claims and judgments	2,211	446	94	2,563	640
Workers' Compensation Benefits	3,971	3,422	2,017	5,376	1,950
Compensated absences	4,404	2,216	2,347	4,273	2,776
	28,467	8,179	8,757	27,889	9,277
Total Governmental Activity	\$ 189,569	\$ 8,179	\$ 20,700	\$ 177,048	\$ 18,770
Business-type activities:					
Bonds and loans payable:					
Revenue bonds	\$ 233,660	\$ -	\$ 5,750	\$ 227,910	\$ 5,930
Miss. Development Bank Loan	3,943	1,078	-	5,021	5,021
Less deferred amounts:					
For issuance discount	(2,333)	-	(131)	(2,203)	-
For issuance premiums	15,865	-	752	15,113	-
Total bonds payable	251,135	1,078	6,371	245,841	10,951
Capital leases	3,984	543	1,808	2,719	1,550
State Revolving Loan (DEQ)	22,534	4,582	1,484	25,633	1,885
Compensated absences	554	198	258	494	318
	27,072	5,324	3,550	28,845	3,753
Total Business-type activities	\$ 278,207	\$ 6,401	\$ 9,921	\$ 274,686	\$ 14,704
Component Unit – Jackson Redevelopment Authority					
Urban Renewal bonds	\$ 15,370	\$ -	\$ 492	\$ 14,877	\$ 4,365
Less deferred amounts:					
On refunding	(136)	-	-	(136)	-
Total Component Unit	\$ 15,234	\$ -	\$ 492	\$ 14,741	\$ 4,365
Total Long-Term Debt	\$ 483,010	\$ 14,580	\$ 31,110	\$ 466,475	\$ 37,839

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

7. The City's legal debt margin for the issuance of general obligation bonds was \$105,716,895 at September 30, 2015.

8. Annual Maturities Requirements

The annual requirements to amortize all long-term debts outstanding, net of unamortized bond discount of \$136,460 for the component unit as of September 30, 2015, including interest, by source of retirement are as follows (in thousands):

Debt Service Fund (Special Tax Levy)

Fiscal Year	General Obligation Bonds		Total
	Interest	Principal	
2016	\$ 5,017	\$ 6,360	\$ 11,377
2017	5,266	4,180	9,446
2018	4,935	7,055	11,990
2019	4,466	8,065	12,531
2020	4,074	8,540	12,614
2021 – 2025	13,496	42,545	56,041
2026 – 2030	7,422	17,625	25,047
2031 – 2035	3,636	24,025	27,661
2036 – 2040	113	5,755	5,868
Total	<u>\$ 48,425</u>	<u>\$ 124,150</u>	<u>\$ 172,575</u>

Fiscal Year	State Revolving Loan MDA		Total
	Interest	Principal	
2016	\$ 7	\$ 43	\$ 50
2017	6	46	52
2018	5	47	52
2019	2	49	51
2020	2	50	52
2021 – 2025	-	24	23
Total	<u>\$ 22</u>	<u>\$ 259</u>	<u>\$ 280</u>

Fiscal Year	General Obligation Note		Total
	Interest	Principal	
2016	79	2,300	2,379
2017	39	2,300	2,339
Total	<u>\$ 118</u>	<u>\$ 4,600</u>	<u>\$ 4,718</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Fiscal Year	MS Development Bank Loan		Total
	Interest	Principal	
2016	\$ 31	\$ 294	\$ 325
2017	31	294	325
2018	31	294	325
2019	31	294	325
2020	31	294	325
2021-2025	62	689	750
Total	\$ 217	\$ 2,159	\$ 2,375

Fiscal Year	Limited Obligation Bonds		Total
	Interest	Principal	
2016	\$ 168	\$ 496	\$ 664
2017	143	527	670
2018	117	554	671
2019	90	588	678
2020	655	606	1,261
2021-2025	346	785	1,131
2026-2030	10	1,020	1,030
Total	\$ 1,529	\$ 4,576	\$ 6,105

General Fund (General Fund Revenues)

Fiscal Year	Obligation Under Capital Leases		Total
	Interest	Principal	
2016	\$ 287	\$ 3,911	\$ 4,198
2017	227	3,311	3,538
2018	183	2,241	2,424
2019	146	1,363	1,509
2020	112	1,397	1,509
2021-2025	225	3,057	3,282
2026-2030	7	397	404
Total	\$ 1,187	\$ 15,677	\$ 16,864

Fiscal Year	HUD Section 108		Total
	Interest	Principal	
2016	\$ 29	\$ -	\$ 29
2017	29	-	29
2018	29	250	279
2019	29	650	679
2020	29	650	679
2021-2025	29	3,250	3,279
2026-2030	29	2,200	2,229
Total	\$ 203	\$ 7,000	\$ 7,203

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Enterprise Funds - Water/Sewage Disposal System Fund (Water/Sewer Revenue)

Fiscal Year	Revenue Bonds		Total
	Interest	Principal	
2016	\$ 11,676	\$ 5,930	\$ 17,606
2017	11,441	7,720	19,161
2018	11,168	7,990	19,158
2019	10,864	8,295	19,159
2020	10,528	8,635	19,163
2021-2025	46,555	44,520	91,075
2026-2030	34,062	49,785	83,847
2031-2035	19,515	58,525	78,040
2036-2040	7,785	29,335	37,120
2041-2045	247	7,175	7,422
Total	<u>\$ 163,841</u>	<u>\$ 227,910</u>	<u>\$ 391,751</u>

Fiscal Year	Obligation Under Capital Lease		Total
	Interest	Principal	
2016	\$ 44	\$ 1,550	\$ 1,594
2017	34	986	1,020
2018	6	183	189
Total	<u>\$ 84</u>	<u>\$ 2,719</u>	<u>\$ 2,803</u>

Fiscal Year	State Revolving Loan		Total
	Interest	Principal	
2016	\$ 519	\$ 1,885	\$ 2,404
2017	467	1,897	2,364
2018	415	1,950	2,365
2019	363	1,735	2,098
2020	328	1,504	1,832
2021 – 2025	1,198	6,523	7,721
2026 – 2030	654	5,350	6,004
2031 – 2035	193	4,789	4,982
Total	<u>\$ 4,137</u>	<u>\$ 25,633</u>	<u>\$ 29,770</u>

Fiscal Year	MS Development Bank Loan		Total
	Interest	Principal	
2016	\$ -	\$ 658	\$ 658
2017	-	717	717
2018	-	717	717
2019	-	717	717
2020	-	717	717
2021 – 2025	-	1,495	1,495
Total	<u>\$ -</u>	<u>\$ 5,021</u>	<u>\$ 5,021</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Jackson Redevelopment Authority (Urban Renewal Project Revenues)

Jackson Redevelopment Authority Notes Payable, Urban Renewal Notes and Bonds			
<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	\$ 534	\$ 4,365	\$ 4,899
2017	487	528	1,015
2018	465	556	1,021
2019	443	1,064	1,507
2020	284	2,724	3,008
2021 – 2025	1,011	2,660	3,671
2026 – 2030	462	2,425	2,887
2031 – 2035	<u>25</u>	<u>555</u>	<u>580</u>
	3,711	14,877	18,588
Unamortized refunding cost and discounts	<u>-</u>	<u>(136)</u>	<u>(136)</u>
Total	<u>\$ 3,711</u>	<u>\$ 14,741</u>	<u>\$ 18,452</u>

The City has unconditionally and irrevocably agreed to grant and contribute to the Jackson Redevelopment Authority from the General Fund of the City sums sufficient to pay the principal of and interest on the bonds issued by the Jackson Redevelopment Authority for urban renewal purposes, as the same shall mature and become due. Principal and interest maturities for 2015 were paid by contributions from the General Fund of \$801,968.

There are a number of requirements contained in various revenue bond ordinances. The City is in compliance with all significant requirements.

9. Annual Maturities Requirements

The annual requirements to amortize all debt outstanding for the City and the component unit as of September 30, 2015, including interest of \$136,460 for the component unit are as follows (in thousands):

<u>Fiscal Year</u>	<u>City of Jackson</u>	<u>Jackson Redevelopment Authority</u>
2016	\$ 41,284	\$ 4,899
2017	39,661	1,015
2018	38,170	1,021
2019	37,747	1,507
2020	38,152	3,008
2021 and thereafter	<u>444,453</u>	<u>7,138</u>
Total	<u>\$ 639,467</u>	<u>\$ 18,588</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

10. Interest Rate Swap

On March 31, 2004, the City and the Mississippi Development Bank (collectively “the City”) executed a confirmation with RFPC, LLC (a subsidiary of Rice Financial Products Company) (the “2004 Swap Counterparty”), in connection with the execution of an Interest Rate Swap Agreement (the “2004 Swap Agreement”) in order to reduce the debt service costs associated with certain outstanding obligations of the City. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project) issued to fund certain water and sewer improvements for the City. The notional amount of the swap is \$49,105,000. The City received a savings pre-payment from the 2004 Swap Counterparty.

Under the 2004 Swap Agreement the City receives a fixed rate from the 2004 Swap Counterparty, and in return pays a fixed rate less an Adjustment Factor. The Adjustment Factor exposes the City to changes in the ratio between the tax-exempt BMA Index and LIBOR. Payments on the swap are exchanged semiannually. The swap became effective on April 1, 2005 and will terminate on April 1, 2024. An early termination of the swap transaction may result in the City making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2015, the mark to market value of the transaction was \$220,520.84 for the City, which is not recorded, in the financial statements. In fiscal year 2011, the City refunded the Water/Sewer System Revenue Bonds, Series 2002.

Risks Associated with the 2004 Swap Agreement

Credit Risk – The City's swap relies on the performance of the 2004 Swap Counterparty. The City is exposed to the risk that the 2004 Swap Counterparty is unable to fulfill its obligations to the City. The obligations of the 2004 Swap Counterparty to the City are guaranteed by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively.

Basis Risk – The City pays fixed rates on the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project).

Interest Rate Risk – The City is exposed to changes in relationships between tax-exempt and taxable interest rates that may be affected by changes in the marginal tax rate, the elimination of tax preferences or other major changes to current tax law including, but not limited to, implementation of a flat tax or value-added tax.

Termination Risk – The 2004 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the City to significant termination risk. If the 2004 Swap Counterparty fails to meet its obligations to the City, these obligations will be met by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively. If the third party guarantor suffers a loss of creditworthiness, the 2004 Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available or if the City fails to meet its obligations to the 2004 Swap Counterparty, the termination provisions in the 2004 Swap Agreement will apply. The City may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to April 1, 2024 and that fair market value is negative.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 5 – GASB 54 Fund Balance Presentation – Classification Total

Details of nonspendable, restricted, committed, assigned, and unassigned fund balances for the year ended September 30, 2015 are as follows:

	General Fund	Federal Grant	Debt Service	Improvement Fund	1998 GO Bond	2003 GO Bond	2009 GO Bond	Nonmajor Governmental Funds	Capitol Street 2-Way	Total Governmental Funds
FUND BALANCES:										
NONSPENDABLE:										
General Government	\$ 875,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 875,212
RESTRICTED FOR:										
General Government	-	409,586	-	-	-	-	-	190,677	-	600,263
Public safety	550,377	41,828	-	-	-	-	-	1,000,000	-	1,592,205
Public Works	-	515,564	-	-	-	-	-	(474,202)	-	41,362
Human and Cultural Services	-	1,683,050	-	-	-	-	-	-	-	1,683,050
Debt Service Reserve	-	-	4,509,339	-	-	-	-	-	-	4,509,339
COMMITTED TO:										
General Government	2,462,512	-	-	15,332	-	-	-	-	-	2,477,844
Public Safety	1,317,868	-	-	-	-	-	-	-	-	1,317,868
Public Works	-	-	-	4,516,542	178,738	-	500,657	-	1,235,105	6,431,042
Human and Cultural services	-	-	-	-	-	-	-	1,688,156	-	1,688,156
Employee Benefits	-	-	-	-	-	-	-	53,511	-	53,511
ASSIGNED TO:										
General Government	2,004,467	-	-	-	-	-	-	-	-	2,004,467
UNASSIGNED:										
General Government	5,524,550	-	-	-	-	-	-	-	-	5,524,550
Public Works	-	-	-	-	-	(498,040)	-	-	-	(498,040)
Total Fund Balances	<u>\$ 12,734,986</u>	<u>\$ 2,650,028</u>	<u>\$ 4,509,339</u>	<u>\$ 4,531,874</u>	<u>\$ 178,738</u>	<u>\$ (498,040)</u>	<u>\$ 500,657</u>	<u>\$ 2,458,142</u>	<u>\$ 1,235,105</u>	<u>\$ 28,300,829</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information

A. RISK MANAGEMENT

1. Workers Compensation Benefits

The City maintains a self-funded workers' compensation plan accounted for in the General Fund. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims including inflation and other factors and include provisions for estimated claims adjustment expenses. Benefits paid to employees during fiscal year 2015 were \$2,017,016.

The excess workers' compensation insurance is obtained to cover the City for workers' compensation claims in excess of the City's liability of \$1,000,000. Coverage limit is up to \$750,000 except \$1,000,000 for police, firefighter, and first responders.

2. Unemployment Benefits

The City also maintains an Unemployment Compensation Revolving Fund (Employee Benefit Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$14,000 paid each employee during the preceding year. As of September 30, 2015, the required amounts were funded. Claims totaled \$143,483 during fiscal year 2015. Estimates of the liability for unpaid claims are based on patterns of claims payments.

3. Group Benefits

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employer medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$7,887,975 and employee benefit costs were \$15,635,230 during fiscal year 2015. Claims incurred but not reported at September 30, 2015, in the Employees' Group Benefit Fund are provided for in the fund balance of that fund based primarily upon an actuary's estimate.

4. Tort Liability

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Jackson may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivision to purchase liability insurance or to self insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

A. RISK MANAGEMENT (Continued):

4. Tort Liability (Continued):

The City of Jackson is in compliance by using method number three as indicated above. The 2015 fiscal year budget had the monies necessary to establish the reserve fund at the required funding level. Estimates of the liability for unpaid claims are actuarially determined.

For the past three years, the settlement amount for claims against the City has not exceeded the amount of insurance coverage maintained by the City.

The following table provides a reconciliation of changes in the liabilities for claims for years ended September 30, 2015 and 2014:

	Employee Benefit Fund	Tort Claims	Unemployment Benefits Fund	Workers' Compensation Benefits
2015:				
Beginning Balance	\$ 411,233	\$ 2,210,204	\$ -	\$ 3,970,366
Current Year Claims/Changes in Estimates	15,635,230	445,594	143,483	3,422,288
Claims Payments	15,635,230	92,809	143,483	2,017,016
Ending Balance	<u>\$ 411,233</u>	<u>\$ 2,562,989</u>	<u>\$ -</u>	<u>\$ 5,375,638</u>
2014:				
Beginning Balance	\$ 404,241	\$ 2,077,732	\$ -	\$ 4,483,867
Current Year Claims/Changes in Estimates	15,403,820	397,731	179,357	1,338,812
Claims Payments	15,396,828	265,259	179,357	1,852,313
Ending Balance	<u>\$ 411,233</u>	<u>\$ 2,210,204</u>	<u>\$ -</u>	<u>\$ 3,970,366</u>

5. Other Risks:

Commercial insurance is obtained to protect the City from excess losses greater than \$1,000,000 per individual claim for police and fire employees. Commercial insurance is obtained to protect the City from excess losses greater than \$400,000 per individual claim for all other employees.

The commercial policy also includes various amounts of additional coverage ranging from \$25,000 to \$250,000. Commercial property crime carries a limit of \$25,000 per occurrence for computer fraud, employee theft, forgery or alteration, funds transfer fraud, money and securities-inside buildings, money and securities-outside buildings. The property deductible is \$100,000; crime deductible is \$5,000; unintentional errors and omissions coverage is \$1,000,000 per occurrence; and catastrophe coverage is \$25,000,000 per occurrence. Amounts of settlements have not exceeded insurance coverage in the past three years.

B. COMMITMENTS

During fiscal year 1993, the City entered into a revolving loan agreement with the Department of Environmental Quality (DEQ) for loans to the Jackson Water/Sewage Disposal System Fund. The City has pledged sales tax reimbursements from the State of Mississippi to repay the DEQ loans. The outstanding balance of the revolving loans at September 30, 2015, was \$25,632,619.

Federal Grants

The City participates in a number of state and federally funded grant programs, principal of which are Community Development Block Grant, Federal Highway Administration, Department of Transportation and Department of Justice grants. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. During September 30, 2013 the City had disallowed expenditures resulting from audits performed by the following grantor agency: U. S. Department of Housing and Urban Development, Community Development Block Grant for the amount of \$1,939,952.41.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

B. COMMITMENTS (Continued):

Federal Grants (Continued)

A settlement has been reached with the grantor to reimburse the Community Development Block Grant line of credit with non-federal funds over a three-year period in the following fiscal years:

1 st payment December 2014	\$ 646,650.81
2 nd payment December 2015	646,650.80
3 rd payment December 2016	646,650.80
Total	<u>\$ 1,939,952.41</u>

As of September 30, 2015, the outstanding balance is \$1,293,301.60.

At September 30, 2014, the City had disallowed expenditures resulting from a monitoring performed by the grantor agency, U. S. Department of Housing and Urban Development, Community Development Block Grant. The results of the compliance monitoring review for grant numbers B-97-MC-28-0003, B-98-MC-28-0003, B-99-MC-28-0003, B-10-MC-28-0003, B-11-MC-28-0003 and B-12-MC-28-0003 for the amount of \$1,510,810.00.

A settlement has been reached with the grantor to reimburse the Community Development Block Grant line of credit with non-federal funds over a three-year period in the following fiscal years:

1 st payment December 2016	\$ 503,603.34
2 nd payment December 2017	503,603.33
3 rd payment December 2018	503,603.33
Total	<u>\$ 1,510,810.00</u>

C. WATER AND SEWER OPERATION & MAINTENANCE FUND DEFICIENCY

As specified in Section 6.03 (d) of the General Bond Resolution, a transfer may be made from the Water and Sewer Contingent Fund when a deficiency occurs in the deposit amount for the Water and Sewer Operation and Maintenance Fund. In September 2015, a transfer of \$5,450,710 was made from the Water and Sewer Contingent Fund to the Water and Sewer Operation and Maintenance Fund. This transfer was specified in Section 6.03 (a) of the General Bond Resolution established in the order of priority for depositing monies received in the Water and Sewer Revenue Fund into the various Water and Sewer Funds as created by Section 6.03 of the General Bond Resolution. The Water and Sewer Operation and Maintenance Fund have first priority on revenues of the Water and Sewer System. Since the Water and Sewer Operation and Maintenance Fund had a deficiency of \$5,450,710 in meeting its deposit amount, the transfer from the Water and Sewer Contingent Fund to the Water and Sewer Operation and Maintenance Fund was made to meet the deposit amount specified in Section 6.03 (a) of the General Bond Resolution. As specified by Section 6.03 (d) of the General Bond Resolution for the Water and Sewer Contingent Fund is funded. As of May 11, 2016, the transfer from the Water and Sewer Contingent Fund has not been restored due to collected Water and Sewer System Revenues being insufficient to repay the transfer.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

D. SUBSEQUENT EVENT

On November 1, 2015, the City of Jackson issued General Obligation Refunding Bonds, Series 2015A of seventeen four hundred sixty-five million dollars (\$17,465,000) for the purpose of refunding, defeasing and restructuring all or a portion of the outstanding General Obligation Bonds, Series 2003, the General Obligation Bonds, Series 2005, the General Obligation Bonds, Series 2006, the General Obligation Bonds, Series 2009.

On November 1, 2015, the City of Jackson issued General Obligation Refunding Bonds, Series 2015B of one hundred seventy thousand dollars (\$170,000) for the purpose of refunding, defeasing and restructuring a portion of the outstanding General Obligation Refunding Bonds, Series 2013.

On February 24, 2016, the City of Jackson terminated the 2004 Swap Agreement. The City received \$1,510,000 at the closing of the agreement.

Subsequent events have been evaluated through May 11, 2016, which represents the date the comprehensive annual financial report were available to be issued. Subsequent events after that date have not been evaluated.

E. CONTINGENT LIABILITIES:

Litigation

The City is defendant in a number of legal actions seeking actual and punitive damages. Contingencies totaling \$2,582,500 for which it is probable a loss has been incurred and are subject to reasonable estimation are recognized in the financial statements in the governmental funds. The City is vigorously defending all matters of litigation and believes there will be no material adverse financial effect.

F. JOINT VENTURES

The following provides the summary financial information of the Jackson/Hinds Library System as of September 30, 2015 (in thousands):

<u>Jackson/Hinds Library System</u>	
Total assets	<u>\$ 983</u>
Total liabilities	<u>\$ 229</u>
Total fund equity	<u>\$ 754</u>
Total revenues	<u>\$ 4,658</u> (1)
Total expenditures	<u>\$ 4,749</u>
Net increase (decrease) in fund balance	<u>\$ (91)</u>
Total debt	<u>\$ -</u>

(1) The percentage share of the joint venture applicable to the City of Jackson is fifty percent (50%).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM:

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

Public Employees' Retirement System

1. Plan Description and Provisions

Substantially all City of Jackson full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-29-201 of the Mississippi Code of 1942 as annotated, and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary and the City of Jackson, Mississippi is required to contribute at an actuarially determined rate. This rate was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Jackson, Mississippi contributions to PERS for the years ended September 30, 2015, 2014, and 2013 were \$11,504,087, \$11,299,471, and \$10,793,745, respectively, equal to the required contributions for each year.

As of most recent measurement date of the net pension liability, membership data for the pension plan is as follows:

<u>Members Category</u>	<u>Pension</u>
Retirees and beneficiaries currently receive benefits	597
Former members entitled to benefits but yet receiving them	-
Former members – not entitled to benefits	-
Active members:	-
Vested	1
Non-vested	-
Total Participants	598

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$117,741,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contribution of all participating entities, actuarially determined. At September 30, 2015, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 1.105643 percent.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM (Continued)

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended September 30, 2015, the City recognized pension expense of \$9,858,153. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

A. Governmental Activities:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,836,737	\$ -
Net difference between projected and actual earnings on pension plan investments	-	17,067,540
Changes in proportion and differences between City contributions and proportionate share of contributions	1,876,464	-
City contributions subsequent to the measurement date	10,093,264	-
Total	<u>\$ 13,806,465</u>	<u>\$ 17,067,540</u>

B. Business-Type Activities:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 256,737	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,385,678
Changes in proportion and differences between City contributions and proportionate share of contributions	262,290	-
City contributions subsequent to the measurement date	1,410,823	-
Total	<u>\$ 1,929,850</u>	<u>\$ 2,385,678</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM (Continued)

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At September 30, 2015, \$11,504,087 was reported as deferred outflows of resources, related to pensions resulting from City contributions, subsequent to the measurement date that will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30</u>	<u>Amount</u>
2016	\$ 3,340,920
2017	3,340,920
2018	3,675,845
2019	4,863,305
Thereafter	<u>\$15,220,990</u>

4. Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary changes	4.25 – 19.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. Broad	34%	5.20%
International Equity	19	5.20
Emerging Markets Equity	8	5.00
Fixed Income	20	5.45
Real Assets	10	0.25
Private Equity	8	4.00
Cash	1	6.15
Total	<u>100%</u>	<u>(0.50)</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM (Continued)

4. Actuarial Assumptions (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to change in the discount rate. Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (7 percent) or 1-percentage-point higher (9 percent) than current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of net pension liability	<u>\$ 182,954,069</u>	<u>\$ 134,199,596</u>	<u>\$ 93,531,118</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Disability and Relief- Municipal Retirement Systems Pension Plan

1. Plan Description

The City of Jackson contributes to the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. The City's uniformed police officers and firefighters employed prior to April 1, 1976, participate in MRS. Firefighters and police officers employed subsequent to April 1, 1976, are members of the Public Employees' Retirement System of the State as previously described. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Legislation may be amended only by the State of Mississippi Legislature. At June 30, 2015, the date of the most recent actuarial verification, there was 1 participating municipal employee and 597 retired participants and beneficiaries currently receiving benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM (Continued)

2. Basis of Accounting

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed, investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates market or fair value. For individual investments where no readily ascertainable market value exists, the Public Employees' Retirement System, in consultation with their investment advisors and custodial bank, has determined the fair values.

3. Net Pension Liability

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability: (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLA's are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plan. The City's net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

<u>Net Pension Liability</u>	
Measurement Date	<u>June 30, 2015</u>
Total Pension Liability	\$ 117,438,604
Fiduciary Net Pension	<u>62,965,719</u>
Net Pension Liability	<u>\$ 54,472,885</u>

A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information (beginning with FY 2015) and is presented in the Required Supplementary Information Section on pages 92 – 95.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM (Continued)

4. Schedule of Changes in Net Pension Liability

The change in Net Pension Liability, for the Disability and Relief municipal pension plan, for the fiscal year ended September 30, 2015 is as follows:

Change in Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service cost	\$ -	-	\$ -
Interest on the total pension liability	8,901,563	-	8,901,563
Benefit changes	3,676,246	-	3,676,246
Difference between expected and actual experience	(91,754)	-	(91,754)
Employer's contribution	-	5,544,877	(5,544,877)
Employees' contributions	-	4,750	(4,750)
Pension plan net investment income	-	2,166,108	(2,166,108)
Benefit payments, including refunds of employee contributions	(12,633,969)	(12,633,969)	-
Administrative expense	-	(114,673)	114,673
Other	-	-	-
Net Change	(147,914)	(5,032,907)	4,884,993
Net Pension Liability Beginning	117,586,518	67,998,626	49,587,892
Net Pension Liability Ending	<u>\$ 117,438,604</u>	<u>62,965,719</u>	<u>\$ 54,472,885</u>

5. Pension Expense

For the year ended September 30, 2015, the City recognized total pension expense of \$7,926,540. Pension expense recognized by the plan is as follows:

<u>Members Category</u>	<u>Pension Expense</u>
Changes for the Year:	
Service cost	\$ -
Interest on the total liability	8,901,563
Expensed portion of current-period difference between expected and actual experience in the total liability	(91,754)
Expensed portion of current-period changes of assumptions	3,676,246
Members contributions	(4,750)
Projected earnings on plan investments	(5,151,929)
Expensed portion of current-period difference between actual and projected earnings on plan investments	597,164
Total Pension Expense	<u>\$ 7,926,540</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM (Continued)

6. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City at September 30, 2015 for the Disability and Relief municipal plan are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,423,728	\$ -
Net difference between projected and actual earnings on pension plan investments	-	91,754
Net difference between projected and actual earnings on pension plan investments	-	2,388,657
Employers' contributions subsequent to the measurement date	<u>6,360,876</u>	<u>-</u>
Total	<u>\$ 11,784,604</u>	<u>\$ 2,480,411</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at September 30, 2015 will be recognized in pension expense as follows:

<u>Year ended September 30</u>	<u>Amount</u>
2016	\$ (1,960,387)
2017	(1,960,387)
2018	(1,545,244)
2019	<u>(477,731)</u>
Total	<u>\$ (5,943,749)</u>

7. Actuarial Assumptions

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

G. EMPLOYEES' RETIREMENT SYSTEM (Continued):

7. Actuarial Assumptions (Continued)

Sensitivity of the net pension liability to change in the discount rate. Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's net pension liability (Asset)	<u>\$ 63,598,575</u>	<u>\$ 54,472,885</u>	<u>\$ 46,519,709</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

8. Schedule of Assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary changes	4.50 – 6.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Valuation Date	June 30, 2015
Actual Cost Method	Ultimate Asset Reserve
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	Five year smoothed market

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

H. OTHER POSTEMPLOYMENT BENEFITS

Effective for the 2009 fiscal year, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and required supplementary information. This Statement requires recognition of the cost of other postemployment benefits during the periods when employees render their services and disclosure about actuarially accrued liabilities related to past services and the status and progress of funding the benefits. The requirements of GASB statement No. 45 were implemented prospectively beginning October 1, 2007.

Plan Description

The City's OPEB plan provides post employment healthcare coverage, including dental benefits to eligible individuals. Eligible individuals include all regular, full-time employees of the City, as well as permanent part-time employees who work at least 20 hours per week, and their spouses and dependent children. Employees must have earned at least 25 years of service with the City in order to be eligible for retiree healthcare coverage. Coverage continues at the election of the retiree until age 65. Retirees must pay the required monthly premium for either single or family coverage, as applicable. As of September 30, 2015, 114 retirees are eligible to receive benefits under the plan. The plan was established under authority of the City Council and may be amended or abolished by council action.

Annual OPEB cost and Net OPEB Obligation

The City's annual OPEB cost (expense) was calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the actuarial valuation performed by an outside actuary consultant. The following table shows the components of the government's annual OPEB cost for the year and the amount actually contributed to the plan during the year:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total OPEB Plan</u>
Annual Required Contribution	\$6,123,996	\$856,004	\$6,980,000
Interest on net OPEB obligation	1,026,515	143,485	1,170,000
Adjustment to ARC	<u>(2,264,475)</u>	<u>(316,525)</u>	<u>(2,581,000)</u>
Annual OPEB cost (expense)	4,886,036	682,964	5,569,000
Less: Contributions made	<u>(1,081,789)</u>	<u>(151,211)</u>	<u>(1,233,000)</u>
Increase in net OPEB obligation	3,804,247	531,753	4,336,000
Net OPEB obligation beginning	<u>25,898,158</u>	<u>3,941,842</u>	<u>29,840,000</u>
Net OPEB obligation end of year	<u>\$29,702,405</u>	<u>\$4,473,595</u>	<u>\$34,176,000</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 6 – Other Information (Continued):

H. OTHER POSTEMPLOYMENT BENEFITS (Continued):

Trend Information for OPEB Plan:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/13	\$7,060,000	30%	25,555,000
9/30/14	\$5,484,000	22%	29,840,000
9/30/15	\$5,593,000	22%	34,176,000

Funding status and funding progress

The City funds the plan on a pay-as-you-go basis. As of September 30, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$42,463,000 with no valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same amount. The covered payroll was \$64,572,000 and the ratio of the UAAL to the covered payroll was 65.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and actual results are compared with past expectations and new estimates are made about the future.

Although, the actuarial accrued liability for the OPEB plan has decreased, the City has not provided funding for the plan.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2015 actuarial valuation, the projected unit credit method was used. It is amortized as a level percent of payroll over a 15 year open period and a level-dollar payment. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate trend rate of 5 percent after ten years. Both rates include a 2.75 percent inflation assumption. Currently there are no assets set aside that are legally held exclusively for OPEB.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 7 – Prior Period Adjustment:

The following is a summary of prior period adjustments made to the beginning Net Position during fiscal year 2015:

	Governmental Activities	Business Activities	Total
Beginning balance as previously reported	\$ 195,199,270	\$ 276,684,091	\$ 471,883,361
Net adjustment to correct the capitalization of construction in progress in error in FY 2014	(70,271,157)	-	(70,271,157)
Net adjustment to correct special assessment receivable balance in FY 2014	(63,194)	-	(63,194)
Net adjustment to record net pension liability per GASB 68 and GASB 71 implementation	(166,049,990)	(17,115,475)	(183,165,465)
Net Position Balance as Restated	<u>\$ (41,185,071)</u>	<u>\$ 259,568,616</u>	<u>\$ 218,383,545</u>

Below is a summary of significant Net Position/Fund Balance adjustments resulting from the implementation of GASB 68 and GASB 71 are as follows:

A. Governmental Activities

Explanation:	Municipal Employees' Retirement System	Disability and Relief Fund	Total
To Record Net Pension Liability (09/30/14)	\$ (131,778,528)	\$ (49,587,895)	\$ (181,366,423)
Deferred outflows – contributions made during fiscal year 2014	9,331,569	5,984,864	15,316,433
Total prior period adjustment related to GASB 68 and GASB 71	<u>\$ (122,446,959)</u>	<u>\$ (43,603,031)</u>	<u>\$ (166,049,990)</u>

B. Business-Type Activities

Explanation:	Water/Sewer Fund	Sanitation Fund	Non-Major JATLAN Fund	Total
To Record Net Pension Liability (09/30/14)	\$ (16,040,601)	\$ (1,804,568)	\$ (574,660)	\$ (18,419,829)
Deferred outflows – contributions made during fiscal year 2014	1,135,875	127,786	40,693	1,304,354
Total prior period adjustment related to GASB 68 and GASB 71	<u>\$ (14,904,726)</u>	<u>\$ (1,676,782)</u>	<u>\$ (533,967)</u>	<u>\$ (17,115,475)</u>

The accompanying notes are an integral part of these Financial Statements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2015

Note 8 – Effect of Deferred Amounts on Net Position:

The unrestricted net position amount of \$(179,712,221) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$27,520,919 balance of deferred outflow of resources, a September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next three (3) years.

The unrestricted net position amount of \$(179,712,221) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$21,933,629 balance of deferred inflow of resources at September 30, 2015 will be recognized as revenue and will increase the unrestricted net position over the next four (4) years.

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REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS
for the OPEB PLAN**

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b-a)/c]
10/1/2010	-	36,875	36,875	0.00%	66,782	55.2
5/1/2012	-	45,498	45,498	0.00%	N/A	N/A
5/1/2014	-	42,463	42,463	0.00%	64,572	65.8

CITY OF JACKSON, MISSISSIPPI
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years
September 30, 2015

	2014
City's proportion of the net pension liability (asset)	\$ 117,741,803
City's proportion of the net pension liability (asset)	1.105643%
City's covered-employee payroll	69,494,819
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169.43%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

*The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year September 30, 2015, and, until a full 10-year trend is complied, the City has only presented information for the years in which information is available.

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF JACKSON, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER NET PENSION LIABILITY
PERS
Year Ended September 30, 2015

City's Contribution	\$	<u>2015</u> 5,544,877
Actuarially determined contribution	\$	<u>2015</u> 5,544,877
Contribution in relation to the actuarially determined Contribution		<u>5,544,877</u>
Contribution deficiency (excess)	\$	<u>-</u>
City's covered-employee payroll		N/A
Contribution as a percentage of covered-employee payroll		N/A

Payroll-related information not provided plan is closed to new entrants and there are very few remaining active members and many municipalities have no remaining active members.

Notes to Schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2015 were based on the June 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Ultimate Asset Reserves
Armortization cost method	N/A
Amortization method	N/A
Remaining amortization period	Five year smoothed market
Inflation	N/A
Salary increases	4.5% - 6.00% including inflation

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF JACKSON, MISSISSIPPI
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

		2015
Contractually required Contribution	\$	<u>11,504,087</u>
Contribution in relation to the contractually required Contribution		<u>11,504,087</u>
Contribution deficiency (excess)	\$	<u><u>-</u></u>
City's covered-employee payroll	\$	69,494,819
Contributions as a percentage of covered-employee payroll		15.75%

The Accompanying Notes are an integral part of these Financial Statements.

NON-MAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds

Special Revenue Funds

Parks and Recreation Fund

To account for the operation and maintenance of all City-owned parks. Financing is provided by a 2-Mill annual property tax levy, admissions, fees and concessions. Appropriations are made from General Fund sources to the extent that such tax levy and other revenues are not sufficient to finance expenditures.

State Grant Fund

To account for proceeds of state grants or loans other than those grants or loans for Enterprise Fund or Capital Projects Fund items.

Disability and Relief Fund

To account for the receipt of revenues, principally tax levies, and payments of bond principal and interest related to bonds issued to provide reductions in the accrued actual liability related to pensions of retired and disabled police and fireman employed prior to April 1, 1976.

Capital Projects Funds

1% Infrastructure Tax

To account for proceeds received for the improvement of infrastructure in the City. Financing is provided by a special sales tax of 1%.

2012 General Obligation Note

To account for proceeds of general obligation note of \$11,500,000 providing updates to City Facilities and rehabilitation of sewer line projects.

Thalia Mara Hall

To account for proceeds received for the renovation and improvements being made to Thalia Mara Hall.

Museum to Market Project

To account for proceeds received for the walking and biking trail from LeFleur's Bluff State Park to the Mississippi Agriculture Museum.

City of Jackson
Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2015

	Special Revenue			
	Parks and Recreation	State Grant	Disability and Relief	Total
ASSETS				
Cash and Cash Equivalents	\$ 1,839,798	\$ 1,205,293	\$ 476,154	\$ 3,521,245
Other Receivable	2,307,375	41,621	5,181,112	7,530,108
Intergovernmental Receivable	66	-	-	66
Total Current Asset	<u>\$ 4,147,239</u>	<u>\$ 1,246,914</u>	<u>\$ 5,657,266</u>	<u>\$ 11,051,419</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 176	\$ 747	\$ 422,643	\$ 423,566
Other Liabilities	163,213	29,950	-	193,163
Due to other funds	-	25,540	-	25,540
Total liabilities	<u>163,389</u>	<u>56,237</u>	<u>422,643</u>	<u>642,269</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>2,295,694</u>	<u>-</u>	<u>5,181,112</u>	<u>7,476,806</u>
Total deferred inflows of resources	<u>2,295,694</u>	<u>-</u>	<u>5,181,112</u>	<u>7,476,806</u>
FUND BALANCES				
Restricted	-	1,190,677	-	1,190,677
Committed	<u>1,688,156</u>	<u>-</u>	<u>53,511</u>	<u>1,741,667</u>
Total Fund Balance	<u>1,688,156</u>	<u>1,190,677</u>	<u>53,511</u>	<u>2,932,344</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,147,239</u>	<u>\$ 1,246,914</u>	<u>\$ 5,657,266</u>	<u>\$ 11,051,419</u>

(Continued)

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

Capital Projects

1% Infrastructure Tax	2012 GO Note	Thalia Mara Hall Renovation	Museum To Market Project	Total	Total Nonmajor Governmental Funds
	\$ 732,125	\$ -	\$ -	732,125	\$ 4,253,370
-	-	-	-	-	7,530,108
-	-	-	-	-	66
<u>\$ -</u>	<u>\$ 732,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732,125</u>	<u>\$ 11,783,544</u>
\$ 28	\$ -	\$ -	\$ -	28	\$ 423,594
-	-	-	-	-	193,163
<u>58</u>	<u>-</u>	<u>999,886</u>	<u>206,355</u>	<u>1,206,299</u>	<u>1,231,839</u>
<u>86</u>	<u>-</u>	<u>999,886</u>	<u>206,355</u>	<u>1,206,327</u>	<u>1,848,596</u>
-	-	-	-	-	7,476,806
-	-	-	-	-	7,476,806
(86)	732,125	(999,886)	(206,355)	(474,202)	716,475
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741,667</u>
<u>(86)</u>	<u>732,125</u>	<u>(999,886)</u>	<u>(206,355)</u>	<u>(474,202)</u>	<u>2,458,142</u>
<u>\$ -</u>	<u>\$ 732,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732,125</u>	<u>\$ 11,783,544</u>

(Continued)

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

City of Jackson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended September 30, 2015

	Special Revenue			
	Parks and Recreation	State Grant	Disability and Relief	Total
REVENUES				
General property taxes	\$ 2,329,280	\$ -	\$ 5,244,618	\$ 7,573,898
Licenses and permits	375	-	826	1,201
Intergovernmental	119,541	118,776	162,486	400,803
Admissions, fees, rentals and concessions	202,301	-	-	202,301
Interest	3,274	124	516	3,914
Other	125,124	-	4,416	129,540
Total revenues	<u>2,779,895</u>	<u>118,900</u>	<u>5,412,862</u>	<u>8,311,657</u>
EXPENDITURES				
Current Operations:				
Personnel Services	4,056,292	21,235	-	4,077,527
Supplies	572,263	9,804	-	582,067
Other Services and Charges	1,322,636	2,253	5,412,534	6,737,423
Capital Outlay	497,261	29,118	-	526,379
Debt Service:				
Principal	54,347	-	-	54,347
Interest and service charges	1,157	-	-	1,157
Total expenditures	<u>6,503,956</u>	<u>62,410</u>	<u>5,412,534</u>	<u>11,978,900</u>
Excess (deficiency) of revenues over expenditures	<u>(3,724,061)</u>	<u>56,490</u>	<u>328</u>	<u>(3,667,243)</u>
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	3,451,044	755	-	3,451,799
Sale of capital assets	825	-	-	825
Total other financing sources	<u>3,451,869</u>	<u>755</u>	<u>-</u>	<u>3,452,624</u>
Net change in fund balances	(272,192)	57,245	328	(214,619)
Fund balances at beginning of year	<u>1,960,348</u>	<u>1,133,432</u>	<u>53,183</u>	<u>3,146,963</u>
Fund balances at end of year	<u>\$ 1,688,156</u>	<u>\$ 1,190,677</u>	<u>\$ 53,511</u>	<u>\$ 2,932,344</u>

(Continued)

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

Capital Projects

1% Infrastructure Tax	2012 GO Note	Thalia Mara Hall Renovation	Museum To Market Project	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,573,898
-	-	-	-	-	1,201
-	-	-	-	-	400,803
-	-	-	-	-	202,301
-	1,050	-	-	1,050	4,964
-	-	-	-	-	129,540
-	1,050	-	-	1,050	8,312,707
-	-	-	-	-	4,077,527
-	-	-	-	-	582,067
86	6,969	42,450	10,117	59,622	6,797,045
-	-	-	-	-	526,379
-	-	-	-	-	54,347
-	-	-	-	-	1,157
86	6,969	42,450	10,117	59,622	12,038,522
(86)	(5,919)	(42,450)	(10,117)	(58,572)	(3,725,815)
-	-	-	-	-	3,451,799
-	-	-	-	-	825
-	-	-	-	-	3,452,624
(86)	(5,919)	(42,450)	(10,117)	(58,572)	(273,191)
-	738,044	(957,436)	(196,238)	(415,630)	2,731,333
<u>\$ (86)</u>	<u>\$ 732,125</u>	<u>\$ (999,886)</u>	<u>\$ (206,355)</u>	<u>\$ (474,202)</u>	<u>\$ 2,458,142</u>

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

City of Jackson
Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 2,305,990	\$ 2,305,990	\$ 2,329,280	\$ 23,290
Licenses and permits	500	500	375	(125)
Intergovernmental	110,000	110,000	119,541	9,541
Admissions, fees, rentals and concessions	250,300	250,300	202,301	(47,999)
Interest	-	-	3,274	3,274
Other	-	-	125,124	125,124
Total revenues	<u>2,666,790</u>	<u>2,666,790</u>	<u>2,779,895</u>	<u>113,105</u>
EXPENDITURES				
Current Operations:				
Personnel Services	4,337,933	4,378,096	4,056,292	321,804
Supplies	805,220	883,386	572,263	311,123
Other Services and Charges	2,041,852	2,135,186	1,322,636	812,550
Capital Outlay	423,011	573,409	497,261	76,148
Debt Service:				
Principal	83,000	83,000	54,347	28,653
Interest and service charges	2,422	2,422	1,157	1,265
Total expenditures	<u>7,693,438</u>	<u>8,055,499</u>	<u>6,503,956</u>	<u>1,551,543</u>
Excess (deficiency) of revenues over expenditures	<u>(5,026,648)</u>	<u>(5,388,709)</u>	<u>(3,724,061)</u>	<u>1,664,648</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	3,451,044	3,451,044	3,451,044	-
Proceeds from capital leases	-	-	825	825
Total other financing sources	<u>3,451,044</u>	<u>3,451,044</u>	<u>3,451,869</u>	<u>825</u>
Net change in fund balances	(1,575,604)	(1,937,665)	(272,192)	1,665,473
Fund balances at beginning of year	<u>1,960,348</u>	<u>1,960,348</u>	<u>1,960,348</u>	<u>-</u>
Fund balances at end of year	<u>\$ 384,744</u>	<u>\$ 22,683</u>	<u>\$ 1,688,156</u>	<u>\$ 1,665,473</u>

City of Jackson
State Grants Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

	<u>Budget Amount</u>		<u>Actual Amount</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 132,361	\$ 556,386	\$ 118,776	(437,610)
Interest	-	-	124	124
Total revenues	<u>132,361</u>	<u>556,386</u>	<u>118,900</u>	<u>(437,486)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	-	86,670	21,235	65,435
Supplies	2,654	15,589	9,804	5,785
Other Services and Charges	112,507	118,378	2,253	116,125
Capital Outlay	<u>17,200</u>	<u>335,749</u>	<u>29,118</u>	<u>306,631</u>
Total expenditures	<u>132,361</u>	<u>556,386</u>	<u>62,410</u>	<u>493,976</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>56,490</u>	<u>56,490</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	<u>-</u>	<u>-</u>	<u>755</u>	<u>755</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>755</u>	<u>755</u>
Net change in fund balances	-	-	57,245	57,245
Fund balances at beginning of year	<u>1,133,432</u>	<u>1,133,432</u>	<u>1,133,432</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,133,432</u>	<u>\$ 1,133,432</u>	<u>\$ 1,190,677</u>	<u>\$ 57,245</u>

City of Jackson
Disability and Relief Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

	<u>Budget Amount</u>		<u>Actual Amount</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 5,181,162	\$ 5,243,996	\$ 5,244,618	\$ 622
Licenses and permits	-	826	826	-
Intergovernmental	170,000	171,558	162,486	(9,072)
Interest	-	482	516	34
Other	-	3,976	4,416	440
Total revenues	<u>5,351,162</u>	<u>5,420,838</u>	<u>5,412,862</u>	<u>(7,976)</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	<u>5,351,162</u>	<u>5,420,838</u>	<u>5,412,534</u>	<u>8,304</u>
Total expenditures	<u>5,351,162</u>	<u>5,420,838</u>	<u>5,412,534</u>	<u>8,304</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>328</u>	<u>328</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	328	328
Fund balances at beginning of year	<u>53,183</u>	<u>53,183</u>	<u>53,183</u>	<u>-</u>
Fund balances at end of year	<u>\$ 53,183</u>	<u>\$ 53,183</u>	<u>\$ 53,511</u>	<u>\$ 328</u>

City of Jackson
Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes				
Current realty taxes	\$ 5,481,074	\$ 5,481,074	\$ 5,455,121	\$ (25,953)
Current personal taxes	2,276,450	2,276,450	2,389,907	113,457
Delinquent taxes	-	-	37,312	37,312
Automobile ad valorem taxes	985,688	985,688	988,189	2,501
Homestead exemption	87,701	87,701	274,195	186,494
Licenses and permits	-	-	1,431	1,431
Interest	-	-	8,771	8,771
Special assessments	-	-	20,650	20,650
Other revenues	3,983,781	3,983,781	3,984,130	349
Total revenues	12,814,694	12,814,694	13,159,706	345,012
EXPENDITURES				
General obligation bonds				
Principal	8,723,236	11,171,206	11,171,206	0
Interest	6,115,321	6,190,312	6,142,028	48,284
Bank service charge	17,176	19,175	15,300	3,875
Other services and charges	73	69,500	-	69,500
Total expenditures	14,855,806	17,450,193	17,328,534	121,659
Deficiency of revenues over (under) expenditures	(2,041,112)	(4,635,499)	(4,168,828)	(466,671)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,906,051	4,908,072	4,633,117	(274,955)
Total other financing sources (uses)	4,906,051	4,908,072	4,633,117	(274,955)
Net change in fund balances	2,864,939	272,573	464,289	(191,716)
Fund balances at beginning of year	4,045,050	4,045,050	4,045,050	-
Fund balances at end of year	\$ 6,909,989	\$ 4,317,623	\$ 4,509,339	\$ (191,716)

City of Jackson
1998 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 250	\$ 250
Total revenues	-	-	250	250
EXPENDITURES				
Current Operations				
Other services and charges	178,236	178,488	-	178,488
Total expenditures	178,236	178,488	-	178,488
Deficiency of revenues over (under) expenditures	(178,236)	(178,488)	250	178,738
OTHER FINANCING SOURCES(USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(178,236)	(178,488)	250	178,738
Fund balances at beginning of year	178,488	178,488	178,488	-
Fund balances at end of year	\$ 252	\$ -	\$ 178,738	\$ 178,738

City of Jackson
2003 GO Public Improvement Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 7,809,142	\$ 7,570,956	\$ 773,859	\$ (6,797,097)
Interest	8,663	2,000	2,485	485
Total revenues	<u>7,817,805</u>	<u>7,572,956</u>	<u>776,344</u>	<u>(6,796,612)</u>
EXPENDITURES				
Current Operations				
Personnel services	17,120	17,120	-	17,120
Other services and charges	8,969,967	8,219,489	1,977,538	6,241,951
Capital outlay	39,500	39,500	-	39,500
Total expenditures	<u>9,026,587</u>	<u>8,276,109</u>	<u>1,977,538</u>	<u>6,298,571</u>
Deficiency of revenues over (under) expenditures	<u>(1,208,782)</u>	<u>(703,153)</u>	<u>(1,201,194)</u>	<u>(498,041)</u>
Net change in fund balances	<u>(1,208,782)</u>	<u>(703,153)</u>	<u>(1,201,194)</u>	<u>(498,041)</u>
Fund balances at beginning of year	703,153	703,153	703,154	(1)
Fund balances at end of year	<u>\$ (505,629)</u>	<u>\$ -</u>	<u>\$ (498,040)</u>	<u>\$ (498,042)</u>

City of Jackson
2009 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 1,890	1,890
Interest	-	-	1,242	1,242
Total revenues	-	-	3,132	3,132
EXPENDITURES				
Current Operations				
Supplies	15,692	-	-	-
Other services and charges	1,285,733	1,226,910	729,385	497,525
Capital outlay	246,771	81,399	81,399	-
Total expenditures	1,548,196	1,308,309	810,784	497,525
Deficiency of revenues over (under) expenditures	(1,548,196)	(1,308,309)	(807,652)	500,657
Net change in fund balances	(1,548,196)	(1,308,309)	(807,652)	500,657
Fund balances at beginning of year	1,308,309	1,308,309	1,308,309	-
Fund balances at end of year	<u>\$ (239,887)</u>	<u>\$ -</u>	<u>\$ 500,657</u>	<u>\$ 500,657</u>

City of Jackson
2012 GO Note Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 1,050	\$ 1,050
Other	-	-	-	-
Total revenues	-	-	1,050	1,050
EXPENDITURES				
Current Operations:				
Supplies	1,068	-	-	-
Other Services and Charges	1,192,617	685,538	6,969	678,569
Capital Outlay	52,506	52,506	-	52,506
Total expenditures	1,246,191	738,044	6,969	731,075
Deficiency of revenues over (under) expenditures	(1,246,191)	(738,044)	(5,919)	732,125
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,246,191)	(738,044)	(5,919)	732,125
Fund balances at beginning of year	738,044	738,044	738,044	-
Fund balances at end of year	\$ (508,147)	\$ -	\$ 732,125	\$ 732,125

City of Jackson
Capitol Street 2-Way
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 4,012,243	\$ 3,563,219	\$ 3,578,444	\$ 15,225
Interest	-	-	14	14
Total revenues	<u>4,012,243</u>	<u>3,563,219</u>	<u>3,578,458</u>	<u>15,239</u>
EXPENDITURES				
Current Operations				
Other services and charges	<u>4,012,243</u>	<u>3,566,759</u>	<u>1,834,358</u>	<u>1,732,401</u>
Total expenditures	<u>4,012,243</u>	<u>3,566,759</u>	<u>1,834,358</u>	<u>1,732,401</u>
Deficiency of revenues over (under) expenditures	<u>-</u>	<u>(3,540)</u>	<u>1,744,100</u>	<u>1,747,640</u>
OTHER FINANCING SOURCES(USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(3,540)</u>	<u>1,744,100</u>	<u>1,747,640</u>
Fund balances at beginning of year	<u>(508,995)</u>	<u>(508,995)</u>	<u>(508,995)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (508,995)</u>	<u>\$ (512,535)</u>	<u>\$ 1,235,105</u>	<u>\$ 1,747,640</u>

City of Jackson
Thalia Mara Hall Renovation Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

REVENUES	Budgeted Amounts		Actual Amounts	Final Budget-
	Original	Final		
Interest	\$ -	\$ -	\$ -	\$ -
Other	291,358	291,358	-	(291,358)
Total revenues	291,358	291,358	-	(291,358)
EXPENDITURES				
Current Operations:				
Other Services and Charges	291,358	291,358	42,450	248,908
Total expenditures	291,358	291,358	42,450	248,908
Deficiency of revenues over (under) expenditures	-	-	(42,450)	(42,450)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(42,450)	(42,450)
Fund balances at beginning of year	(957,436)	(957,436)	(957,436)	-
Fund balances at end of year	<u>\$ (957,436)</u>	<u>\$ (957,436)</u>	<u>\$ (999,886)</u>	<u>\$ (42,450)</u>

City of Jackson
Museum To Market Project Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
REVENUES	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Other	\$ 1,070,059	\$ 1,053,762	\$ -	\$ (1,053,762)
Total revenues	<u>1,070,059</u>	<u>1,053,762</u>	<u>-</u>	<u>(1,053,762)</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	<u>1,070,059</u>	<u>1,053,762</u>	<u>10,117</u>	<u>1,043,645</u>
Total expenditures	<u>1,070,059</u>	<u>1,053,762</u>	<u>10,117</u>	<u>1,043,645</u>
Deficiency of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(10,117)</u>	<u>(10,117)</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(10,117)</u>	<u>(10,117)</u>
Fund balances at beginning of year	<u>(196,238)</u>	<u>(196,238)</u>	<u>(196,238)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (196,238)</u>	<u>\$ (196,238)</u>	<u>\$ (206,355)</u>	<u>\$ (10,117)</u>

City of Jackson
1% Infrastructure Tax Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Other	\$ -	\$ 13,791,000	\$ -	\$ -
Total revenues	-	13,791,000	-	-
EXPENDITURES				
Other Services and Charges	-	12,991,000	86	12,990,914
Capital Outlay	-	800,000	-	800,000
Total expenditures	-	13,791,000	86	13,790,914
Deficiency of revenues over (under) expenditures	-	-	(86)	13,790,914
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(86)	13,790,914
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ (86)	\$ 13,790,914

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NON-MAJOR PROPRIETARY FUNDS

Nonmajor Proprietary

Madison-Ridgeland Sewage Disposal System Fund

To account for costs of construction, operation and maintenance of the East Madison County Sewage Disposal System. The City of Ridgeland, Mississippi will be responsible for the service contracts with Madison County participating in the system.

Transportation Fund

To account for operational costs of the City's transit system. Deficiencies in the revenues over expenses are financed by the City.

City of Jackson
Combining Statement of Net Position
Proprietary Funds - Nonmajor Funds
As of September 30, 2015

	Madison- Ridgeland Sewage	Transportation	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalent	\$ -	\$ -	\$ -
Intergovernmental Receivable	-	273,485	273,485
Total Current Asset	-	273,485	273,485
Property, Plant and Equipment, at Cost			
Land	-	450,000	450,000
Buildings	-	187,903	187,903
Water plant, distribution system and equipment	552,792	410,690	963,482
Automotive and other equipment	5,278	11,418,285	11,423,563
	558,070	12,466,878	13,024,948
Less: accumulated depreciation	(254,369)	(7,939,938)	(8,194,307)
	303,701	4,526,940	4,830,641
Construction in progress	13,800	7,991,884	8,005,684
Net property, plant and equipment	317,501	12,518,824	12,836,325
Total Assets	317,501	12,792,309	13,109,810
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	-	60,207	60,207
Total deferred outflows of resources	-	60,207	60,207
Total assets and deferred outflows of resources	\$ 317,501	\$ 12,852,516	\$ 13,170,017

City of Jackson
Combining Statement of Net Position
Proprietary Funds - Nonmajor Funds
As of September 30, 2015

	<u>Madison- Ridgeland Sewage</u>	<u>Transportation</u>	<u>Totals</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 24,032	\$ 695,128	\$ 719,160
Due to other funds	-	1,891,730	1,891,730
Compensated absences	-	5,234	5,234
Current portion of long term debt:			
Lease Obligations	-	259,745	259,745
Total current liabilities	<u>24,032</u>	<u>2,851,837</u>	<u>2,875,869</u>
Post Employment Benefits accrual	-	74,560	74,560
Pension liability	-	513,449	513,449
Long Term Debt (less amounts classified as current liabilities):			
Compensated absences	-	10,681	10,681
Lease obligations	-	182,877	182,877
Total long-term debt	<u>-</u>	<u>193,558</u>	<u>193,558</u>
Total liabilities	<u>24,032</u>	<u>3,633,404</u>	<u>3,657,436</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	-	74,428	74,428
Total deferred inflows of resources	<u>-</u>	<u>74,428</u>	<u>74,428</u>
Total liabilities and deferred inflows of resources	<u>24,032</u>	<u>3,707,832</u>	<u>3,731,864</u>
NET POSITION			
Invested in Capital Assets, net of related debt	317,501	12,076,202	12,393,703
Unrestricted	<u>(24,032)</u>	<u>(2,931,518)</u>	<u>(2,955,550)</u>
Total Net Position	<u>293,469</u>	<u>9,144,684</u>	<u>9,438,153</u>

City of Jackson
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2015

	<u>Madison- Ridgeland Sewage</u>	<u>Transportation</u>	<u>Totals</u>
Operating Revenues:			
Sales to Customers	\$ -	\$ 715,595	\$ 715,595
Other Revenue	<u>-</u>	<u>480,000</u>	<u>480,000</u>
Total Operating revenues	<u>-</u>	<u>1,195,595</u>	<u>1,195,595</u>
Operating Expenses:			
Personnel Services	-	236,430	236,430
Supplies	190	622,978	623,168
Other services and charges	40,715	6,516,083	6,556,798
Depreciation	<u>13,942</u>	<u>827,649</u>	<u>841,591</u>
Total operating expenses	<u>54,847</u>	<u>8,203,140</u>	<u>8,257,987</u>
Operating Income (loss)	<u>(54,847)</u>	<u>(7,007,545)</u>	<u>(7,062,392)</u>
Nonoperating Revenues (Expenses):			
Interest revenue	<u>-</u>	<u>80</u>	<u>80</u>
Interest and service charges on long term debt and capitalized lease obligations	<u>-</u>	<u>(9,923)</u>	<u>(9,923)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>(9,843)</u>	<u>(9,843)</u>
Loss before contributions and transfers	<u>(54,847)</u>	<u>(7,017,388)</u>	<u>(7,072,235)</u>
Capital contributions from grants	<u>-</u>	<u>2,079,916</u>	<u>2,079,916</u>
Transfers In:			
General Fund	-	4,783,092	4,783,092
Special Revenue Funds	-	380,984	380,984
Enterprise Funds	<u>47,571</u>	<u>-</u>	<u>47,571</u>
Total transfers in (out)	<u>47,571</u>	<u>5,164,076</u>	<u>5,211,647</u>
Change in Net Position	(7,276)	226,604	219,328
Total net position - beginning previously reported	<u>300,745</u>	<u>9,452,047</u>	<u>9,752,792</u>
Prior period adjustment	<u>-</u>	<u>(533,967)</u>	<u>(533,967)</u>
Total net position - beginning, as restated	<u>300,745</u>	<u>8,918,080</u>	<u>9,218,825</u>
Total net position - ending	<u><u>\$ 293,469</u></u>	<u><u>\$ 9,144,684</u></u>	<u><u>\$ 9,438,153</u></u>

City of Jackson
Combining Statement of Cash Flows
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2015

	Madison- Ridgeland Sewage	Transportation	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ -	\$ 715,595	\$ 715,595
Receipts from other revenue	-	1,166,455	1,166,455
Payments to suppliers	(27,721)	(8,101,997)	(8,129,718)
Payments to employees	-	(222,874)	(222,874)
Net cash used for Operating activities	(27,721)	(6,442,821)	(6,470,542)
Cash Flows from Noncapital Financing Activities			
Transfers In	47,571	5,164,076	5,211,647
Net cash provided by noncapital and related financing activities	47,571	5,164,076	5,211,647
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(19,850)	(2,065,002)	(2,084,852)
Proceeds from capital debt	-	272,688	272,688
Principal paid on capital debt	-	(201,034)	(201,034)
Interest paid on capital debt	-	(9,923)	(9,923)
Proceeds from capital contributions	-	2,079,916	2,079,916
Net cash provided by capital and related financing activities	(19,850)	76,645	56,795
Cash Flow Provided by Investing Activities:			
Interest on investments	-	80	80
Net cash provided by investing activities	-	80	80
Net increase (decrease) in cash and cash equivalents	-	(1,202,020)	(1,202,020)
Cash and cash equivalents at beginning of year	-	1,202,020	1,202,020
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating loss	\$ (54,847)	\$ (7,007,545)	\$ (7,062,392)
Depreciation expense	13,942	827,649	841,591
(Increase) decrease in other receivable	-	811,285	811,285
(Increase) decrease in deferred revenue	-	(124,830)	(124,830)
Increase (decrease) in due to other funds	-	(1,037,213)	(1,037,213)
Increase (decrease) in accounts payable	13,184	74,277	87,461
Increase (decrease) in compensated absences	-	5,245	5,245
Increase (decrease) in other liabilities	-	8,311	8,311
Total adjustments	27,126	564,724	591,850
Net cash provided by operating activities	\$ (27,721)	\$ (6,442,821)	\$ (6,470,542)
Noncash Investing, Capital, and Financing Activities:			
Borrowing under capital lease	\$ -	\$ 272,688	\$ 272,688

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FIDUCIARY FUNDS

Fiduciary Funds

Unemployment Compensation Revolving Fund

To account for money held in trust to fund unemployment claims pursuant to State law.

Charitable Trust Fire and Police Fund

To account for contributions from the public sector which are held in trust for police and fire allowable claims.

Mausoleum Trust Fund

To account for funds to be used for maintenance and upkeep of the Henry Mausoleum located in Kernaghan Cemetery.

Tax Collections

To account for receipt of tax collections for and subsequent payment to the Jackson/Hinds Library System, Jackson Municipal Separate School District, Capital City Community Convention Center, and Jackson Convention & Visitors Bureau.

**CITY OF JACKSON
ALL TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN POSITION AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Unemployment Compensation Revolving Fund	Charitable Trust Fire and Police Fund	Mausoleum Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and cash equivalents	\$ 532,005	\$ 9,265	\$ -	\$ 541,270
Investment at fair value:				
Certificate of deposit	-	-	32,598	32,598
Total assets	\$ <u>532,005</u>	\$ <u>9,265</u>	\$ <u>32,598</u>	\$ <u>573,868</u>
Liabilities and Net Position				
Liabilities:				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:				
Held in trust	<u>532,005</u>	<u>9,265</u>	<u>32,598</u>	<u>573,868</u>
Total net position	<u>532,005</u>	<u>9,265</u>	<u>32,598</u>	<u>573,868</u>
Total liabilities and net position	\$ <u>532,005</u>	\$ <u>9,265</u>	\$ <u>32,598</u>	\$ <u>573,868</u>

**CITY OF JACKSON
ALL TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Unemployment Compensation Revolving Fund	Trust Fire and Police Fund	Mausoleum Trust Fund	Total
Additions:				
Interest	\$ 715	\$ 55	\$ -	\$ 770
Other additions	<u>209,496</u>	<u>-</u>	<u>-</u>	<u>209,496</u>
Total additions	<u>210,211</u>	<u>55</u>	<u>-</u>	<u>210,266</u>
Deductions:				
General government Trust funds	<u>143,483</u>	<u>-</u>	<u>-</u>	<u>143,483</u>
Change in Net Position	66,728	55	-	66,783
Net position at beginning of year	<u>465,277</u>	<u>9,210</u>	<u>32,598</u>	<u>507,085</u>
Net position at end of year	<u>\$ 532,005</u>	<u>\$ 9,265</u>	<u>\$ 32,598</u>	<u>\$ 573,868</u>

**CITY OF JACKSON
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	ASSETS		LIABILITIES	
	Cash and Cash Equivalents	Total Assets	Other Liabilities	Total Liabilities
Capital City Community Convention Center				
Balance at October 1, 2014	\$ 12,267	\$ 12,267	\$ 12,267	\$ 12,267
Additions	4,583,988	4,583,988	4,583,988	4,583,988
Deductions	4,583,988	4,583,988	4,583,988	4,583,988
Balance at September 30, 2015	<u>\$ 12,267</u>	<u>\$ 12,267</u>	<u>\$ 12,267</u>	<u>\$ 12,267</u>
Jackson Convention & Visitors Bureau				
Balance at October 1, 2014	\$ -	\$ -	\$ -	\$ -
Additions	3,563,599	3,563,599	3,563,599	3,563,599
Deductions	3,563,599	3,563,599	3,563,599	3,563,599
Balance at September 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Jackson/Hinds Library System				
Balance at October 1, 2014	\$ -	\$ -	\$ -	\$ -
Additions	1,897,000	1,897,000	1,897,000	1,897,000
Deductions	1,897,000	1,897,000	1,897,000	1,897,000
Balance at September 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Jackson Municipal Separate School District				
Balance at October 1, 2014	\$ -	\$ -	\$ -	\$ -
Additions	9,451,452	9,451,452	9,451,452	9,451,452
Deductions	9,451,452	9,451,452	9,451,452	9,451,452
Balance at September 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1% Infrastructure Tax				
Balance at October 1, 2014	\$ 5,645,715	\$ 5,645,715	\$ 5,645,715	\$ 5,645,715
Additions	14,326,103	14,326,103	14,326,103	14,326,103
Deductions	-	-	-	-
Balance at September 30, 2015	<u>\$ 19,971,818</u>	<u>\$ 19,971,818</u>	<u>\$ 19,971,818</u>	<u>\$ 19,971,818</u>
Total - All Agency Funds:				
Balance at October 1, 2014	\$ 5,657,982	\$ 5,657,982	\$ 5,657,982	\$ 5,657,982
Additions	33,822,142	33,822,142	33,822,142	33,822,142
Deductions	19,496,039	19,496,039	19,496,039	19,496,039
Balance at September 30, 2015	<u>\$ 19,984,085</u>	<u>\$ 19,984,085</u>	<u>\$ 19,984,085</u>	<u>\$ 19,984,085</u>

CAPITAL ASSETS

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE (1)
SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Governmental funds capital assets:		
Land	\$ 13,690,521	\$ 13,930,521
Buildings	81,480,260	81,480,260
Automotive and equipment:	75,895,455	72,402,475
Infrastructure	285,531,093	265,816,305
Construction in progress	<u>31,018,202</u>	<u>117,678,217</u>
Total governmental funds capital assets	<u>\$ 487,615,531</u>	<u>\$ 551,307,778</u>

Investment in governmental funds capital assets by source:

Assets prior to 1985 not segregated by sources	\$ 13,762,712	\$ 14,002,713
General Fund revenues	79,044,775	77,221,554
Special Revenue Fund revenues	95,891,964	95,487,155
Special Assessment bonds	2,123,934	2,123,934
General Obligation bonds	250,723,795	317,614,688
Limited Obligation bonds	4,330,429	4,330,429
Debt Service Fund revenues	65,000	65,000
Federal grants	41,131,814	39,921,197
State grants	110,159	110,159
County grants	<u>430,949</u>	<u>430,949</u>
Total governmental funds capital assets	<u>\$ 487,615,531</u>	<u>\$ 551,307,778</u>

- (1) This schedule presents only the capital asset balances (excluding accumulated depreciation) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
SEPTEMBER 30, 2015

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Assets prior to 1985 not segregated by function and activity	\$ 10,606,352	\$ -	\$ -	\$ 3,044,869	\$ -	\$ 13,651,221
General Government:						
Planning	-	43,001	658,952	363,011	-	1,064,964
Code Services	-	-	-	670,093	-	670,093
Telecommunication	-	4,554,834	37,152	132,555	-	4,724,541
Data Processing / Information System	-	42,257	27,065	5,566,050	-	5,635,372
Vehicle Pool Fund	-	-	-	1,630,245	-	1,630,245
Mayor's Office of Development Assistance	100,000	-	-	104,679	-	204,679
Office Services	-	-	-	146,335	-	146,335
Purchasing	-	-	-	50,452	-	50,452
Finance and Management	-	2,299,392	133,238	288,302	-	2,720,932
Personnel	-	-	-	225,894	-	225,894
Municipal Court Services	-	-	-	1,466,044	-	1,466,044
Vehicle Maintenance	-	5,816	-	720,841	-	726,657
Minority Business Development	-	-	-	27,598	-	27,598
Total general government	100,000	6,945,300	856,407	11,392,099	-	19,293,806
Urban Development and Housing:						
Neighborhood Enhancement Task	-	-	-	11,125	-	11,125
Redevelopment Projects	87,578	-	-	69,874	-	157,452
Post Office Project	500	-	-	-	-	500
Union Station	-	15,044,796	243,000	-	-	15,287,796
Total urban development and housing	88,078	15,044,796	243,000	80,999	-	15,456,873
Health and Welfare:						
Public Relations/Information	-	-	-	14,829	-	14,829
Senior Services	-	251,344	-	498,346	-	749,690
Day Care Services	-	281,849	16,109	256,428	-	554,386
Senior Centers/Community Centers	-	1,271,615	-	19,813	-	1,291,428
Group Home	46,245	-	-	-	-	46,245
Human and Cultural Services	-	15,645	1,876	44,613	-	62,134
Total health and welfare	46,245	1,820,453	17,985	834,029	-	2,718,712
Public Safety:						
Fire Department	75,000	5,300,973	3,672,248	16,901,309	-	25,949,530
Police Department	123,992	6,037,047	1,304,848	27,470,092	21,466,235	56,402,214
Small Animal Control	-	1,366,367	-	17,746	-	1,384,113
Juvenile Justice	-	431,482	4,502,506	86,199	-	5,020,187
Emergency Management	-	-	-	17,914	-	17,914
Communication Center	-	1,292,879	-	300,903	-	1,593,782
Public Safety Garage	-	-	-	29,060	-	29,060
Total public safety	198,992	14,428,748	9,479,602	44,823,223	21,466,235	90,396,800
Public Works:						
Cemeteries	-	8,430	-	143,318	-	151,748
Engineering	585,273	1,020,866	49,275,948	5,120,000	426,842	56,428,929
Traffic Engineering	-	17,215	638,701	2,392,214	872,972	3,921,102
Traffic Signals	-	-	2,355,398	425,559	1,224,974	4,005,931
Care and Maintenance of Public Buildings	-	7,817,689	8,536,528	106,498	-	16,460,715
Custodial Services	-	-	-	46,568	-	46,568
Public Works Deputy Dir/Adm	-	-	-	41,124	-	41,124
Pest Control	-	-	-	1,426	-	1,426
Streets	354,278	-	129,100,975	-	6,783,056	136,238,309
Storm Drainage	-	-	71,942,748	992,716	244,123	73,179,587
Bridges	-	-	1,787,206	-	-	1,787,206
Soil Conservation	-	120,000	112,159	-	-	232,159
Total public works	939,551	8,984,200	263,749,663	9,269,423	9,551,967	292,494,804
Culture and Recreation:						
Planetarium	-	827,314	34,963	1,342,865	-	2,205,142
Jackson Zoological Park	-	3,000,000	-	465,122	-	3,465,122
Municipal Art Building	-	5,758	29,049	5,907	-	40,714
Parks and Recreation	225,820	16,678,250	8,069,927	3,429,987	-	28,403,984
Teen Center	-	-	-	5,293	-	5,293
Library	-	5,710,933	2,198,621	156,099	-	8,065,653
Smith Robertson Cultural Center	-	1,238,810	340,745	57,595	-	1,637,150
City Auditorium and Art Center	-	3,849,374	511,131	64,922	-	4,425,427
Total culture and recreation	225,820	31,310,439	11,184,436	5,527,790	-	48,248,485
Miscellaneous:						
City Council/Mayor	-	402,665	-	427,895	-	830,560
City Clerk	-	-	-	192,219	-	192,219
City Hall	-	2,526,372	-	-	-	2,526,372
Legal	-	17,287	-	246,356	-	263,643
Mayor's Action Line	-	-	-	34,862	-	34,862
Industrial Park	1,485,483	-	-	-	-	1,485,483
Internal Audit	-	-	-	21,692	-	21,692
Total miscellaneous	1,485,483	2,946,324	-	923,024	-	5,354,831
Total governmental funds capital assets	\$ 13,690,521	\$ 81,480,260	\$ 285,531,093	\$ 75,895,455	\$ 31,018,202	\$ 487,615,531

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (1)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Governmental Funds Capital Assets October 1, 2014	Additions	Deductions	Governmental Funds Capital Assets September 30, 2015
General Government:				
Planning	\$ 2,288,928	\$ 619,603	\$ 859,603	\$ 2,048,928
Code Services	560,216	-	-	560,216
Information Systems	1,827,611	458,448	-	2,286,059
Transportation	10,192,613	-	-	10,192,613
Data Processing	724,267	-	-	724,267
Vehicle Pool	969,031	90,962	-	1,059,993
Telecommunications	10,021,323	108,605	-	10,129,928
Office Services	1,669	-	-	1,669
Purchasing	50,839	-	-	50,839
Finance and Management	7,692,575	15,540	-	7,708,115
Personnel	136,244	-	-	136,244
Municipal Court Services	1,933,830	-	-	1,933,830
Vehicle Maintenance	1,628,972	-	-	1,628,972
Total general government	<u>38,028,118</u>	<u>1,293,158</u>	<u>859,603</u>	<u>38,461,673</u>
Urban Development and Housing:				
Redevelopment Projects	272,751	-	-	272,751
Union Station	13,448,496	-	-	13,448,496
Total urban development and housing	<u>13,721,247</u>	<u>-</u>	<u>-</u>	<u>13,721,247</u>
Health and Welfare:				
Senior Services	853,215	-	-	853,215
Day Care Services	1,208,980	-	-	1,208,980
Senior Centers/Community Centers	616,255	-	-	616,255
Human and Cultural Services	1,342,090	44,094	18,165	1,368,019
Total health and welfare	<u>4,020,540</u>	<u>44,094</u>	<u>18,165</u>	<u>4,046,469</u>
Public Safety:				
Fire Department	30,950,852	1,332,610	1,220,436	31,063,026
Police Department	43,242,431	1,958,638	1,254,185	43,946,884
Small Animal Control	1,714,102	-	-	1,714,102
Juvenile Justice	11,693,078	-	-	11,693,078
Communication Center	4,120,964	-	-	4,120,964
Public Safety Garage	230,776	-	-	230,776
Total public safety	<u>91,952,203</u>	<u>3,291,248</u>	<u>2,474,621</u>	<u>92,768,830</u>
Public Works:				
Cemeteries	356,014	-	-	356,014
Engineering	100,806,730	5,249,783	17,853,644	88,202,869
Traffic Engineering	10,604,318	36,550	8,267,131	2,373,737
Public Works Administration	14,408	-	-	14,408
Care and Maintenance of Public Buildings	25,171,891	1,841,069	1,830,520	25,182,440
Custodial Services	61,765	-	14,942	46,823
Pest Control	10,452	-	-	10,452
Central Supply	709,337	-	-	709,337
Streets	138,979,521	3,744,518	45,360,702	97,363,337
Storm Drainage	64,587,867	3,916,390	6,837,388	61,666,869
Soil Conservation	482,909	-	-	482,909
Total public works	<u>341,785,212</u>	<u>14,788,310</u>	<u>80,164,327</u>	<u>276,409,195</u>
Culture and Recreation:				
Planetarium	5,192,962	-	-	5,192,962
Jackson Zoological Park	3,687,674	-	-	3,687,674
Municipal Art Building	75,838	-	-	75,838
Parks and Recreation	18,642,533	536,849	171,641	19,007,741
Library	10,611,997	2,198,621	2,198,621	10,611,997
Smith Robertson Cultural Center	2,867,818	155,007	155,007	2,867,818
City Auditorium and Art Center	14,040,784	6,315,164	6,272,714	14,083,234
Total culture and recreation	<u>55,119,606</u>	<u>9,205,641</u>	<u>8,797,983</u>	<u>55,527,264</u>
Miscellaneous:				
City Council/Mayor	6,414,185	-	-	6,414,185
City Clerk	71,440	-	-	71,440
Legal	163,536	-	-	163,536
Mayor's Action Line	7,674	-	-	7,674
Internal Audit	24,018	-	-	24,018
Total miscellaneous	<u>6,680,853</u>	<u>-</u>	<u>-</u>	<u>6,680,853</u>
Total governmental funds capital assets	<u>\$ 551,307,779</u>	<u>\$ 28,622,451</u>	<u>\$ 92,314,699</u>	<u>\$ 487,615,531</u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

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STATISTICAL SECTION

STATISTICAL SECTION

(UNAUDITED)

This part of the City of Jackson's comprehensive annual financial report presents detail information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents	Page

Financial Trends	123

These schedules contain trend information to help the reader understand how the City of Jackson's financial performance and well-being have changed over time.

Revenue Capacity	127

These schedules contain information to help the reader assess the City of Jackson's most significant local revenue source, the property tax.

Debt Capacity	131

These schedules present information to help the reader assess the affordability of the City of Jackson's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information	139

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Jackson's financial activities take place.

Operating Information	141

These schedules contain service and infrastructure data to help the reader understand how the information in the City of Jackson's financial report relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Jackson
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Invested in capital assets, net of related debt	\$121,798	\$197,641	\$179,234	\$187,511	\$180,357	\$188,172	\$180,607	\$197,359	\$207,047	\$168,144
Restricted	5,926	5,726	13,446	15,040	17,469	23,585	32,587	28,617	64,061	4,169
Unrestricted	(173,696)	(8,168)	(45,855)	(41,290)	(36,100)	(38,882)	(32,604)	(37,367)	(44,725)	33,779
Total governmental activities net position	<u>\$ (45,972)</u>	<u>\$195,199</u>	<u>\$146,825</u>	<u>\$161,261</u>	<u>\$161,726</u>	<u>\$172,875</u>	<u>\$180,590</u>	<u>\$188,609</u>	<u>\$226,383</u>	<u>\$206,092</u>
Business-type activities										
Invested in capital assets, net of related debt	\$213,137	\$192,012	\$101,011	\$184,185	\$183,735	\$176,170	\$163,408	\$156,309	\$147,013	\$135,512
Restricted	-	-	-	-	-	-	3,861	3,820	3,765	3,661
Unrestricted	59,674	84,672	159,496	73,303	78,501	77,521	82,482	91,591	94,972	94,115
Total business-type activities net position	<u>\$272,811</u>	<u>\$276,684</u>	<u>\$260,507</u>	<u>\$257,488</u>	<u>\$262,236</u>	<u>\$253,691</u>	<u>\$249,751</u>	<u>\$251,720</u>	<u>\$245,750</u>	<u>\$233,288</u>
Primary government										
Invested in capital assets, net of related debt	\$334,935	\$389,653	\$371,696	\$371,696	\$364,092	\$364,342	\$344,015	\$353,668	\$354,060	\$303,656
Restricted	5,926	5,726	15,041	15,040	17,469	23,585	36,448	32,437	67,826	7,830
Unrestricted	(114,022)	76,504	113,641	32,013	42,401	38,639	49,878	54,224	50,247	127,894
Total primary government net position	<u>\$226,839</u>	<u>\$471,883</u>	<u>\$407,332</u>	<u>\$418,749</u>	<u>\$423,962</u>	<u>\$426,566</u>	<u>\$430,341</u>	<u>\$440,329</u>	<u>\$472,133</u>	<u>\$439,380</u>

Source: Statement of Net Position.

City of Jackson
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
General government	\$ 40,625	\$ 15,780	\$ 40,602	\$ 29,456	\$ 29,312	\$ 32,358	\$ 44,790	\$ 69,721	\$ 49,147	\$ 29,179
Public safety	64,796	27,031	64,780	57,055	59,166	56,922	55,996	53,664	62,576	29,109
Public works	19,595	14,505	24,661	24,721	21,774	27,451	31,518	25,301	15,993	35,819
Human and cultural services	16,720	7,831	14,311	13,756	16,011	9,645	14,170	14,890	13,067	17,004
Employee benefits	1,564	8,232	7,860	8,685	8,625	8,764	2,149	1,765	2,180	1,836
Interest on long-term debt	5,912	844	8,230	7,448	5,864	8,830	5,389	5,917	5,647	4,731
Total governmental activities expenses	149,212	74,223	160,444	141,121	140,752	143,970	154,012	171,258	148,610	117,678
Business-type activities:										
Water/Sewer	45,439	55,553	48,891	55,347	41,795	41,064	42,275	45,279	39,904	41,184
Transportation	8,213	7,995	7,554	6,970	8,713	7,956	7,990	7,685	6,852	6,589
Madison Sewage	55	109	82	74	51	-	-	-	-	-
Sanitation	10,857	10,766	11,699	11,894	11,156	10,244	10,296	10,299	10,931	9,893
Total business-type activities expenses	64,564	74,423	68,226	74,285	61,715	59,264	60,561	63,263	57,687	57,666
Total primary government expenses	\$ 213,776	\$ 148,646	\$ 228,670	\$ 215,406	\$ 202,467	\$ 203,234	\$ 214,573	\$ 234,521	\$ 206,297	\$ 175,344
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 9,281	\$ 10,875	\$ 14,204	\$ 15,019	\$ 13,075	\$ 4,951	\$ 6,334	\$ 4,525	\$ 7,422	\$ 3,139
Public Safety	195	1,348	823	798	367	3,241	2,824	3,135	2,806	3,003
Public Works	195	162	200	253	15	1,206	1,469	1,393	1,147	1,698
Human and cultural services	455	464	595	885	619	2,025	1,575	2,813	1,667	1,481
Employee benefits	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	11,912	8,251	12,261	10,114	11,570	17,441	16,681	18,436	12,968	22,969
Capital grants and contributions	5,200	7,016	11,291	1,970	5,025	2,226	6,188	7,912	1,771	5,955
Total governmental activities program revenues	27,238	28,116	39,374	29,039	30,671	31,090	35,071	38,214	27,781	38,245
Business-type activities:										
Charges for services:										
Water/Sewer	59,849	69,423	44,052	47,966	47,578	41,974	41,440	47,468	43,847	42,262
Transportation	716	710	677	589	529	431	360	397	426	448
Sanitation	11,349	11,024	11,311	12,007	11,473	11,258	10,850	11,981	10,476	9,113
Operating grants and contributions	570	506	582	631	706	664	694	832	1,378	4,391
Capital grants and contributions	2,143	2,516	4,675	2,844	2,568	4,584	1,741	1,534	5,133	-
Total business-type activities program revenue	74,627	84,179	61,297	64,037	62,854	58,911	55,085	62,212	61,260	56,214
Net (expense)/revenue										
Governmental activities	(121,974)	(46,108)	(121,071)	(112,083)	(110,081)	(112,880)	(118,941)	(133,044)	(120,829)	(79,433)
Business-type activities	10,063	9,756	(6,929)	(10,248)	1,139	(353)	(5,476)	(1,051)	3,573	(1,452)
Total primary government net expenses	<u>\$ (111,911)</u>	<u>\$ (36,352)</u>	<u>\$ (128,000)</u>	<u>\$ (122,332)</u>	<u>\$ (108,942)</u>	<u>\$ (113,233)</u>	<u>\$ (124,417)</u>	<u>\$ (134,095)</u>	<u>\$ (117,256)</u>	<u>\$ (80,885)</u>
General Revenues and Other Charges in										
 Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 77,881	\$ 77,634	\$ 72,437	\$ 74,856	\$ 68,108	\$ 68,523	\$ 71,298	\$ 65,845	\$ 65,037	\$ 61,945
Sales taxes	31,937	32,740	32,718	32,701	31,656	31,268	33,598	37,298	40,453	40,849
Franchise taxes	8,975	9,667	8,245	8,218	7,878	8,552	9,234	9,062	8,936	10,144
Investment earnings	59	74	145	395	341	187	616	3,021	5,251	1,864
Gain on sale of capital assets	318	561	108	166	172	40	-	478	198	301
Miscellaneous	1,071	1,714	577	282	317	204	203	106	20	25
Transfers	(3,054)	(6,106)	(9,585)	(5,000)	(10,232)	(4,027)	(4,027)	(4,613)	(4,369)	(5,473)
Total governmental activities	117,187	116,284	104,644	111,617	98,240	104,747	110,922	111,197	115,526	109,655
Business-type activities:										
Investment earnings	124	256	249	472	490	244	812	2,352	4,470	4,615
Gain on sale of capital assets	2	59	15	30	76	21	(1,332)	56	50	55
Transfers	3,054	6,106	9,585	5,000	5,565	4,027	4,027	4,613	4,369	5,473
Total business-type activities	3,180	6,421	9,849	5,502	7,406	4,292	3,507	7,021	8,889	10,143
Total primary government	<u>\$ 120,367</u>	<u>\$ 122,705</u>	<u>\$ 114,493</u>	<u>\$ 117,119</u>	<u>\$ 105,646</u>	<u>\$ 109,039</u>	<u>\$ 114,429</u>	<u>\$ 118,218</u>	<u>\$ 124,415</u>	<u>\$ 119,798</u>
Changes in Net Position										
Governmental activities	\$ (4,787)	\$ 70,177	\$ (16,426)	\$ (465)	\$ (11,841)	\$ (8,133)	\$ (8,019)	\$ (21,847)	\$ (5,303)	\$ 30,222
Business-type activities	13,243	16,175	2,918	(4,748)	8,545	3,939	(1,969)	5,970	12,462	8,691
Total primary government	<u>\$ 8,456</u>	<u>\$ 86,352</u>	<u>\$ (13,508)</u>	<u>\$ (5,213)</u>	<u>\$ (3,296)</u>	<u>\$ (4,194)</u>	<u>\$ (9,988)</u>	<u>\$ (15,877)</u>	<u>\$ 7,159</u>	<u>\$ 38,913</u>

Source: Statement of Activities

City of Jackson
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2015	77,880	31,636	8,975	47	254	118,792
2014	61,797	29,440	1,552	30	270	93,089
2013	56,970	29,902	1,590	26	270	88,758
2012	55,855	29,155	1,652	30	268	86,960
2011	54,594	30,798	1,823	28	268	87,511
2010	50,483	29,995	1,890	31	262	82,661
2009	53,256	32,301	1,572	31	274	87,434
2008	48,769	35,428	1,477	31	282	85,987
2007	44,240	35,838	1,442	31	304	81,855
2006	41,324	37,993	1,398	31	302	81,048

Source: General Fund Budget and Actual Statement

City of Jackson
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General fund										
Nonspendable	\$ 875	\$ 997	\$ 2,283	\$ 2,160	\$ 1,814	\$ 1,470	\$ 1,327	\$ 1,301	\$ 1,138	\$ 981
Restricted	550	517	492	658	437	-	-	-	-	-
Committed	3,780	3,833	3,585	4,789	6,086	2,659	2,807	2,747	2,731	2,641
Assigned	2,005	2,518	49	49	33	-	-	-	-	-
Unassigned	5,525	16,579	26,517	26,310	24,757	26,695	24,897	20,760	11,835	12,041
Total general fund	<u>\$ 12,735</u>	<u>\$ 24,444</u>	<u>\$ 32,926</u>	<u>\$ 33,966</u>	<u>\$ 33,127</u>	<u>\$ 30,824</u>	<u>\$ 29,031</u>	<u>\$ 24,808</u>	<u>\$ 15,704</u>	<u>\$ 15,663</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	7,876	8,362	7,210	4,045	3,600	4,876	7,205	4,215	3,855	2,270
Committed	8,188	10,699	13,943	11,692	19,780	21,075	27,311	27,271	63,120	16,116
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(498)	(1,663)	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 15,566</u>	<u>\$ 17,398</u>	<u>\$ 21,153</u>	<u>\$ 15,737</u>	<u>\$ 23,380</u>	<u>\$ 25,951</u>	<u>\$ 34,516</u>	<u>\$ 31,486</u>	<u>\$ 66,975</u>	<u>\$ 18,386</u>

Source: Governmental Funds - Balance Sheet

City of Jackson
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Taxes	\$ 69,118	\$ 77,435	\$ 70,026	\$ 69,887	\$ 68,253	\$ 67,772	\$ 69,315	\$ 62,702	\$ 63,606	\$ 60,221
Licenses and permits	1,973	2,006	2,291	2,676	2,873	2,541	3,453	4,198	3,167	2,968
Intergovernmental	47,489	50,291	55,535	49,721	46,069	48,425	55,498	62,448	56,783	63,338
Charges for services	4,695	4,092	4,152	3,693	3,499	3,314	3,324	3,456	3,032	3,150
Fines	3,457	3,109	3,923	4,166	4,537	4,092	4,245	3,602	3,106	3,202
Investment earnings	59	74	145	395	342	186	616	3,020	5,252	1,865
Special assessments	21	34	2	6	8	1	19	-	14	14
Other	18,625	18,626	18,423	16,560	15,923	14,707	13,526	13,331	13,374	15,950
Total revenues	145,437	155,667	154,497	147,104	141,504	141,038	149,996	152,757	148,334	150,708
Expenditures										
General government	28,371	30,515	30,718	29,269	30,977	30,506	39,351	63,886	46,176	29,119
Public safety	54,068	54,738	52,586	57,035	52,606	51,571	53,215	53,572	58,926	58,984
Culture and recreation	14,619	14,242	13,753	8,349	13,370	8,078	12,299	12,835	13,177	16,550
Public Works	16,554	30,334	23,232	24,698	19,126	24,430	36,742	26,302	17,243	30,012
Employee Benefits	7,553	8,070	7,780	8,685	8,625	8,071	2,149	1,765	2,180	1,836
Capital Outlay	7,546	10,463	21,090	10,539	5,749	9,982	15,311	1,379	9,040	2,049
Principal	15,700	6,030	2,780	873	624	3,806	10,731	14,330	13,830	13,190
Interest	6,491	6,013	5,061	6,575	6,424	7,128	5,789	6,419	6,314	4,584
Total expenditures	150,902	160,405	157,000	146,023	137,501	143,572	175,587	180,488	166,886	156,324
Excess of revenues over (under) expenditures	(5,465)	(4,738)	(2,503)	1,081	4,003	(2,534)	(25,591)	(27,731)	(18,552)	(5,616)
Other financing sources (uses)										
Transfer in	9,347	15,582	10,400	4,813	7,927	7,201	7,581	6,584	6,565	4,116
Transfer out	(19,836)	(28,448)	(26,745)	(16,442)	(18,159)	(15,006)	(15,474)	(15,012)	(14,354)	(13,443)
Proceeds from capital leases	2,095	4,808	12,144	3,098	172	-	-	-	1,119	47
Issuance of debt	-	-	11,098	402	9,041	3,488	12,070	2,208	186	6,783
Proceeds from refunding bonds	-	-	64,940	-	-	-	-	-	-	-
Proceeds from long-term debt	-	-	-	-	-	-	-	-	-	-
Proceeds from GO Bonds	-	-	-	-	-	-	-	5,155	66,117	-
Proceeds of tax increment bonds	-	-	-	-	-	-	-	-	-	-
Sales of Bonds	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	318	561	108	166	-	40	-	-	-	-
Issuance of refunding Bonds	-	-	(913)	-	-	23,665	26,210	267	-	-
Payments to refunded bond escrow agent	-	-	(69,891)	-	(33)	-	(359)	(124)	-	-
Payments to escrow agent	-	-	-	-	-	(25,089)	-	-	-	-
Premium on GO bond issue	-	-	5,738	-	-	1,463	430	-	-	-
Proceeds from Tax Increment Bonds	-	-	-	-	-	-	2,382	2,270	-	-
Total other financing sources (uses)	(8,076)	(7,497)	6,879	(7,963)	(1,052)	(4,238)	32,840	1,348	59,633	(2,497)
Net change in fund balances	\$ (13,541)	\$ (12,235)	\$ 4,376	\$ (6,882)	\$ 2,951	\$ (6,772)	\$ 7,249	\$ (26,383)	\$ 41,081	\$ (8,113)
Debt service as a percentage of noncapital expenditures										
	18.5%	8.4%	6.1%	5.7%	5.7%	8.9%	11.5%	12.6%	14.6%	13.0%

City of Jackson
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Motor Fuel Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2015	69,118	31,636	8,975	47	254	110,030
2014	77,435	29,440	1,552	30	270	108,727
2013	70,026	32,034	1,590	26	270	103,946
2012	69,887	29,155	1,652	30	268	100,992
2011	68,253	30,798	1,823	28	268	101,170
2010	67,772	29,995	1,890	31	262	99,950
2009	69,315	32,301	1,572	31	274	103,493
2008	62,702	35,428	1,447	31	282	99,890
2007	63,606	35,838	1,442	31	304	101,221
2006	60,221	37,993	1,398	31	302	99,945

Source: Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance

City of Jackson
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (2)

Fiscal Year	Real Property		Personal Property		Total		Total Direct Tax Rate	Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value (1)	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value		
2015 \$	782,206,847	\$ 6,106,236,603	\$ 429,291,423	\$ 1,975,757,483	\$ 1,211,498,270	\$ 8,081,994,086	56.46	10%,15%,and 30%
2014	792,551,066	6,169,507,167	423,157,579	1,950,263,833	1,215,708,645	8,119,771,000	62.07	10%,15%,and 30%
2013	805,068,802	6,271,511,887	396,924,146	1,871,856,147	1,201,992,948	8,143,368,034	56.54	10%,15%,and 30%
2012	810,977,848	6,317,262,297	413,249,466	1,993,670,330	1,224,227,314	8,310,932,627	56.63	10%,15%,and 30%
2011	809,368,529	6,323,192,313	396,605,625	1,897,105,793	1,205,974,154	8,220,298,106	56.63	10%,15%,and 30%
2010	798,026,041	6,252,141,950	400,770,321	1,887,134,230	1,198,796,362	8,139,276,180	56.72	10%,15%,and 30%
2009	790,601,910	6,190,265,033	423,164,849	1,988,646,047	1,213,766,759	8,178,911,080	56.72	10%,15%,and 30%
2008	658,357,211	5,139,019,840	452,411,093	2,076,697,273	1,110,768,304	7,215,717,113	56.75	10%,15%,and 30%
2007	657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	56.75	10%,15%,and 30%
2006	657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	54.75	10%,15%,and 30%

(1) Ad valorem tax property assessments within the City and the Jackson Municipal Separate School District are fixed at ten percent (10%) of appraised value for homeowner occupied real property, and fifteen percent (15%) of appraised value for all other real and personal property for Fiscal Years 1987-1996. State law required a reappraisal of all property in Mississippi in order to obtain an equitable and uniform appraisal in proportion to current market value, and property was assessed at fifteen percent (15%) beginning in Fiscal Year 1985. The assessed value for motor vehicles and for property owned by public service corporations is determined by an assessment schedule prepared each year by the State of Mississippi Tax Commission, and is set at approximately thirty percent (30%) of appraised value for Fiscal Year 1989 and thereafter.

(2) Includes automotive valuation.

There was an error in reporting the fiscal year 2006 assessed and estimated taxable property. This error is corrected in fiscal year 2007.

SOURCE: Hinds, Rankin and Madison County Tax Collectors

**CITY OF JACKSON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Overlapping Rates									
City of Jackson				County	School District				Total Direct & Overlapping Rates
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Debt Service & Operating County Milage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
2015	48.90	7.56	56.46	38.33	65.91	16.53	82.44	1.57	178.80
2014	56.77	5.30	62.07	38.33	64.79	7.17	71.96	1.49	173.85
2013	53.50	3.04	56.54	38.33	62.58	14.91	77.49	1.49	173.85
2012	53.43	3.20	56.63	38.33	62.66	12.33	74.99	1.40	171.35
2011	53.56	3.07	56.63	44.13	62.58	12.41	74.99	1.40	177.15
2010	50.09	6.63	56.72	39.12	68.91	6.08	74.99	1.31	172.14
2009	51.25	5.47	56.72	39.12	68.91	6.08	74.99	1.31	172.14
2008	52.28	4.47	56.75	39.12	68.91	6.08	74.99	1.28	172.14
2007	47.23	9.52	56.75	39.12	68.91	6.08	74.99	1.28	172.14
2006	45.23	9.52	54.75	39.12	68.91	6.79	75.70	1.28	170.85

Source: Hinds County Tax Collectors, Jackson Public School District, and Jackson/Hinds Library System

City of Jackson
Principal Property Taxpayers
September 30, 2015
(amounts expressed in thousands)

<u>Taxpayer</u>	2015			2006		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Bell South	\$ 35,430	2	3.38%	\$ 77,680	1	8.60%
Entergy	123,844	1	11.82%	47,557	2	5.27%
Atmos Energy	13,975	5	1.33%	9,078	5	1.01%
Midcontinent Express Pipeline LLC	26,789	3	2.56%	-		-
AT& T	-		-	12,024	4	1.33%
Trustmark National Bank	-		-	5,287	8	0.59%
Parkway Properties	-		-	5,847	6	0.65%
Central MS Health Systems	-		-	13,932	3	1.54%
Entergy Services Inc	11,399	6	1.09%	-		-
Wal-Mart/Sam's Wholesale Club	6,350	8	0.61%	5,613	7	0.62%
Jackson Medical	-		-	-		-
Jackson HMA Inc. LLC	5,957	9	0.57%	-		-
Texas Eastern Transmission C	5,943	10	0.57%	-		-
Plaza Investments	-		-	4,281	9	0.47%
Home Depot	-		-	3,931	10	0.44%
St. Dominics Hospital	-		-	-		-
Baptist	-		-	-		-
Gulf South Pipeline Co. LP	24,474	4	2.33%	-		-
Illinois Central Railroad	8,115	7	0.77%	-		-
Mississippi Valley Gas Company	-		-	-		-
Totals	<u>\$ 262,276</u>		<u>25.02%</u>	<u>\$ 185,230</u>		<u>20.51%</u>

Source: Hinds County

City of Jackson
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 59,436	\$ 59,314	99.8	\$ 528	\$ 59,842	100.7
2014	69,499	66,623	95.9	1,458	68,081	98.0
2013	69,069	61,147	88.5	1,106	62,253	90.1
2012	67,138	60,734	90.5	1,533	62,267	92.7
2011	-	-	-	-	-	-
2010	61,942	59,321	95.8	972	60,293	97.3
2009	61,363	59,602	97.1	376	59,978	97.7
2008	55,147	54,276	98.4	306	54,582	99.0
2007	55,147	54,276	98.4	306	54,582	99.0
2006	52,019	50,928	97.9	996	51,924	99.8

The data was not available from Hinds County in 2011.

The total tax levy does not include automobile ad valorem taxes.

Beginning Fiscal Year 1988, the majority of school taxes collected were remitted directly to the Jackson Municipal Separate School District by Hinds County, the collecting agency.

City of Jackson
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities						
	General Obligation Bonds	Limited Obligation Bonds	State Revolving Loan MDA	Miss Development Bank Loan	Section 108 Loan	General Obligation Note	Capital Leases
2015	\$ 128,750	\$ 4,576	\$ 259	\$ 2,159	\$ 7,000	\$ 4,600	\$ 15,677
2014	139,280	5,111	302	2,452	6,889	6,900	17,880
2013	135,645	5,622	342	2,747	7,000	9,200	18,167
2012	131,290	6,102	383	3,040	7,000	402	17,058
2011	131,720	6,541	430	3,335	7,000	-	18,073
2010	131,720	4,231	462	2,650	7,000	-	13,520
2009	134,610	4,522	497	2,847	7,000	-	13,053
2008	112,535	2,270	534	737	-	-	13,027
2007	115,500	210	568	622	-	-	14,013
2006	58,715	405	602	668	-	-	16,009

(Continued)

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 130 for personal income and population data.

Business-Type Activities							
Sewer Bonds	State Revolving Loan MDA	Capital Leases	State Revolving Loan (DEQ)	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)	
\$ 227,910	\$ 5,021	\$ 2,719	\$ 25,633	\$ 424,304	7.07%	\$ 2,445	
233,660	3,943	4,187	22,534	443,138	7.39%	2,554	
239,265	2,727	4,137	15,653	440,505	7.34%	2,539	
154,430	-	3,069	12,578	335,352	5.59%	1,933	
148,325	-	2,758	13,799	331,981	5.54%	1,913	
148,920	-	4,704	15,428	328,635	5.26%	1,894	
155,830	-	5,722	16,997	341,078	5.59%	1,851	
161,345	-	1,716	18,508	310,672	4.98%	1,686	
167,670	-	2,272	19,005	319,860	5.46%	1,736	
173,700	-	1,379	18,125	269,603	4.69%	1,463	

City of Jackson
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Assessed Value	Limited Obligation Bonds	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2015	\$ 1,022,125	4,576	\$ 124,150	\$ 4,509	\$ 124,217	12.15%	\$ 675.09
2014	1,048,184	5,111	132,380	4,045	133,446	12.73%	725.25
2013	1,053,718	5,622	135,465	5,149	135,938	12.90%	738.79
2012	1,046,591	6,102	131,290	2,331	135,061	12.90%	734.03
2011	1,034,756	6,541	131,720	1,832	136,429	13.18%	741.46
2010	1,022,263	4,231	131,720	2,577	133,374	13.05%	724.86
2009	1,027,088	4,522	134,610	2,471	136,661	13.31%	742.72
2008	921,948	2,270	112,535	2,257	112,548	12.21%	611.67
2007	920,291	210	115,500	2,521	113,189	12.30%	615.16
2006	908,925	405	58,715	1,529	57,591	6.34%	312.99

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual of Taxable Property on page 129 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 139.

City of Jackson
Direct and Overlapping Governmental Activities Debt
As of September 30, 2015
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hinds County	\$ 36,185	76.57%	\$ 27,707
Jackson Public Schools	138,295	100.00%	138,295
Subtotal, overlapping debt			<u>166,002</u>
 City of Jackson direct debt	 133,322	 100.00%	 <u>133,322</u>
 Total direct and overlapping debt			 <u><u>\$ 299,324</u></u>

Sources: Assessed value data used to estimate applicable percentages by City of Jackson, Hinds County, and Jackson Public Schools.

Note: Overlapping governments are those that coincide with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Jackson. This process recognizes that, when considering the City of Jackson ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is with the government's boundaries and dividing it by the county's total taxable assessed value.

City of Jackson
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$173,182	\$176,428	\$176,090	\$174,971	\$173,629	\$173,116	\$175,386	\$ 160,093	\$160,138	\$158,399
Total net debt applicable to limit	<u>105,717</u>	<u>100,148</u>	<u>94,548</u>	<u>73,224</u>	<u>73,261</u>	<u>70,951</u>	<u>74,132</u>	<u>43,375</u>	<u>50,710</u>	<u>59,120</u>
Legal debt margin	<u>\$ 67,465</u>	<u>\$ 76,280</u>	<u>\$ 81,542</u>	<u>\$101,747</u>	<u>\$100,368</u>	<u>\$102,165</u>	<u>\$101,254</u>	<u>\$ 116,718</u>	<u>\$109,428</u>	<u>\$ 99,279</u>
Total net debt applicable to the limit as a percentage of the debt limit										

Legal Debt margin Calculation for Fiscal Year 2015

Assessed value	\$1,218,259
Less Homestead Exemption	<u>\$ (63,713)</u>
Total assessed value	\$1,154,546
Debt limit (15% of total assessed value)	173,182
Debt application to limit:	
Bond indebtedness	295,375
Less: Amount set aside for repayment of revenue bond debt	<u>(227,910)</u>
Total net debt applicable to limit	<u>\$ 67,465</u>
Legal debt margin	<u>\$ 105,717</u>

Note: Under state finance law, the City of Jackson's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

City of Jackson
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Water / Sewer Revenue Bonds								
Fiscal Year	Water/Sewer Charges and Other		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2015	\$	59,883	\$	29,442	\$ 30,441	\$ 14,063	\$ 12,205	1.16
2014		69,472		34,670	34,802	9,180	11,917	1.65
2013		44,186		33,337	10,849	9,380	6,680	0.68 ¹
2012		48,171		33,366	14,805	6,780	4,961	1.26
2011		47,578		32,755	14,823	4,870	6,876	1.26
2010		41,974		26,128	15,846	6,085	7,284	1.19
2009		41,440		27,837	13,603	6,910	7,617	0.94
2008		47,468		29,410	18,058	6,910	7,617	1.24
2007		44,180		22,830	21,350	6,325	8,212	1.47
2006		45,495		23,985	21,510	6,030	8,510	1.48

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

¹ The City of Jackson increased water/sewer rates effective November 19, 2013. The sewer rate increase was 108% and the water rate increase was 29%. Applied fund balance was used for water/sewer shortfall for fiscal year 2013. An engineer consultant will conduct an analysis on the water/sewer system.

City of Jackson
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (3)	Median Age (4)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Unemployment Rate (3)
2015	173,514	5,739,843	33,080	31.3	12	30,000	4.8%
2014	173,514	5,675,296	32,708	31.5	12	30,000	5.9%
2013	173,514	5,801,267	33,434	31.5	12	30,000	6.7%
2012	173,514	5,997,858	34,567	31.0	12	30,000	7.3%
2011	173,514	5,995,776	34,555	32.0	12	30,600	8.4%
2010	173,514	6,247,025	36,003	31.0	12	30,600	7.8%
2009	184,256	6,104,770	33,132	31.9	12	30,600	7.9%
2008	184,256	6,238,540	33,858	31.0	12.3	31,000	6.5%
2007	184,256	5,860,815	31,808	31.9	12.3	31,000	5.0%
2006	184,256	5,744,549	31,177	31.9	12.3	32,403	4.4%

Data Sources

- (1) Mississippi Census Bureau
- (2) Jackson Public Schools Estimate
- (3) Bureau of Labor Statistics
- (4) U S Census Bureau

**City of Jackson
Principal Employers
Current Year and Nine Years Ago**

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of Mississippi	31,556	1	17.13%			
University of Mississippi	8,000	2	4.34%			
U.S. Government	5,500	3	2.98%			
Jackson Public School District	4,814	4	2.61%			
Baptist Health Systems	2,875	5	1.56%			
St. Dominic Health Services	2,600	6	1.41%			
City of Jackson, Mississippi	1,926	7	1.05%			
Jackson State University	1,667	8	0.90%			
AT&T	1,300	9	0.71%			
Central MS Medical Center	1,200	10	0.65%			
	<u>61,438</u>		<u>33.34%</u>			

Source: MetroJackson Chamber of Commerce 2015

Note: Data for 2004 is currently not available.

City of Jackson
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government	267	278	302	290	315	307	310	325	330	377
Public safety										
Police										
Officers	389	412	455	499	479	465	-	500	425	468
Civilians	245	280	267	272	261	270	-	299	291	174
Fire										
Firefighters and officers	333	345	316	337	357	342	354	362	351	356
Civilians	24	23	17	11	11	10	11	11	7	8
Public works	395	425	461	484	482	449	466	606	552	625
Culture and Recreation	273	262	318	238	303	370	319	218	381	424
Total	<u>1926</u>	<u>2025</u>	<u>2136</u>	<u>2131</u>	<u>2208</u>	<u>2213</u>	<u>1460</u>	<u>2321</u>	<u>2337</u>	<u>2432</u>

Source: City of Jackson Information System Department.

(1) The dashes indicate data that is not available.

City of Jackson
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Parking violations	9,197	10,098	12,281	17,190	18,101	13,777	11,076	13,223	14,832	20,490
Traffic violations	44,008	41,823	52,425	60,598	57,815	56,587	47,146	38,429	25,314	30,061
Fire										
Number of calls answered	14,567	14,025	11,825	9,403	-	-	11,577	7,644	7,342	12,259
Inspections (3)	3,205	4,141	4,500	4,635	3,590	3,701	4,510	3,241	4,500	4,086
Highways and streets										
Street resurfacing (miles)	6.2	6.1	4.2	10.6	-	-	68.3	8.3	5.6	7.1
Potholes repaired (2) (4)	30,389	29,921	37,565	29,871	38,776	51,431	3,619	4,154	3,626	4,011
Sanitation										
Refuse collected (tons/day)	5,496	5,361	5,301	7,904	4,523	5,718	5,058	5,848	2,398.4	1,447.8
Recyclables collected (tons/day)(1)	81.96	90.06	91.35	89.84	76.89	81.72	80.16	109.88	90.77	99.68
Culture and recreation										
Community center admissions (3)	110	64	89	118	53	68	90	34	101	95
Water										
New connections	-	-	-	212	-	198	670	334	530	602
Average daily consumption (thousands of gallons) (3)	-	-	-	-	-	24,024	-	21,080	21,530	20,630
Wastewater										
Average daily sewage treatment (thousands of gallons)	-	-	-	-	-	46,650	47,170	44,650	42,100	47,200

Source: Various City of Jackson departments.

(1) The City of Jackson Sanitation Division implemented their recycling program in March 2005.

(2) The City of Jackson Streets Division implemented a new system of reporting potholes. Therefore data for fiscal years 1999-2002 is not available.

(3) The dashes indicate data that is not available.

(4) Prior years has been recorded as the number of pothole calls not the number of potholes repaired.

City of Jackson
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Police stations	6	6	6	6	6	6	6	5	5	5
Fire stations	21	21	21	21	21	21	21	21	21	21
Highways and streets										
Streets (miles)	1,201	1,201	1,201	1,204	1,300	1,447	1,431	1,428	1,428	1,428
Traffic signals intersection	358	358	358	358	358	334	334	333	333	332
Culture and recreation										
Parks	57	54	54	54	54	54	54	54	54	54
Swimming pools	9	9	9	9	9	9	9	9	9	9
Tennis courts	61	61	61	61	61	61	61	61	61	61
Community centers	10	10	10	10	10	10	10	10	10	10
Water										
Water mains (miles)	-	-	-	-	-	1,220	1,220	1,220	1,220	1,220
Fire hydrants	-	-	-	-	-	7,500	7,500	7,500	7,500	7,500
Maximum daily capacity (thousands of gallons)	-	-	-	-	-	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000
Sewer										
Sanitary sewers (miles)	-	-	-	-	-	911	911	911	911	909
Storms sewers (miles)	-	-	-	-	-	460	460	460	460	460

Source: Various City of Jackson departments.
(1) The dashes indicate data that is not available.

SINGLE AUDIT



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

**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**

The Honorable Mayor Tony Yarber
and Honorable Members of the City Council
Jackson, Mississippi

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Jackson, Mississippi (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Jackson, Mississippi's basic financial statements and have issued our report thereon dated May 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jackson, Mississippi'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 opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Jackson, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jackson, Mississippi's internal control over.

Our consideration of internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in 2015-4 in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider the deficiencies described in 2015-2 and 2015-3 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

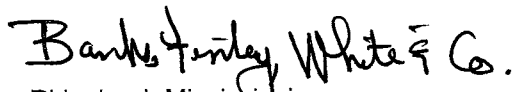
As part of obtaining reasonable assurance about whether the City of Jackson, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-1.

City of Jackson, Mississippi's Response to Findings

City of Jackson, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Jackson, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Ridgeland, Mississippi
May 11, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Agency/Program	Federal CFDA Number	Pass Through Grantor Number	Current Year Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service (MS Department of Education - Pass Through)			
Child and Adult Care Food Program	10.558	V0000718080	\$ 233,800
SUBTOTAL CFDA NUMBER 10.558			<u>233,800</u>
Summer Food Service Program for Children (MS Department of Education - Pass Through)	10.559	V0000718080	47,003
SUBTOTAL CFDA NUMBER 10.559			<u>47,003</u>
(Central Mississippi Planning and Development District - Pass Through)			
Commodity Supplemental Food Program	10.565	1193-25	26,589
Commodity Supplemental Food Program	10.565	1515-25	32,779
SUBTOTAL CFDA NUMBER 10.565			<u>59,368</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>340,171</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B-11-MC-28-0003	646,651
Community Development Block Grant	14.218	B-12-MC-28-0003	434,761
Community Development Block Grant	14.218	B-13-MC-28-0003	739,724
Community Development Block Grant	14.218	B-14-MC-28-0003	49,160
SUBTOTAL CFDA NUMBER 14.218			<u>1,870,296</u>
Emergency Shelter Grants Program	14.231	E-12-MC-28-0002	711
Emergency Shelter Grants Program	14.231	E-13-MC-28-0002	5,064
Emergency Shelter Grants Program	14.231	E-14-MC-28-0002	136,945
SUBTOTAL CFDA NUMBER 14.231			<u>142,720</u>
HOME Investment Partnership Program	14.239	M-10-MC-28-0200	115,229
HOME Investment Partnership Program	14.239	M-08-MC-28-0200	24,444
HOME Investment Partnership Program	14.239	M-09-MC-28-0200	322,168
SUBTOTAL CFDA NUMBER 14.239			<u>461,841</u>
Housing Opportunities for Persons with AIDS	14.241	MS-H11-F001	2,547
Housing Opportunities for Persons with AIDS	14.241	MS-H12-F001	187,382
SUBTOTAL CFDA NUMBER 14.241			<u>189,929</u>
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-MS-0133	2,092
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-10-SP-MS-0109	75,774
SUBTOTAL CFDA NUMBER 14.251			<u>77,866</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,742,652</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011DJBX3320	5,746
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012DJBX1095	7,511
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014DJBX0727	78,682
SUBTOTAL CFDA NUMBER 16.738			<u>91,939</u>
Public Safety Partnership & Community Policing Grant	16.710	2009CKWX0603	96,649
SUBTOTAL CFDA NUMBER 16.710			<u>96,649</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>188,588</u>

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Agency/Program	Federal CFDA Number	Pass Through Grantor Number	Current Year Federal Expenditures
<u>U.S. Department of Labor</u>			
Direct Program:			
Older Americans Act			
Senior Community Service Employment Program (Title V)	17.235	AD-26910-15-55-A-24	115,358
Senior Community Service Employment Program (Digital Inclusion Initiative)	17.235	AD-25533-14-55-A-24	389,406
SUBTOTAL CFDA NUMBER 17.235			<u>504,764</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>504,764</u>
<u>U.S. Department of Transportation</u>			
Federal Transit Administration			
Direct Programs:			
Federal Transit Formula Grants	20.507	MS-90-0072-01	204,939
Federal Transit Formula Grants	20.507	MS-90-00-88	1,474,280
Federal Transit Formula Grants	20.507	MS-90-X092-00	129,389
Federal Transit Formula Grants	20.507	MS-90-0081-01	271,306
SUBTOTAL CFDA NUMBER 20.507			<u>2,079,914</u>
Federal Transit Capital Investment Grants	20.500	MS-96-00-03	36,300
SUBTOTAL CFDA NUMBER 20.500			<u>36,300</u>
(Mississippi Department of Transportation-Pass Through)			
Highway Planning and Construction (Lynch Street Improvements)	20.205	DHP-7300-00(001) 104587/811000	767,600
Highway Planning and Construction (Capitol Street Improvements)	20.205	STP-xxxx-00(002) 106058/801000	943,749
Highway Planning and Construction (Dr. Jessie Mosley Project)	20.205	STP-7285-00(002) 105325/801000	459,263
Highway Planning and Construction (Traffic Calming Project)	20.205	TCP-0250 103924/101000	11,806
SUBTOTAL CFDA NUMBER 20.205			<u>2,182,418</u>
(Mississippi Office of Highway Safety-Pass Through)			
Alcohol Open Container Grant	20.607	15-MD-219-1	21,399
SUBTOTAL CFDA NUMBER 20.607			<u>21,399</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>4,320,031</u>
<u>U.S. Environmental Protection Agency</u>			
(Mississippi Department of Environmental Quality - Pass Through)			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280886-03	2,186
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280886-02	200,992
SUBTOTAL CFDA NUMBER 66.458			<u>203,178</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>203,178</u>

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Agency/Program	Federal CFDA Number	Pass Through Grantor Number	Current Year Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers (Central MS Planning and Development District - Pass Through)			
Title III-B Outreach	93.044	1035-25	10,000
SUBTOTAL CFDA NUMBER 93.044			<u>10,000</u>
Special Programs for the Aging Title III, Part C, Nutrition Services (Central MS Planning and Development District - Pass Through)			
Congregate Nutrition Program (Non-cash)	93.045	1193-25	101,201
SUBTOTAL CFDA NUMBER 93.045			<u>101,201</u>
Substance Abuse and Mental Health Services Administration			
Direct Program:			
Comprehensive Community Mental Health Services for Children	93.104	14SM61630A	756,070
SUBTOTAL CFDA NUMBER 93.104			<u>756,070</u>
(State of MS Office of Child Nutrition - Pass Through)			
Child Care Development Block Grant	93.575	625Q641A	150,169
Child Care Development Block Grant	93.575	6005314	522,348
SUBTOTAL CFDA NUMBER 93.575			<u>672,517</u>
Title XX-Social Services Block Grant (Central MS Planning and Development District - Pass Through)			
Transportation	93.667	1535-25	125,115
Home Delivered Meals (Non-cash)	93.667	1515-25	140,692
SUBTOTAL CFDA NUMBER 93.667			<u>265,807</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,805,595</u>
<u>Corporation for National and Community Service</u>			
Mississippi Commission for Volunteer Service - Pass Through			
AMERICORPS	94.006	14AC161949	218,443
AMERICORPS	94.006	13AFMS00	8,454
SUBTOTAL CFDA NUMBER 94.006			<u>226,897</u>
TOTAL MISSISSIPPI COMMISSION FOR VOLUNTEER SERVICE			<u>226,897</u>
<u>U.S. Department of Homeland Security</u>			
Mississippi Emergency Management Agency (Pass-Through)			
Homeland Security Grant Program	97.067	13LE221	15,473
Homeland Security Grant Program	97.067	14LE221	23,448
SUBTOTAL CFDA NUMBER 97.067			<u>38,921</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>38,921</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,370,797</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules.

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CITY OF JACKSON
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE 2 - CONTINGENCY

The City has responsibility for expending grant funds in accordance with specific instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the City.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 3 - SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, the City of Jackson provided federal awards to sub recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Sub-recipients
Community Development Block Grant – Entitlement Grants	14.218	\$ 145,575
Emergency Solutions Grant Program	14.231	136,945
Home Investment Partnership Program Grant – Entitlement Grants	14.239	314,428
Housing Opportunities for Persons With Aids	14.241	182,008
Edward Byrne Memorial Justice Assistance Grant	16.738	81,576
Comprehensive Community Mental Health Services for Children Grant Program	93.104	<u>680,490</u>
Total		<u>\$ 1,541,022</u>

NOTE 4 – LOAN AND LOAN GUARANTEES

In accordance with OMB Circular A-133, loans and loan guarantees include new loans made during the year, plus prior year loans for which the federal government imposes continuing compliance requirements.

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**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor Tony Yarber
and Honorable Members of The City Council
Jackson, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Jackson, Mississippi's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Jackson, Mississippi's major federal programs for the year ended September 30, 2015. City of Jackson, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 City of Jackson, Mississippi'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 City of Jackson, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Jackson, Mississippi's compliance.

Basis for Qualified Opinion on Federal Transit Cluster Programs

As described in the accompanying schedule of findings and questioned costs, City of Jackson, Mississippi, did not comply with requirements regarding the Davis-Bacon Act that is applicable to its Federal Transit Cluster Grant Program CFDA Number 20.500 and 20.507 as described in finding number 2015-7. Compliance with such requirements is necessary, in our opinion, for City of Jackson, Mississippi to comply with the requirements applicable to those programs.

Qualified Opinion on Federal Transit Cluster Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Jackson, Mississippi, 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 September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, City of Jackson, Mississippi 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2015-5 and 2015-7. Our opinion on each major federal program is not modified with respect to these matters.

City of Jackson, Mississippi's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Jackson, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of City of Jackson, Mississippi, 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 compliance, we considered City of Jackson, Mississippi'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 City of Jackson, Mississippi's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-6 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-5 and 2015-7 to be significant deficiencies.

City of Jackson, Mississippi's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Jackson, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Bank Finley White & Co.

Ridgeland, Mississippi
May 11, 2016

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

1.	Type of auditor's report issued on the basic financial statements.	Unmodified
2.	Material noncompliance relating to the financial statements.	No
3.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified that are not considered to be material weaknesses?	Yes

Federal Awards:

4.	Type of auditor's report issued on compliance with major federal programs:	
	Unmodified for all major programs except for Federal Transit Cluster Grant Program	
5.	Internal control over major programs:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified that are not considered to be material weaknesses?	Yes
6.	Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?	Yes
7.	Federal programs identified as major programs:	

Community Development Block Grant Entitlement Grants Cluster:

CFDA #14.218 - U. S. Department of Housing and Urban Development
Community Development Block Grant
CFDA #14.218 - U. S. Department of Housing and Urban Development
Community Development Block Grant – Neighborhood Stabilization Program

Federal Transit Cluster:

CFDA #20.500 - U.S. Department of Transportation
Federal Transit Capital Investment Grants
CFDA #20.507 - U.S. Department of Transportation
Federal Transit Formula Grants

Highway Planning & Construction Cluster:

CFDA #20.205 - U. S. Department of Transportation
Highway Planning and Construction

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Federal programs identified as major programs: (continued)

Older Americans Act:

CFDA #17.235 - U.S. Department of Labor
Senior Community Services Employment Training Program

Substance Abuse and Mental Health Services Administration:

CFDA #93.104 - U. S. Department of Health and Human Services
Comprehensive Community Mental Health Services for Children Grant

8. The dollar threshold used to distinguish between type A and type B programs: \$305,029
9. The City of Jackson did not qualify as a low-risk auditee.

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section 2: Findings Relating to the Financial Statements Audit

FUND BALANCE/NET POSITION FOR GENERAL FUND BELOW REQUIRED THRESHOLD

Finding 2015-1

Finding Type: Significant Deficiency

Statement of Condition

The City of Jackson's Fund Balance (Net Position) at September 30, 2015 is \$4,991,025, which amounts to 4.1% of operating revenues. This reserve amount is below the 7.5% policy adopted by the City Council.

Cause of Condition

Inadequate budgeting in various City Departments

Effect of Condition

Reduction of reserve funds available to cover anticipated events

Criteria

The City of Jackson's Fund Balance/Net Position Policy states that at the end of the fiscal year, "There shall be a reservation (unassigned) of fund balance equal to 7.5% of the adopted General Fund operating revenues".

Auditor's Recommendation

The City should take the appropriate steps to adhere to its Fund Balance/Net Position Policy at fiscal year-end. This will ensure that the City maintains a reasonable level of unexpended reserves that will allow it to plan against unanticipated expenditures, revenue shortfalls or both. Additionally, City officials should ensure that the level of reserves maintained is sufficient to provide adequate cash flow.

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

GRANT ACCOUNTANT NEEDED FOR THE PUBLIC WORKS DEPARTMENT

2015-2

REPEAT FINDING

Finding Type: Significant Deficiency

Statement of Condition

The City does not have a grant accountant for the Public Works Department. Currently, reimbursement requests related to grant funds received in the Public Works Departments are prepared and submitted from within the department. This current process does not allow for an appropriate review by the Finance Department to properly determine the amounts to be recorded as anticipated grant revenue. As a result, grant receipts are only recorded when funds are received and the Finance Department has to request for the proper allocation of those funds once received.

Cause of Condition

Improper administration of grants within the Public Works Department

Effect of Condition

Requests for reimbursement of grant expenditures are not originating in the proper department and are not being prepared by a grant accountant.

Criteria

The City of Jackson's External Funding Policies and Procedures Manual states that "All financial reports, including reimbursement requests and federal financial reports are to be prepared by the department of administration's grant accountants."

Auditor's Recommendation

We strongly recommend that the City provide a Grant Accountant for the grants administered by the Public Works Department. That person should be included within the Finance Department as stated in the City of Jackson's External Funding Policies and Procedures Manual. These changes will help with proper oversight and to ensure that reimbursement requests and financial reports are prepared and submitted in a systematic and timely manner.

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

TIMESHEETS NOT SIGNED AND APPROVED

Finding 2015-3

REPEAT FINDING

Finding Type: Material Weakness

Statement of Condition

Our audit testing of 40 payroll transactions revealed the following:

1. 24 out of 40 employee time cards were not electronically signed by the employee noted by department as follows:
 - a. Public Works – 4
 - b. Police – 5
 - c. Human and Cultural Services – 5
 - d. Fire – 4
 - e. Planning – 1
 - f. Personnel – 1
 - g. Administration – 1
 - h. Parks & Recreation – 1
 - i. Legal – 1
 - j. City Clerk – 1
2. 11 out of 40 employee time cards were not electronically signed by the supervisor documenting their review and approval noted by department as follows:
 - a. Police – 6
 - b. Public Works – 4
 - c. Planning - 1

Cause of Condition

Failure to follow established procedures for electronically signing and approving employee time cards

Effect of Condition

No verification of the time worked by the employee and no approval of the time by the supervisor

Criteria

The City of Jackson's Timekeeping Policy states that "All employees are responsible for signing their time cards and Supervisors and Timekeepers are authorized to approve time cards prior to the pay period deadline."

Auditor's Recommendation

The City should strengthen internal administrative controls to ensure that time cards are properly signed electronically by employees for time worked and ensure that supervisors review and electronically sign the time cards for approval prior to an employee receiving payment.

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section 3: Major Federal Awards Program Findings and Questioned Costs

Finding 2015-4 – REPORTING
Finding Type: Significant Deficiency

Grant Program/CFDA#: Comprehensive Community Mental Health Services for Children and Their Families Program/93.104

Statement of Condition

During our review of the Federal Financial Report submitted to the funding source for the year ending September 30, 2015, we noted that the report did not include the year end accruals nor did it accurately reflect the amount of actual in-kind revenue and expenses incurred during the year.

Cause of Condition

City personnel failed to comply with reporting requirements

Effect of Condition

The City is not in compliance with the grant reporting requirements.

Criteria

Substance Abuse and Mental Health Services Administration Post-Award Reporting Requirements and City of Jackson External Funding Policies and Procedures Manual

Auditor's Recommendation

We recommend that the City strengthen internal administrative control procedures to ensure that the required reports are completed accurately to include all accruals for the stated period and the required amount of actual recorded in-kind revenue and expenses. Additionally, the annual report should be revised and re-submitted to include the corrected amounts.

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding 2015-5 – WAGE RATE REQUIREMENTS
Repeat Finding

Finding Type: Material Weakness

Grant Program/CFDA#: Community Development Block Grant/14.218

**Grant Program/CFDA#: Federal Transit Cluster - 20.500 Federal Transit Capital Investment Grants,
20.507 Federal Transit Formula Grants**

Statement of Condition

The City did not comply with the Davis-Bacon Act requirement that employee interviews must be conducted of the employees of the contractor and sub-contractors.

Cause of Condition

Lack of compliance with established policies and procedures.

Effect of Condition

The City did not ensure that the required employee interviews were conducted of the employees of the contractor and sub-contractors on federally financed construction projects.

Criteria

Grant award agreements and the City of Jackson External Funding Policies and Procedures Manual which states that " The City of Jackson will adhere to the Davis-Bacon Act on federally funded projects to ensure that contractors are paying prevailing wage rates as determined by the U.S. Department of Labor (DOL) to all laborers and mechanics on federally funded construction projects. This policy applies to all City departments with contracting responsibilities.

Auditor's Recommendation

We recommend that the City strengthen internal administrative control procedures to ensure that they comply with Davis-Bacon compliance requirements on federally financed construction projects.

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding 2015-6 SUSPENSION AND DEBARMENT VERIFICATION
Finding Type: Significant Deficiency

Grant Program/CFDA#: Federal Transit Cluster /20.500 & 20.507

Statement of Condition

During the suspension and debarment testing, we noted that the City entered into two (2) contracts for goods and/or services for an amount equal to or exceeding \$25,000 in which no documentation was maintained to support the fact that the contractor or sub-recipient had not been suspended or debarred or otherwise excluded from receiving the contract

Cause of Condition

Failure to document that a search was performed to ascertain the contractors/sub-recipients were not suspended or debarred.

Effect of Condition

Non-compliance with grant requirements

Criteria

The OMB Circular A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$25,000 and all non-procurement transactions (e.g., sub-awards to sub recipients).

Auditor's Recommendation

We recommend that the City strengthen internal administrative controls as it relates to the testing for suspension and debarment on contracts/sub-recipients involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

**CITY OF JACKSON, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2015**

2014-1 FINDING NO. 1 – SECTION 2

Condition: Our audit testing of 40 payroll transactions revealed the following: (1) 35 out of 40 employee time cards were not electronically signed by the employee; (2) 11 out of 40 employee time cards were not electronically signed by the supervisor documenting their review and approval.

Current Status: Not Corrected, repeated as finding 2015-3

2014-2 FINDING NO. 2 – SECTION 2

Condition: During our audit, we noted that there were no formal procedures with the Public Works Department for preparing requests for reimbursements of grant funds for grant expenditures. This practice has contributed to preparing requests for funds months after costs have been incurred and, in some cases, after the end of the City's fiscal year.

Current Status: Corrected

2014-3 FINDING NO. 3 – SECTION 2

Condition: The City does not have a Grants Accountant for the Public Works Department

Current Status: Not Corrected, repeated as finding 2015-2

**CITY OF JACKSON, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
YEAR ENDED SEPTEMBER 30, 2015**

2014-4 FINDING NO. 4 – SECTION 3

SUB RECIPIENT MONITORING

Edward Byrne Memorial Justice Assistance Grant Program

Condition: The City did not perform and document a programmatic monitoring of the sub-recipient to ensure compliance with applicable grant requirements and verify that performance goals were achieved.

Current Status: Corrected

2014-5 FINDING NO. 5 – SECTION 3

REPORTING

Edward Byrne Memorial Justice Assistance Grant Program

Condition: During our review of Annual Performance Reporting, we noted that the City did not submit 2 out of 5 Annual Performance Reports to the Department of Justice (DOJ) as required.

Current Status: Corrected

2014-6 FINDING NO. 6 – SECTION 3

DAVIS-BACON ACT

**Community Development Block Grant
Federal Transit Cluster**

Condition: The City did not comply with the Davis-Bacon Act requirement that employee interviews must be conducted of the employees of the contractor and sub-contractor.

Current Status: Not corrected, repeated as finding 2015-5

**CITY OF JACKSON, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
YEAR ENDED SEPTEMBER 30, 2015**

2014-7 FINDING NO. 7 – SECTION 3

SUSPENSION AND DEBARMENT VERIFICATION

Edward Byrne Memorial Justice Assistance Grant Program

Condition: The City entered into three (3) contracts for goods and/or services for an amount equal to or exceeding \$25,000 and one (1) sub-recipient contract in which no documentation was maintained to support the fact that the contractor or sub-recipient had not been suspended or debarred or otherwise excluded from receiving the contract.

Current Status: Corrected

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CORRECTIVE ACTION PLAN

05/11/16

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The City of Jackson respectfully submits the following corrective action plan for the year ended September 30, 2015.

Name and address of independent public accounting firm: Banks, Finley, White & Company
308 Highland Park Cove, Ridgeland, MS 39157

Audit period: Year Ended September 30, 2015

The findings from the September 30, 2015 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule, Section 1 of the schedule, Summary of Audit Results, does not include findings and is not addressed.

2. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2015-1

FUND BALANCE/NET POSITION FOR GENERAL FUND BELOW REQUIRED THRESHOLD

Recommendation: The City should take the appropriate steps to adhere to its Fund Balance/Net Position Policy at fiscal year-end. This will ensure that the City maintains a reasonable level of unexpended reserves that will allow it to plan against unanticipated expenditures, revenue shortfalls or both. Additionally, City officials should ensure that the level of reserves maintained is sufficient to provide adequate cash flow.

Action Taken: The City of Jackson's plan of action is:

- a. The City's proposed financial plan includes the establishment of a budget stabilization fund which will provide a mechanism by which funds which exceed budget needs (including the required fund balance) may be set aside.
- b. The City must re-define its **core services**. The provision of these services will be our primary focus as we continue to rebuild our reserves. The City has historically provided services that extend beyond public safety, water and wastewater and infrastructure (streets & bridges) management. Our citizens have benefited tremendously from these services but the cost of providing them has begun to drain the City of much needed resources which has affected the City's ability to provide the core services.

- c. The City must continue to explore, create and implement additional revenue streams (i.e. parking meters, explore ways to monetize the city's assets, explore private management of certain city facilities). The City will place priority and allocate resources in areas where the city generates revenue.
- d. The hiring of all non-essential personnel will be suspended.
- e. All non-emergency overtime and overtime not previously approved by the Department Director will be suspended.
- f. Requests for non-emergency purchases and travel will be suspended.
- g. Reduce funding provided to outside agencies until the City has rebuilt its reserves.
- h. Discontinue the youth employment and the summer enrichment programs until the City has rebuilt its reserves.
- i. The City must be pro-active in its efforts to eliminate fraud and abuse of city resources.

Finding No. 2015-2

GRANT ACCOUNTANT NEEDED FOR THE PUBLIC WORKS DEPARTMENT

REPEAT FINDING

Recommendation: We strongly recommend that the City provide a Grant Accountant for the grants administered by the Public Works Department. That person should be included within the Finance Department as stated in the City of Jackson's External Funding Policies and Procedures Manual. These changes will help with proper oversight and to ensure that reimbursement requests and financial reports are prepared and submitted in a systematic and timely manner.

Action Taken: The Department of Administration currently has two grant accountants who will take on the responsibility of providing additional oversight for the grants administered by the Department of Public Works. The fiscal year 2017 budget will include the addition of a grant accountant specifically for the Department of Public Works.

**Finding No. 2015-3
TIMESHEETS NOT SIGNED AND APPROVED**

REPEAT FINDING

Recommendation: The City should strengthen internal administrative controls to ensure that time cards are properly signed electronically by employees for time worked and ensure that supervisors review and electronically sign the time cards for approval prior to an employee receiving payment.

Action Taken: The City of Jackson Department of Personnel will offer additional training to employees on the time clock system, Kronos. The training will convey information in accordance with the City's Timekeeping Policy which entails signing timecards electronically, reviewing and approving timecards. Employees who fail to comply with the Timekeeping Policy will be subject to disciplinary action, up to and including termination.

3. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM FINDINGS AND QUESTIONED COSTS

Finding 2015-4 – REPORTING

Grant Program/CFDA#: Comprehensive Community Mental Health Services for Children and Their Families Program/ 93.104

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that the required reports are completed accurately to include all accruals for the stated period and the required amount of actual recorded in-kind revenue and expenses. Additionally, the annual report should be revised and re-submitted to include the corrected amounts.

Action Taken: The City of Jackson Department of Administration will strengthen its internal administrative control procedures by adding additional staff to review required reports for accuracy prior to submission. The annual report has been revised and re-submitted to include the corrected amounts.

Finding 2015-5 – WAGE RATE REQUIREMENTS

Grant Program/CFDA#: Community Development Block Grant/14.218

Grant Program/CFDA#: Federal Transit Cluster - Federal Transit Capital Investment Grant/20.500 and Federal Transit Formula Grants/20.507

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that they comply with Davis-Bacon compliance requirements on federally financed construction projects.

Action Taken: In order to reduce the occurrence of this finding, the Department of Public Works Engineering Division will outline procedures to ensure compliance is adhered too. The Davis-Bacon Act will be discussed at all pre-bid construction meetings and pre-construction meetings with all stakeholders. The City inspector will have interview forms on hand to administer periodically throughout the construction duration and a separate file will be kept to ensure the documents are readily available for review by any external agency or auditors.

Finding 2015-6 – SUSPENSION AND DEBARMENT VERIFICATION

Grant Program/CFDA#: Federal Transit Cluster/20.500 & 20.507

Recommendation: We recommend that the City strengthen internal administrative controls as it relates to the testing for suspension and debarment on contracts/sub-recipients involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

Action Taken: The Department of Planning, Office of Transportation have developed policies, which include the Suspension and Debarment form, SAM verification and checklist to be utilized to ensure all federally funded contracts are in compliance.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call me at (601) 960-2209.

Sincerely yours,

A handwritten signature in cursive script that reads "Michelle Battee-Day".

Michelle Battee-Day,
Interim Director of Administration



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor Tony Yarber and
Honorable Members of the City Council
City of Jackson, Mississippi

We have audited the financial statements of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2015, and have issued our report thereon dated May 11, 2016. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed the following instance of non-compliance with state laws and regulations.

Finding

During our test work of vehicle markings, we found the following:

- (1) 1 vehicle was not marked as prescribed by Section 25-1-87, Miss. Code Ann. (1972)
- (2) 6 vehicles within certain City Departments were unmarked vehicles that were utilized by nonqualified employees and not by authorized police personnel.
- (3) 1 vehicle within the Police Department was unmarked and did not have proper approval to be exempted from the provisions of a motor vehicle owned by the City

Recommendation

We recommend that the City properly mark vehicles and ensure that unmarked vehicles obtain proper approval to be exempted from the provisions of a motor vehicle owned by the City, and ensure that only qualified employees use unmarked vehicles as prescribed by Section 25-1-87, Miss. Code Ann. (1972).

City of Jackson, Mississippi's Response

We will ensure that our records reflect that the vehicles are being driven by authorized persons and document that they are qualified to drive those vehicles pursuant to statute. We will ensure the vehicles are properly marked with the city seal and/or identification pursuant to statute.

The City of Jackson, Mississippi's response to the finding included in this report was not subjected to auditing procedures and, accordingly, we express no opinion on the response.

This report is intended solely for the information of the Mayor, City Council, management others within the organization, Office of the State Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Banks Finley, White & Co.

Ridgeland, Mississippi
May 11, 2016

SUPPLEMENTAL DATA

**CITY OF JACKSON
SCHEDULE OF BONDS OF CITY OFFICIALS
SEPTEMBER 30, 2015**

1) Company: Porter's Insurance Agency

Limits of liability: Honesty Blanket
Position Bond Coverage

Position	Coverage per each	Term of bond
All employees except City Council (7) Mayor, City Administrative Officer, Director of Administration, Chief of Police, Deputy Chief of Police, City Clerk, Deputy Clerk (11)	\$100,000	10/01/13 - Indefinite

2) Company: Statewide General Insurance
Boyles Moak Insurance Services
Ross & Yerger Insurance, Inc.

Limits of liability: Surety Bond coverage as follows:

Position	Coverage per each	Term of bond
City Council (7)	\$100,000	12/23/14 - 12/23/18 07/01/15 - 07/01/16 02/06/15 - 02/06/16 07/01/15 - 07/01/16 07/01/15 - 07/01/16 07/11/15 - 07/11/16 07/14/15 - 07/14/16
Mayor	\$100,000	07/01/15 - 07/01/16
City Administrative Officer	\$50,000	05/15/15 - 05/15/16
City Clerk	\$50,000	05/10/16 - 05/10/17
Director of Administration	\$50,000	02/09/16 - 02/09/17
Chief of Police	\$50,000	07/20/15 - 07/20/16
Assistant Police Chief	\$50,000	08/02/15 - 08/02/16
Deputy Chief of Police	\$50,000	06/13/15 - 06/13/16 06/16/15 - 06/16/16 06/16/15 - 10/30/16
Assistant City Clerk	\$50,000	02/26/16 - 02/26/17
Deputy Clerk (11)	\$50,000	04/01/16 - 04/01/17 04/11/16 - 04/11/17 08/22/15 - 08/22/16 09/12/15 - 09/12/16 03/18/16 - 03/18/17 09/12/15 - 09/12/16 12/28/15 - 12/28/16 10/01/15 - 10/01/16

APPENDIX D

THE RAFTELIS REPORT SUMMARY AND ACTION PLAN

[See Attached]

RFC Project Team Engagement Phase 1 Tasks, Recommendations and COJ Follow-Up Actions

Phase 1 Task Reference	Summary of Findings/Recommendations	City's Actions
Task 1 Strategic Financial Planning	Identified 37 tasks/issues that have a potential to impact water and sewer operations which the City needs to address to enhance the financial and management sustainability of DPW; 21 tasks were categorized as needing attention within six months.	• DPW has begun addressing most of the 21 tasks identified for immediate attention • DPW will be developing a Strategic Plan including priorities associated with Finances, Compliance, Infrastructure Investment, Service Delivery, and Human Resources.
Task 2 Revenue Sufficiency Analysis	Developed a financial plan for the water and sewer system; the financial plan indicates that with the current rates the City will just achieve necessary coverage in FY 2015; the financial planning model, which was a deliverable of the task, will be used to evaluate different capital plans, rate structures and levels of operating expenses	• The City has worked with RFC to determine the reasons for significant uncertainty regarding the level of metered consumption • City has determined needs for future capital and operating costs for the water and sewer system. • Assumptions used in the financial planning model has been refined • DPW is working to restructure finances and address needed water and sewer rate increases including preparing a package for PSC rate increases (not done in 15 years) • RFC Team has prepared a rate increase proposal for FY2016
Task 3 Billing System Data Review	Identified the misapplication of the minimum sewer charge; identified several inconsistencies between billing policy and data within the billing system: • Accounts registering consumption but not being billed • Exempted accounts • Vacant accounts registering consumption In an effort to review the advance metering infrastructure (AMI) meter installation results, the Project Team also identified new AMI meters that were stuck at or near zero, or were reading above a reasonable threshold; also identified large and frequent adjustments to accounts, as well as accounts with very old accounts receivable that raised potential concerns. Data quality concerns related to non-standard practices and procedures around account adjustments, estimated reads, account exemptions, and enforcement standards also identified; overall, the goal of this task was to identify the current revenue	• DPW has had the misapplication of the minimum sewer charge corrected for 22,973 accounts (calculated \$1,462,773.11 in lost revenue) • RFC team engaged for a second phase of work to review related policies and procedures; gap analysis used to develop improved policies and standard operating procedures including an adjustment policy • New leadership hired for WSBA and W/WW Operations to ensure proper logging and verification of meter services work orders • Improvements have been made to billings and collections • Pursuing outstanding accounts receivables including G-coded accounts • Conversion to the new CC&B billing system milestone met August 30, 2015 • Data clean-up efforts uncovered 14,000 accounts

RFC Project Team Engagement Phase 1 Tasks, Recommendations and COJ Follow-Up Actions

Phase 1 Task Reference	Summary of Findings/Recommendations	City's Actions
	problems based on the symptoms found through the data analysis and detailed on-site analysis. Issues grouped as: • Unbilled Revenues—many accounts continue to receive services and are not timely or routinely billed, primarily due to untimely meter shut-offs and significant water theft issue. • Ghost Revenues—many accounts fail threshold exception edits primarily due to meter reading errors resulting in large and frequent adjustments. • Uncollected Revenues—many accounts are delinquent and have significant accounts receivable balances; the City has not had an active/proactive collections process.	where multiple accounts were registered to the same meter • DPW staff has been reviewing account statistics to identify and eradicate water theft, removing straight pipes and verifying occupancy for NPO account (over 27,000 accounts dated back to 1970's) • WSBA has caught up on all accounts not billed in 100 days or more due to the push for go-live of the billing system • DPW has addressed deficiencies to improve use of the Health Care Financials collections process for delinquent accounts
Task 4 Siemens Contract Review	RFC Team summarized the key terms of the contract and details regarding the “guaranteed savings” that Siemens maintained would be realized by the City as a result of work that Siemens performed under the contract. The majority of savings are stipulated, which means they are assumed to occur, and the contract does not identify a protocol for testing to determine if the savings are realized. The stipulated savings are 65% of the total savings. The City should quantify any unexpected costs or lost revenue associated with the Siemens’ team performance under the contract.	• In February 2015, DPW discovered that gallon meters had been deployed in the City’s meter network under the contract; DPW required the Siemens team to take corrective actions to address the issue • Based on the issues that have occurred in the implementation of this contract, the City suspects it has contributed to revenue loss; DPW engaged RFC in Phase II to calculate the lost revenue associated with this contract due to hung meters, no register of consumption, incorrect bills leading to a high number of re-reads
Task 5 Infrastructure Master Plan Development	Developed Year 1 CIP for the Infrastructure Master Plan; Reviewed Sales Tax revenue	• In order to get approval of the Year 1 CIP, the City moved forward with cash funding Year 1 • DPW is leading development of Years 2-5 of the CIP for the IMP program • DPW developed a comprehensive CIP list including a Comprehensive Water Audit • DPW is in the process of seeking external funds for several projects including the TIGER Grant for 2015; projects have been included in the request for Program 592 funds through the Army Corps of Engineers • DPW will be preparing a facilities plan for

RFC Project Team Engagement Phase 1 Tasks, Recommendations and COJ Follow-Up Actions

Phase 1 Task Reference	Summary of Findings/Recommendations	City's Actions
		MSDH funding requests due in October 2015 • The City has engaged a Municipal Advisor that will assist in developing future debt and funding strategies for capital improvements

APPENDIX E

FORMS OF CO-BOND COUNSEL OPINIONS

[LETTERHEAD OF CO-BOND COUNSEL]

_____, 2016

City Council
City of Jackson, Mississippi
Jackson, Mississippi

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the City of Jackson, Mississippi (the “City”). As such, we have examined the Constitution and statutes of the State of Mississippi (the “State”), including particularly Sections 21-27-11 *et seq.* Mississippi Code of 1972, as amended and supplemented from time to time (the “Utilities Act”) and Sections 31-27-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the “Refinancing Act,” together with the “Utilities Act,” the “Act”), and certified copies of the proceedings held by the City Council of the City (the “Governing Body”), including the adoption of a resolution by the Governing Body on May 17, 2016 (the “Series 2016 Bond Resolution”) and that certain resolution adopted by the Governing Body on March 11, 1993, as the same may be amended from time to time (the “General Bond Resolution”), including, but not limited to, that amendment and supplement to the General Bond Resolution adopted by the Governing Body on March 16, 2004, that amendment and supplement to the General Bond Resolution adopted by the Governing Body on July 18, 2011, and that amendment and supplement to the General Bond Resolution adopted by the Governing Body on August 7, 2012 (“General Bond Resolution” shall include such amendments and supplements thereto, and together with the Series 2016 Bond Resolution, collectively, shall mean the “Resolution”), and other proofs submitted, relative to the sale and issuance of the

\$ _____
CITY OF JACKSON, MISSISSIPPI
WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS,
SERIES 2016

dated as of their date of delivery and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the “Series 2016 Bonds”). The Series 2016 Bonds are being issued for the purpose of providing financing for (a) the costs of the current refunding and redemption of all or a portion of the outstanding \$27,180,000 (original principal amount) City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bonds, Series 2005, dated August 4, 2005 (the “Refunded Bonds”), (b) funding a debt service reserve fund for the Series 2016 Bonds, including, but not limited to, any premium for a debt service reserve fund surety bond or similar agreement, for the Series 2016 Bonds, and (c) paying the costs of issuance of the Series 2016 Bonds, including, but not limited to, any premium for bond insurance for the Series 2016 Bonds, all in accordance with the Act. The Refunded Bonds were issued for the purpose of advance refunding and defeasing certain prior indebtedness of the City issued in connection with the combined water and sewer system of the City (the “System”), including any enlargement and extension thereof.

As to questions of fact material to our opinion, we have relied upon such certified proceedings and other certifications of officials of the City furnished to us without undertaking to verify the same by independent

investigation. We have also examined one of the Series 2016 Bonds as executed and authenticated. We assume that all other Series 2016 Bonds have been similarly executed and authenticated.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Series 2016 Bonds by the City pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2016 Bonds have been duly authorized, executed and delivered under the provisions of the Resolution.

3. The Series 2016 Bonds are legal, valid and binding limited obligations of the City and are secured by a lien on and are payable solely from the Net Revenues (as defined in the Resolution). The Series 2016 Bonds are being issued on parity with the City's outstanding \$27,180,000 City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bonds, Series 2005, dated August 4, 2005, which are not being refunded with the proceeds of the Series 2016 Bonds; the City's outstanding \$46,720,000 Water and Sewer System Revenue Refunding Bond, Series 2011A, dated August 18, 2011; the City's outstanding \$2,565,000 Water and Sewer System Revenue Refunding Bond, Series 2011B, dated August 18, 2011; the City's outstanding \$63,045,000 Water and Sewer System Revenue Refunding Bond, Series 2012A, dated August 29, 2012; the City's outstanding \$19,180,000 Water and Sewer System Revenue Refunding Bond, Series 2012B, dated August 29, 2012; the City's outstanding \$89,990,000 Water and Sewer System Revenue Bond, Series 2013, dated June 27, 2013; and any other bonds issued pursuant to the General Bond Resolution, all of which are also secured by a parity lien on the Net Revenues of the System. The Series 2016 Bonds are not general obligations of the City, and the full, faith, credit, and taxing power of the City are not being pledged to the payment of the Series 2016 Bonds or interest thereon.

4. Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes. Furthermore, interest on the Series 2016 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2016 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2016 Bonds. In rendering the opinion contained in this paragraph 4, we have assumed continuing compliance by the City with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met after the issuance of the Series 2016 Bonds in order that interest on the Series 2016 Bonds not be included in gross income for federal income tax purposes. The City's failure to meet such requirements may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds. The City has covenanted to comply with the requirements of the Code in order to maintain the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes.

5. Under and pursuant to the Act, the Series 2016 Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

It is to be understood that the rights of the holders of the Series 2016 Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereinafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

[Co-Bond Counsel]

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

[See Attached]

CONTINUING DISCLOSURE AGREEMENT

by and between

CITY OF JACKSON, MISSISSIPPI

and

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

relating to:

\$17,135,000

CITY OF JACKSON, MISSISSIPPI

**WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS,
SERIES 2016**

Dated August 30, 2016

This **CONTINUING DISCLOSURE AGREEMENT** (this “Disclosure Agreement”) dated August 30, 2016, is executed and delivered by the **CITY OF JACKSON, MISSISSIPPI** a municipal corporation duly organized and existing under the laws of the State of Mississippi (the “City”) and **DIGITAL ASSURANCE CERTIFICATION, L.L.C.**, a limited liability company duly organized and existing under the laws of the State of Florida, and any successor dissemination agent serving hereunder pursuant to Section 12 hereof (the “Dissemination Agent” or “DAC”).

RECITALS:

A. Contemporaneously with the execution and delivery of this Disclosure Agreement, the City authorized the issuance and delivery of those certain \$17,135,000 in original aggregate principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2016 (the “Bonds”). The Bonds are being issued pursuant to and in conformity with the Constitution and Laws of the State of Mississippi and a resolution of the City Council of the City (the “Council”) adopted on March 11, 1993, as amended and supplemented by resolutions adopted by the Council on March 16, 2004, July 18, 2011, and August 7, 2012 (the “General Bond Resolution”), and a resolution adopted by the Council on May 17, 2016 (the “Series 2016 Supplemental Bond Resolution” and, together with the General Bond Resolution, are hereinafter collectively referred to as the “Bond Resolution”).

B. The City will issue the Bonds for the purpose of, among other things, (a) refunding of the City’s outstanding Water and Sewer System Revenue Refunding Bonds, Series 2005, issued in the original principal amount of \$27,180,000 of which \$18,325,000 remains outstanding; (b) paying the premium for the surety bond and municipal bond insurance policy and (c) costs of issuance related to the Bonds.

C. The City has authorized the preparation and distribution of the Preliminary Official Statement dated August 18, 2016 with respect to the Bonds (the “Preliminary Official Statement”) and, on or before the date of the Preliminary Official Statement, the City deemed that the Preliminary Official Statement was final within the meaning of the Rule (as defined herein).

D. Upon the initial sale of the Bonds to the Participating Underwriter (as defined herein), the City authorized the preparation and distribution of the Official Statement dated August 24, 2016 with respect to the Bonds (the “Official Statement”).

E. As a condition precedent to the initial purchase of the Bonds by the Participating Underwriter in accordance with the Bond Purchase Agreement dated August 24, 2016 by and between the Participating Underwriter and the City, and in compliance with the Participating Underwriter’s obligations under the Rule, the City has agreed to undertake certain disclosure obligations of certain operating data or financial information for so long as this Disclosure Agreement is not terminated as set forth in Section 3(c) herein.

NOW THEREFORE, in consideration of the purchase of the Bonds by the Participating Underwriter and the mutual promises and agreements made herein, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the City and the Dissemination Agent do hereby certify and agree as follows:

Section 1. Incorporation of Recitals. The above recitals are true and correct and are incorporated into and made a part hereof.

Section 2. Definitions.

(a) For the purposes of this Disclosure Agreement, all capitalized terms used, but not otherwise defined herein shall have the meanings ascribed thereto in the Bond Resolution and the Official Statement, as applicable.

(b) In addition to the terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Disclosure Agreement:

“Actual Knowledge” as used herein, and for the purposes hereof, a party shall be deemed to have “actual knowledge” of the occurrence of any event only if and to the extent the individual or individuals employed by such party and directly responsible for the administration of this Disclosure Agreement on behalf of such party have actual knowledge of or receive written notice of the occurrence of such event.

“Annual Filing” means any annual report provided by the City, pursuant to and as described in Sections 4 and 6 hereof.

“Annual Filing Date” means the date, set forth in Sections 4(a) and 4(e) hereof, by which the Annual Filing is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i)(A) of the Rule and specified in Section 6(a) hereof.

“Beneficial Owner” means any beneficial owner of the Bonds. Beneficial ownership is to be determined consistent with the definition thereof contained in Rule 13d-3 of the SEC, or, in the event such provisions do not adequately address the situation at hand (in the opinion of nationally recognized bond counsel), beneficial ownership is to be determined based upon ownership for federal income tax purposes.

“Disclosure Representative” means the Director of Administration of the City or his or her designee, or such other person as the City shall designate in writing to the Dissemination Agent from time to time as the person responsible for providing Information to the Dissemination Agent.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System or any successor thereto.

“Filing” means, as applicable, any Annual Filing or Notice Event Filing or any other notice or report made public under this Disclosure Agreement.

“Fiscal Year” means the fiscal year of the City, which currently is the twelve month period beginning October 1 and ending on September 30 of the following year or any such other twelve month period designated by the City, from time to time, to be its fiscal year.

“Information” means the Annual Financial Information, System Audited Financial Statements, the Notice Event Filings, and the Voluntary Reports.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Notice Event” shall have the meaning specified in Section 5(a) hereof.

“Notice Event Filing” shall have the meaning specified in Section 5(a) hereof.

“Obligated Person” means the City and any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). The City confirms that currently it is an Obligated Person with respect to the Bonds.

“Participating Underwriter” means, collectively, the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean each entity authorized and approved by the SEC from time to time to act as a repository for purposes of complying with the Rule. The Repositories currently approved by the SEC may be found by visiting the SEC’s website at <http://www.sec.gov/info/municipal/nrmsir.htm>. As of the date hereof, the only Repository recognized by the SEC for such purpose is the MSRB, which currently accepts continuing disclosure submissions through its EMMA web portal at <http://emma.msrb.org>.

“Rule” means Rule 15c2-12 of the SEC promulgated pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“System Audited Financial Statements” means the financial statements (if any) of the Water and Sewer System the prior Fiscal Year, certified by an independent auditor and prepared in accordance with generally accepted auditing standards and Government Auditing Principles issued by the Comptroller General of the United States.

“Third-Party Beneficiary” shall have the meaning specified in Section 3(b) hereof.

“Voluntary Report” means the information provided to the Dissemination Agent by the City pursuant to Section 8 hereof.

“Water and Sewer System” means the City’s combined water and sewer system operated by the City’s Department of Public Works.

Section 3. Scope of this Disclosure Agreement.

(a) The City has agreed to enter into this Disclosure Agreement, undertake the disclosure obligations hereunder and retain the Dissemination Agent to perform the disclosure dissemination tasks set forth herein on its behalf, all at the request of the Participating Underwriter and as a condition precedent to the Participating Underwriter’s original purchase of the Bonds in order to assist the Participating Underwriter with compliance with the Rule. The disclosure obligations of the City under this Disclosure Agreement relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the City, nor to any other securities issued by or on behalf of the City.

(b) Neither this Disclosure Agreement, nor the performance by the City or the Dissemination Agent of their respective obligations hereunder, shall create any third-party beneficiary rights, shall be directly enforceable by any third-party, or shall constitute a basis for a claim by any person except as expressly provided herein and except as required by law, including, without limitation, the Rule; provided, however, the Participating Underwriter and each Beneficial Owner are hereby made third-party beneficiaries hereof (collectively, and each respectively, a “Third-Party Beneficiary”) and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 9 hereof.

(c) This Disclosure Agreement shall terminate upon: (i) the defeasance, redemption or payment in full of all Bonds, in accordance with the Bond Resolution, as amended, or (ii) the delivery by the Disclosure Representative to the Dissemination Agent of an opinion of counsel expert in federal securities laws retained by the City to the effect that continuing disclosure is no longer required under the Rule as to the Bonds.

Section 4. Annual Filings.

(a) The City shall provide, annually, an electronic copy of the Annual Filing to the Dissemination Agent not later than two (2) business days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Filing, the Dissemination Agent shall provide the Annual Filing to the Repository, in an electronic format as prescribed by the MSRB, not later than May 31st of each Fiscal Year, commencing with the Fiscal Year ended September 30, 2016. Such date and each anniversary thereof is the Annual Filing Date. The

Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 6 hereof.

(b) If on the second (2nd) business day prior to the Annual Filing Date, the Dissemination Agent has not received a copy of the Annual Filing, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by email) to remind the City of its undertaking to provide the Annual Filing pursuant to Section 4(a) hereof. Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Filing no later than 6:00 p.m. on the Annual Filing Date (or if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter), or (ii) instruct the Dissemination Agent in writing as to the status of the Annual Filing within the time required under this Disclosure Agreement, and state the date by which the Annual Filing for such year is expected to be provided. If the Dissemination Agent has not received either (i) the Annual Filing by 6:00 p.m. on the Annual Filing Date, or (ii) notice from the City that it intends to deliver the Annual Filing to the Dissemination Agent by 11:59 p.m. on the Annual Filing Date, the City irrevocably directs the Dissemination Agent to immediately send a notice thereof to the Repository the following business day. Notwithstanding the foregoing, if the City fails to file the Annual Filing by 11:59 p.m. on the Annual Filing Date, the City directs the Dissemination Agent to immediately send a notice thereof to the Repository the following business day.

(c) If the System Audited Financial Statements are not available prior to the Annual Filing Date, the City shall, when the System Audited Financial Statements are available, provide in a timely manner an electronic copy to the Dissemination Agent.

(d) The Dissemination Agent shall:

(i) upon receipt, promptly file each Annual Filing received under Section 4(a) hereof with the Repository;

(ii) upon receipt, promptly file each System Audited Financial Statement received under Section 4(c) hereof with the Repository;

(iii) upon receipt, promptly file the text of each disclosure to be made with the Repository together with a completed copy of the MSRB Event Notice Cover Sheet in the form attached as Exhibit "B" or otherwise acceptable to the MSRB, describing the event by checking the box in said form when filing pursuant to the pertinent sections of this Disclosure Agreement; and

(iv) provide the City evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Dissemination Agent under this Disclosure Agreement.

(e) The City may adjust the Annual Filing Date upon change of its Fiscal Year by providing written notice of such change and the new Annual Filing Date to the Dissemination Agent and the Repository, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(f) Each Annual Filing shall contain the information set forth in Section 6 hereof.

Section 5. Reporting of Notice Events.

(a) To the extent applicable, the occurrence of any of the following events with respect to the Bonds, shall constitute a Notice Event:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person as described in the Notes to Paragraph (b)(5)(i)(C)(12) of the Rule;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the 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; or
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City shall promptly notify the Dissemination Agent in writing upon having actual knowledge of the occurrence of a Notice Event (and, in all cases in sufficient time for the Dissemination Agent to file a notice of any such Notice Event not later than ten business days after the occurrence thereof as required under Section 5(c) below); provided, however, to the extent any such Notice Event has been previously and properly disclosed by or on behalf of the City, the City shall not be required to provide such additional notice of such Notice Event in accordance with this subsection. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 5(c) hereof. Such notice shall be accompanied with the text of the disclosure that the City desires to make (each a “Notice Event Filing”), the written authorization of the City for the Dissemination Agent to disseminate such information, and the date the City desires for the Dissemination Agent to disseminate the information.

(b) The Dissemination Agent is under no obligation to notify the City or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will, within ten business days of receipt of such notice, instruct the Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made, or (ii) a Notice Event has occurred and the Dissemination Agent is to report the occurrence pursuant to Section 5(c) hereof, together with the text of the disclosure that the City desires to make, the written authorization of the City for the Dissemination Agent to disseminate such information, and the date the City desires for the Dissemination Agent to disseminate the information.

(c) If the Dissemination Agent has been instructed by the City as prescribed in subsection (a) or (b)(ii) of this Section 5 to report the occurrence of a Notice Event, the Dissemination Agent shall promptly file a notice of such occurrence with the Repository in an electronic format as prescribed by the Repository and in a timely manner not in excess of ten business days after the occurrence of the Notice Event.

Section 6. Content of Annual Filings. Each Annual Filing shall contain the following:

(a) Operating data or financial information, consisting of, to the extent not included in the System Audited Financial Statements, updates of the information contained in the charts in Appendix B of the Official Statement under the caption “Analysis of Sales,” “Water Customers,” “Largest Water Customers,” “Sewer Customers,” and “Largest Sewer Customers.”

(b) If available at the time of such filing, the System Audited Financial Statements for the prior Fiscal Year. If the System Audited Financial Statements are not available by the time the Annual Filing is required to be filed pursuant to Section 4(a) hereof, the Annual Filing shall contain unaudited basic financial statements of the System prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and the System Audited Financial Statements shall be filed in the same manner as the Annual Filing when they become available. The System Audited Financial Statements (if any) will be provided pursuant to Section 4(c) hereof.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the City is an Obligated Person, which have been previously filed with the Repository or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Repository. The City will clearly identify each such document so incorporated by reference.

Section 7. Responsibility for Content of Reports and Notices.

(a) The City shall be solely responsible for the content of each Filing (or any portion thereof) provided to the Dissemination Agent pursuant to this Disclosure Agreement. The Dissemination Agent shall not be responsible for reviewing or verifying the accuracy or completeness of any such Filings.

(b) Each Filing distributed by the Dissemination Agent pursuant to Section 4 or 5 hereof shall be in a form suitable for distributing publicly and shall contain the CUSIP numbers of the Bonds and shall be in substantially the form set forth in Exhibit “A” and Exhibit “B” attached hereto, as applicable. If an item of information contained in any Filing pursuant to this Disclosure Agreement would be misleading without additional information, the City shall include such additional information as a part of such Filing as may be necessary in order that the Filing will not be misleading in light of the circumstances in which made.

(c) Any report, notice or other filing to be made public pursuant to this Disclosure Agreement may consist of a single document or separate documents comprising a package and may incorporate by reference other clearly identified documents or specified portions thereof previously filed with the Repository or the SEC, provided that any final official statement incorporated by reference must be available from the Repository.

(d) Notwithstanding any provision herein to the contrary, nothing in this Disclosure Agreement shall be construed to require the City or the Dissemination Agent to interpret or provide an opinion concerning information made public pursuant to this Disclosure Agreement.

(e) Notwithstanding any provision herein to the contrary, the City shall not make public, or direct the Dissemination Agent to make public, information which is not permitted to be publicly disclosed under any applicable data confidentiality or privacy law or other legal requirement.

Section 8. Voluntary Reports.

(a) The City may instruct the Dissemination Agent to file information with the Repository, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information through the Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Filing, Annual Financial Statement, Voluntary Report

or Notice Event Filing, in addition to that required by this Disclosure Agreement. If the City chooses to include any information in any Annual Filing, Annual Financial Statement, Voluntary Report or Notice Event Filing in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Filing, Annual Financial Statement, Voluntary Report or Notice Event Filing.

(c) Notwithstanding the foregoing provisions of this Section 8, the City is under no obligation to provide any Voluntary Report.

Section 9. Defaults; Remedies.

(a) A party shall be in default of its obligations hereunder if it fails or refuses to carry out or perform its obligations hereunder for a period of five business days following notice of default given in writing to such party by any other party hereto or by any Third Party Beneficiary hereof, unless such default is cured within such five business day notice period. An extension of such five business day cure period may be granted for good cause (in the reasonable judgment of the party granting the extension) by written notice from the party who gave the default notice.

(b) If a default occurs and continues beyond the cure period specified above, any nondefaulting party or any Third-Party Beneficiary may seek specific performance of the defaulting party's obligations hereunder as the sole and exclusive remedy available upon any such default, excepting, however, that the party seeking such specific performance may recover from the defaulting party any reasonable attorneys' fees and expenses incurred in the course of enforcing this Disclosure Agreement as a consequence of such default. Each of the parties hereby acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder, and therefore agrees that the exclusive remedy of specific performance shall be available in proceedings to enforce this Disclosure Agreement.

(c) Notwithstanding any provision of this Disclosure Agreement or the Bond Resolution to the contrary, no default under this Disclosure Agreement shall constitute a default or event of default under the Bond Resolution.

Section 10. Amendment or Modification.

(a) This Disclosure Agreement shall not be amended or modified except as provided in this Section. No modification, amendment, alteration or termination of all or any part of this Disclosure Agreement shall be construed to be, or operate as, altering or amending in any way the provisions of the Bond Resolution.

(b) Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if: (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligor on the Bonds, or type of business conducted by such obligor; (ii) such amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by an unqualified opinion of counsel expert in federal securities laws retained by the City or by the approving vote of the beneficial owners of the Bonds owning more than two-thirds in aggregate principal amount of the Bonds outstanding at the time of such amendment or waiver; and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws retained by the City, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

(c) If any provision of Section 6 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

(d) If the provisions of this Disclosure Agreement specifying the accounting principles to be followed in preparing the City's financial statements are amended or waived, the Annual Filing for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to the beneficial owners of the Bonds to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. The City will file a notice of the change in the accounting principles with the Repository on or before the effective date of any such amendment or waiver.

(e) Notwithstanding the foregoing, the Dissemination Agent shall not be obligated to agree to any amendment expanding its duties or obligations hereunder without its consent thereto.

(f) The City shall prepare or cause to be prepared a notice of any such amendment or modification and shall direct the Dissemination Agent to make such notice public in accordance with Section 8 hereof.

Section 11. Agency Relationship.

(a) The Dissemination Agent agrees to perform such duties, but only such duties, as are specifically set forth in this Disclosure Agreement, and no implied duties or obligations of any kind shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Dissemination Agent may conclusively rely, as to the truth, accuracy and completeness of the statements set forth therein, upon all notices, reports, certificates or other materials furnished to the Dissemination Agent pursuant to this Disclosure Agreement, and in the case of notices and reports required to be furnished to the Dissemination Agent pursuant to this Disclosure Agreement, the Dissemination Agent shall have no duty whatsoever to examine the same to determine whether they conform to the requirements of this Disclosure Agreement.

(b) The Dissemination Agent shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Dissemination Agent unless it shall be proven that the Dissemination Agent engaged in negligent conduct or willful misconduct in ascertaining the pertinent facts related thereto.

(c) The Dissemination Agent shall perform its rights and duties under this Disclosure Agreement using the same standard of care as a prudent person would exercise under the circumstances, and the Dissemination Agent shall not be liable for any action taken or failure to act in good faith under this Disclosure Agreement unless it shall be proven that the Dissemination Agent was negligent or engaged in willful misconduct.

(d) The Dissemination Agent may perform any of its duties hereunder by or through attorneys or agents selected by it with reasonable care, and shall be entitled to the advice of counsel concerning all matters arising hereunder, and may in all cases pay such reasonable compensation as it may deem proper to all such attorneys and agents. The Dissemination Agent shall be responsible for the acts or negligence of any such attorneys, agents or counsel.

(e) None of the provisions of this Disclosure Agreement or any notice or other document delivered in connection herewith shall require the Dissemination Agent to advance, expend or risk its own funds or otherwise incur financial liability in the performance of any of the Dissemination Agent's duties or rights under this Disclosure Agreement.

(f) The Dissemination Agent shall not be required to monitor the compliance of the City with the provisions of this Disclosure Agreement or to exercise any remedy, institute a suit or take any action of any kind without indemnification satisfactory to the Dissemination Agent.

(g) The Dissemination Agent may include in any dissemination correspondence enclosing or furnishing any Notice Event Filings made public by it under this Disclosure Agreement the following disclaimer with respect to the source of the information contained in, and the identity of the party responsible for compiling or preparing, such reports or notices: "The information set forth in the attached notice has been provided by the City of

Jackson, Mississippi (the “City”) to Digital Assurance Certification, L.L.C. in its capacity as disclosure dissemination agent (the “Dissemination Agent”) for the City, together with written dissemination directions to the Dissemination Agent. The Dissemination Agent has not prepared or verified, and is not responsible in any way for, the content of this notice or the accuracy, timeliness or completeness thereof. Under no circumstances shall the Dissemination Agent or the City have any obligation or liability to any person or entity for (i) any loss, damage, cost, liability or expense in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstances involved in processing, collecting, compiling or interpreting the data included in this notice, or (ii) for any direct, indirect, special, consequential, incidental or punitive damages whatsoever arising from any investment decision or otherwise. This notice has not been reviewed or approved by any state or federal regulatory body.”

(h) Either party may terminate this Disclosure Agreement at any time by giving at least ninety (90) days prior written notice thereof to the other party. The Dissemination Agent may be removed for good cause at any time by written notice to the Dissemination Agent from the City, provided that such removal shall not become effective until a successor dissemination agent has been appointed by the City under this Disclosure Agreement.

(i) In the event the Dissemination Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Dissemination Agent for any reason, the City shall promptly appoint a successor. Notwithstanding any provision to the contrary in this Disclosure Agreement or elsewhere, the City may appoint itself to serve as Dissemination Agent hereunder.

(j) Any company or other legal entity into which the Dissemination Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Dissemination Agent may be a party or any company to whom the Dissemination Agent may sell or transfer all or substantially all of its agency business shall be the successor dissemination agent hereunder without the execution or filing of any paper or the performance of any further act and shall be authorized to perform all rights and duties imposed upon the Dissemination Agent by this Disclosure Agreement, anything herein to the contrary notwithstanding.

Section 12. Miscellaneous.

(a) Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Disclosure Agreement by the officers of such party whose signatures appear on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Disclosure Agreement under applicable law and any resolutions, ordinances, or other actions of such party now in effect, (iii) that the execution and delivery of this Disclosure Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party or its property or assets is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party’s knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Disclosure Agreement, or its due authorization, execution and delivery of this Disclosure Agreement, or otherwise contesting or questioning the issuance of the Bonds.

(b) This Disclosure Agreement shall be governed by and interpreted in accordance with the laws of the State of Mississippi and applicable federal law.

(c) If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(d) This Disclosure Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

Section 13. Identifying Information. All documents provided to the Repository pursuant to this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 14. Severability. In case any part of this Disclosure Agreement is held to be illegal or invalid, such illegality or invalidity shall not affect the remainder or any other section of this Disclosure Agreement. This Disclosure Agreement shall be construed or enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application of this Disclosure Agreement affect any legal and valid application.

[SIGNATURE PAGES TO FOLLOW]

**SIGNATURE PAGE TO
CONTINUING DISCLOSURE AGREEMENT
CITY OF JACKSON WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016**

IN WITNESS WHEREOF, the City and the Dissemination Agent have each caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

CITY OF JACKSON, MISSISSIPPI a municipal corporation duly organized and existing under the laws of the State of Mississippi

By: _____
Tony Yarber, Mayor

Date: _____

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

**SIGNATURE PAGE TO
CONTINUING DISCLOSURE AGREEMENT
CITY OF JACKSON WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016**

IN WITNESS WHEREOF, the City and the Dissemination Agent have each caused their duly authorized officers to execute this Continuing Disclosure Agreement to be effective as of the day and year so specified hereinabove.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Dissemination Agent

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT A

**NOTICE TO REPOSITORY OF THE OCCURRENCE OF
[INSERT THE NOTICE EVENT]**

Relating to

**\$17,135,000
CITY OF JACKSON, MISSISSIPPI
WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS,
SERIES 2016**

**Originally Issued on August 30, 2016
CUSIP NUMBERS**

468473DM2	468473DN0
468473DP5	468473DQ3
468473DR1	468473DS9
468473DT7	468473DU4

Notice is hereby given by the City of Jackson, Mississippi (the "City"), as obligated person with respect to the above-referenced Bonds issued by the City, under the Securities and Exchange Commission's Rule 15c2-12, that **[**INSERT THE NOTICE EVENT**]** has occurred. **[**DESCRIBE NOTICE EVENT AND MATERIAL CIRCUMSTANCES RELATED THERETO**]**.

This Notice is based on the best information available to the City at the time of dissemination hereof and is not guaranteed by the City as to the accuracy or completeness of such information. The City will disseminate additional information concerning **[**NOTICE EVENT**]**, as and when such information becomes available to the City, to the extent that the dissemination of such information would be consistent with the requirements of Rule 15c2-12 and the City's obligation under that certain Continuing Disclosure Agreement dated as of August 30, 2016. **[**Any questions regarding this notice should be directed in writing only to the City. However, the City will not provide additional information or answer questions concerning [**NOTICE EVENT**] except in future written notices, if any, disseminated by the City in the same manner and to the same recipients as this Notice**].**

DISCLAIMER: All information contained in this Notice has been obtained by the City from sources believed to be reliable as of the date hereof. Due to the possibility of human or mechanical error as well as other factors, however, such information is not guaranteed as to the accuracy, timeliness or completeness. Under no circumstances shall the City have any liability to any person or entity for (a) any loss, damage, cost, liability or expense in whole or in part caused by, resulting from or relating to this Notice, including, without limitation, any error (negligent or otherwise) or other circumstances involved in procuring, collecting, compiling, interpreting, analyzing, editing, transcribing, transmitting, communicating or delivering any information contained in this Notice, or (b) any direct, indirect, special, consequential or incidental damages whatsoever related thereto.

Dated: _____

CITY OF JACKSON, MISSISSIPPI

By: _____
Name: _____
Title: _____

EXHIBIT B

[CONTINUING DISCLOSURE] EVENT NOTICE COVER SHEET

This cover sheet and continuing disclosure event notices should be sent, with all submissions made, to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

City's and/or Other Obligated Person's Name: _____
City's Six-Digit CUSIP Number: _____ or Nine-Digit CUSIP Number(s) of the
certificates to which this material or other event notice relates: _____

Number of pages of attached continuing disclosure or other event notice: _____

Description of Continuing Disclosure Notice (Check One):

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinion, 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 Bonds, or other material events affecting the tax-exempt status of the Bonds
8. ☐ Modifications to rights of Bondholders
9. ☐ Bond calls and tender offers
10. ☐ Defeasances
11. ☐ Release, substitution, or sale of property securing repayment of the Bonds
12. ☐ Rating changes
13. ☐ Bankruptcy, insolvency, receivership or similar event of the City
14. ☐ The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms
15. ☐ Appointment of a successor or additional trustee or the change of name of a trustee
16. ☐ Other event(specify) _____

I hereby represent that I am authorized by the City or its agent to distribute this information publicly:

Signature: _____
Name: _____ Title: _____
Employer: Digital Assurance Certification, L.L.C.
Address: _____
City, State, Zip Code: _____
Voice Telephone Number: _____

APPENDIX G

SPECIMEN BOND INSURANCE POLICY

[See Attached]



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

APPENDIX H

CERTAIN DEFINITIONS AND INFORMATION CONCERNING THE GENERAL BOND RESOLUTION AND THE SERIES 2016 RESOLUTION

Certain Definitions

The following words and phrases shall have the following meanings unless the context otherwise requires:

“Act” shall mean together the Utilities Act and the Refinancing Act.

“Agent” shall mean any Paying Agent or Transfer Agent, whether serving in either or both capacities. The Agent shall initially be U.S. Bank National Association – a national banking institution organized and existing under the laws of the United States of America, or any successor thereto.

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

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

“Bankruptcy Code” shall mean the 11 U.S.C. Sections 101 *et seq.*, as amended or supplemented from time to time.

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a DTC participant on the records of such DTC participant, or such person’s subrogee.

“Bond Counsel” or “Co-Bond Counsel” shall mean Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi and Chambers & Gaylor Law Firm, PLLC, Jackson, Mississippi or any other nationally recognized attorneys on the subject of municipal bonds.

“Bond Fund” shall mean the Water and Sewer System Bond Fund created pursuant to Section 6.03(b) of the General Bond Resolution.

“Bondholder” or “holder of Bonds” or “owner of Bonds” or any similar term means the Registered Owner of any Bond.

“Bond Insurance Policy” shall mean the municipal bond insurance policy issued by the Bond Insurer, if any, guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

“Bond Insurer” shall mean Build America Mutual Assurance Company, guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

“Business Day” shall mean a day of the year on which banks located in the City in which the principal office of the Paying Agent is located are not required or authorized to remain closed.

“City” shall mean the City of Jackson, Mississippi.

“City Water/Sewer Bonds “ shall mean the portion of the 2005 Bonds not being refunded with the proceeds of the Series 2016 Bonds, the 2011A Bond, the 2011B Bond, the 2012A Bond, the 2012B Bond, the 2013 Bond and any other series of bonds issued pursuant to the provisions of the General Bond Resolution and any supplement thereto on parity with the 2005 Bonds not being refunded with the proceeds of the Series 2016 Bonds, the 2011A Bond, the 2011B Bond, the 2012A Bond, the 2012B Bond and the 2013 Bond.

“Clerk” or “City Clerk” shall mean the Clerk of the City.

“Closing Date” with respect to the Bonds shall mean the date of issuance and delivery of the Series 2016 Bonds to the Underwriters.

“Code” means the Internal Revenue Code of 1986 in effect on the date of issuance of the Series 2016 Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

“Costs of Issuance” shall mean items of expense payable or reimbursable by or indirectly by the City and related to the authorization, sale, validation and issuance of the Series 2016 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Paying Agent, Underwriter’s discount, legal fees and charges, accounting and other consulting fees, financial advisor fees and expenses, rating agencies’ fees, Paying and Transfer Agent fees, validation court costs, fees and charges for execution, transportation and safekeeping of Bonds, and other miscellaneous fees and costs.

“Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and approved by the City.

“Debt Service Account” shall mean the Water and Sewer System Debt Service Account created pursuant to Section 6.03(b)(1) of the General Bond Resolution within the Bond Fund for the payment of principal of and interest on bonds issued pursuant to the terms and provisions of the General Bond Resolution, including, but not limited to the Series 2016 Bonds.

“Debt Service Reserve Account” shall mean the Water and Sewer System Debt Service Reserve Account created pursuant to Section 6.03(b)(2) of the General Bond Resolution within the Bond Fund to secure the payment of principal of and interest on bonds issued pursuant to the terms and provisions of the General Bond Resolution.

“Default” shall mean an event or condition the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default under the Supplemental Series 2016 Resolution.

“Director of Administration” shall mean the Director of Administration of the City.

“DTC” shall mean The Depository Trust Company.

“Event of Default” shall mean any occurrence or event specified in the Supplemental Series 2016 Resolution.

“Fiscal Year” shall mean the period beginning on October 1 of one year and ending on September 30 of the following year.

“General Bond Resolution” shall mean that certain resolution adopted by the Governing Body on March 11, 1993, as the same may be amended from time to time, including, but not limited to, that amendment and supplement to the General Bond Resolution adopted by the Governing Body on March 16, 2004, that amendment and supplement to the General Bond Resolution adopted by the Governing Body on July 18, 2011 and that amendment and supplement to the General Bond Resolution adopted by the Governing Body on August 7, 2012.

“Governing Body” shall mean the City Council of the City.

“Governmental Obligations” means to the extent permitted by State law (a) direct obligations of the United States of America; (b) obligations guaranteed as to principal and interest by the United States of America or any federal agency whose obligations are backed by the full faith and credit of the United States of America, including but not limited to: Department of Housing and Urban Development, Export-Import Bank, Farmers Home Administration (or successor thereto), Federal Financing Bank, Federal Housing Administration, Maritime Administration, Small Business Administration, which obligations include but are not limited to certificates or receipts representing direct ownership of future interest or principal payments on obligations described in clause (a) or in this clause (b) and which are held by a custodian in safekeeping on behalf of the holders of such receipts; and (c) obligations of any state of the United States of America or any political subdivision thereof, the full payment of principal of, premium, if any, and interest on which (i) is fully and unconditionally guaranteed or insured by the United States of America, or (ii) is provided for by an irrevocable deposit of the securities described in clause (i) to the extent such investments are permitted by law.

“Interest Payment Date” means the interest payment dates for the Series 2016 Bonds payable semiannually on each March 1 and September 1, commencing March 1, 2017.

“Net Revenues” shall mean the excess of Water/Sewer Revenues over total Operating Expenses.

“Operating Expenses” shall mean (a) the reasonable expenses of operating and maintaining the System in good repair and working order as shall be determined in accordance with sound accounting practice, and (b) to the extent applicable, the reserve rentals payable by the City to the Hinds-Rankin Metropolitan Water and Sewer Association, Inc. (“Hirmet”) as compensation for the City’s acquisition of certain water and sewer facilities from Hirmet, which shall be treated as expenses of operating and maintaining the System; provided that “Operating Expenses” shall not include any allowance for depreciation.

“Opinion of Bond Counsel” means an opinion by a nationally recognized firm experienced in matters relating to the tax exemption for interest payable on obligations of states and their instrumentalities and political subdivisions under federal law, and which is acceptable to the Paying Agent.

“Opinion of Counsel” means a written opinion of Counsel addressed to the Paying Agent, for the benefit of the owners of the Series 2016 Bonds.

“Paying Agent” shall mean U.S. Bank National Association – a national banking institution organized and existing under the laws of the United States of America, or any successor thereto, acting as the Paying Agent under the Series 2016 Supplemental Resolution.

“Person” shall mean an individual, partnership, corporation, limited liability company, trust or unincorporated organization and a government or agency or political subdivision thereof.

“Principal Payment Date” means the maturity date or the mandatory sinking fund redemption date of any Series 2016 Bond.

“Project” shall mean providing funds to finance (a) the costs of the current refunding and redemption of the Refunded Bonds, (b) funding a debt service reserve fund for the Series 2016 Bonds, including, but not limited to, any premium for a debt service reserve fund surety bond or similar agreement, for the Series 2016 Bonds, and (c) paying the costs of issuance of the Series 2016 Bonds, including, but not limited to, any premium for bond insurance for the Series 2016 Bonds.

“Record Date” means the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding each Interest Payment Date.

“Redemption Price” means, with respect to any Series 2016 Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption prior to maturity.

“Refinancing Act” means Sections 31-27-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time.

“Refunded Bonds” shall mean all or a portion of the Series 2005 Bonds being refunded with the proceeds of the Series 2016 Bonds.

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

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw Hill Companies, its successors and assigns, and, if dissolved or liquidated or if it no longer performs the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City, by written notice to the Paying Agent.

“Series 2005 Bonds” shall mean the \$27,180,000 (original principal amount) City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bonds, Series 2005, dated August 4, 2005.

“Series 2011A Bond” shall mean the \$46,720,000 (original principal amount) City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond, Series 2011A, dated August 18, 2011.

“Series 2011B Bond” shall mean the \$2,565,000 (original principal amount) City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond, Series 2011B, dated August 18, 2011.

“Series 2012A Bond” shall mean the \$63,045,000 (original principal amount) City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond, Series 2012A, dated August 29, 2012.

“Series 2012B Bond” shall mean the \$19,180,000 (original principal amount) City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bond, Series 2012B, dated August 29, 2012.

“Series 2013 Bond” shall mean the \$89,990,000 (original principal amount) City of Jackson, Mississippi Water and Sewer System Revenue Bond, Series 2013, dated June 27, 2013.

“Series 2016 Bonds” shall mean the \$17,135,000 Water and Sewer System Revenue Refunding Bonds, Series 2016, of the City authorized and directed to be issued by this Series 2016 Supplemental Bond Resolution and the General Bond Resolution.

“Series 2016 Supplemental Bond Resolution” shall mean the resolution adopted by the Governing Body on May 17, 2016, pursuant to which the Bonds are being issued as the same from time to time may be amended.

“State” means the State of Mississippi.

“System” shall mean the combined water and sewer system of the City, including any enlargement and extension thereof.

“Transfer Agent” shall mean any bank, trust company or other institution hereafter designated by the Governing Body for registration of the owners of the Series 2016 Bonds and for the performance of such other duties as may be herein or hereafter specified by the Governing Body.

“Utilities Act” means Sections 21-27-11 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time.

“Underwriters” means George K. Baum and Company, Duncan-Williams Inc., and Hutchinson, Shockey, Erley & Co.

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

General Authorization and Purposes for Issuance

In order to provide moneys for the Project, there has been authorized in accordance with the Act bonds of the City to be known and designated as the City of Jackson, Mississippi Water and Sewer System Revenue Refunding Bonds, Series 2016, in the aggregate principal amount of \$17,135,000 (the “Series 2016 Bonds”), which Series 2016 City Bonds are being issued pursuant to a resolution of the City Council of the City (the “Council”) adopted on March 11, 1993, as amended and supplemented by a resolution adopted by the Council on March 16, 2004, July 18, 2011 and August 7, 2012 (the “General Bond Resolution”), and a resolution of the Council adopted May 17, 2016 (the “Series 2016 Supplemental Bond Resolution”).

Security

The principal of and interest on the Series 2016 Bonds shall be payable solely from the gross revenues derived from the operation of the combined water and sewer system of the City (the “System”), subject to the prior payment of the reasonable and necessary expenses of operating and maintaining the System, including certain amounts treated under the General Bond Resolution as expenses of operating and maintaining the System (the “Net Revenues”). The Bonds are secured by a lien on Net Revenues of the System as more fully described in the General Bond Resolution. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory restriction, limitation or provision, and the full faith, credit and taxing power of the City is not pledged to the payment of the Series 2016 Bonds, either as to principal or interest.

Parity Indebtedness and Subordinate Debt

THE GENERAL BOND RESOLUTION PROVIDES THAT UNDER CERTAIN CIRCUMSTANCES, ADDITIONAL BONDS MAY BE ISSUED BY THE CITY ON PARITY WITH THE SERIES 2016 BONDS AND THE CITY WATER/SEWER BONDS AND SECURED BY A PARITY LIEN ON NET REVENUES OF THE SYSTEM AND PAYABLE RATABLY FROM SUCH NET REVENUES ALONG WITH THE SERIES 2016 BONDS AND THE CITY WATER/SEWER BONDS.

The Series 2016 Bonds will be issued on a parity with the City’s outstanding 2005 Bonds which are not being refunded with the proceeds of the Series 2016 Bonds, the City’s outstanding \$46,720,000 Water and Sewer System Revenue Refunding Bond, Series 2011A, dated August 18, 2011, the City’s outstanding \$2,565,000 Water and Sewer System Revenue Refunding Bond, Series 2011B, dated August 18, 2011, the City’s outstanding \$63,045,000 Water and Sewer System Revenue Refunding Bond, Series 2012A, dated August 29, 2012, the City’s outstanding \$19,180,000 Water and Sewer System Revenue Refunding Bond, Series 2012B, dated August 29, 2012, the City’s outstanding \$89,990,000 Water and Sewer System Revenue Bond, Series 2013, dated June 27, 2013, and any other bonds issued pursuant to the General Bond Resolution (collectively, the “City Water/Sewer Bonds”) which are also secured by a parity lien on the Net Revenues of the System.

Additional Bonds

As provided in the General Bond Resolution, additional series of bonds can be issued on a parity with the City Water/Sewer Bonds, including the Series 2016 Bonds, upon satisfaction of the following conditions and the provision of the following:

- (a) A copy of the General Bond Resolution and the applicable series resolution;
- (b) The written order of the City as to the delivery of such additional series of bonds describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;
- (c) The amount (which amount may include a bond insurance policy, surety bond or letter of credit), if any, required for deposit in the Debt Service Reserve Account so that the balance on deposit in such account shall at least equal the Reserve Account Requirement, calculated immediately after the delivery of such Series of Bonds;
- (d) A certificate of the City and an Independent Consulting Engineer to the effect that:
 - (1) The City is current in all deposits into the various funds under the General Bond Resolution and all payments theretofore required to have been deposited or made by it under the provisions of the General Bond Resolution or any existing Series Resolution or Resolutions;
 - (2) the amount of the Adjusted Net Revenues (as adjusted by the following paragraphs A, B and C), computed on the basis of the Net Revenues during any twelve (12) consecutive months of the eighteen (18) months immediately preceding the delivery of such Series of Bonds, will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement after issuance of such Series of Bonds. Adjusted Net Revenues shall be calculated in accordance with the following considerations:
 - (A) If such Series of Bonds is being issued for the purpose of acquiring operating utility properties having an earnings record, the Independent Consulting Engineer shall estimate the effect on the Net Revenues of the acquisition of such utility properties and the integration thereof into the System, and the Net Revenues for such consecutive twelve-month period shall be adjusted to give effect to such estimate. Any such estimate shall be based upon the operating experience and records of the City during any period in which the System has been operated by the City (if applicable) and upon any available financial statements and records relating to the earnings of such utility properties to be acquired.
 - (B) If any changes have been made and are in effect at the time of the adoption of the Series Resolution authorizing the issuance of such Series of Bonds in the schedule of rates and charges imposed by the City for services furnished by the System which were in effect during any part of the consecutive twelve-month period referred to in this subsection (d)(2), Net Revenues for such consecutive twelve-month period shall be adjusted to reflect any change in such Net Revenues which would have occurred if the schedule of rates and charges in effect at the time of the adoption of the Series Resolution authorizing the issuance of such Series of Bonds had been in effect during that portion of such consecutive twelve-month period in which such schedule was not in effect.
 - (C) If such Series of Bonds is being issued for the purpose of the constructing or otherwise acquiring improvements or additions to the System and, in the opinion of such Independent Consulting Engineer, such improvements or additions will result in increases in Net Revenues of the System, in computing Adjusted Net Revenues, Net Revenues shall be increased by the amount of such expected increase, as estimated by such Independent Consulting Engineer.

(e) A Certificate of the City stating that no “event of default” under the General Resolution, and no event which with notice or lapse of time or both would become an “event of default” thereunder, has occurred and is continuing;

(f) An opinion of Nationally Recognized Bond Counsel to the effect that: the General Bond Resolution and the Series Resolution authorizing the additional Series of Bonds have been duly adopted by the City; that the General Bond Resolution and such Series Resolution are valid, binding and enforceable (subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ right and the exercise of judicial discretion in accordance with general principles of equity) obligations of the City; that the General Bond Resolution and such Series Resolution create a valid and binding pledge of and lien on the Net Revenues, enforceable (in accordance with the terms of the General Bond Resolution and such Series Resolution, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ right and the exercise of judicial discretion in accordance with general principles of equity) for the security of the Bonds, on a parity with other Bonds (if any) to be issued under the General Bond Resolution and that the Bonds of such Series have been duly and validly authorized and delivered and are valid, legal and binding special obligations of the City, payable from the sources provided therefor in the General Bond Resolution and such Series Resolution; and

(g) Such further documents and moneys as may be required by the provisions of the Series Resolution.

Nothing shall prevent the City from issuing Subordinate Indebtedness on such terms as provided for in the Series Resolution for such Subordinate Indebtedness.

The following shall have the following meanings for purposes of this section.

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

“Consulting Engineer” shall mean any engineer or engineering firm employed as a consulting engineer for the System by the City and may include a certified engineer who is an employee of the City.

“Fiscal Year” shall mean the period commencing the first day of October of any year and ending on the last day of September of the following year.

“Independent” shall mean a Person who is not connected with the City as an official, officer, employee, trustee or person performing a similar function.

“Maximum Annual Debt Service Requirement” shall mean, at any given time of determination with respect to the Bonds outstanding under the General Bond Resolution, an amount equal to the maximum Annual Debt Service Requirement for the then current or any future Fiscal year.

“Nationally Recognized Bond Counsel” shall mean an attorney or firm of attorneys with a national reputation for rendering opinions in connection with the issuance of municipal obligations and the tax-exempt status under federal law of interest on such obligations.

“Series of Bonds” or “Bonds of a Series” shall mean any series of Bonds authorized by a Series Resolution.

“Series Resolution” shall mean an order or resolution adopted by the City pursuant to the General Bond Resolution, any Series Resolution or any Supplemental Resolution.

“Supplemental Resolution” shall mean any Series Resolution or any order or resolution adopted by the City in accordance with the General Bond Resolution hereof amending or supplementing the General Bond Resolution, any Series Resolution or any Supplemental Resolution.

Payment of Principal, Premium, if any, and Interest

The City will duly and punctually pay the principal of, premium, if any, and interest on the Series 2016 Bonds at the dates and the places and in the manner set forth in the Series 2016 Supplemental Bond Resolution.

Redemption of the Series 2016 Bonds

The City shall only be permitted to redeem the Series 2016 Bonds pursuant to the Series 2016 Supplemental Bond Resolution.

Flow of Funds

Funds and Accounts

(a) Pursuant to the General Bond Resolution, the City has established the following funds and accounts:

- (i) a Water and Sewer System Revenue Fund for the deposit of all revenues of the System;
- (ii) a Water and Sewer System Operation and Maintenance Fund to be used for the operation and maintenance of the System;
- (iii) a Water and Sewer System Bond Fund (the “Bond Fund”), including therein a Water and Sewer System Debt Service Account (the “Debt Service Account”) and a Water and Sewer System Debt Service Reserve Account (the “Debt Service Reserve Account”), to be used for the payment of the principal of and interest on bonds issued pursuant to the General Bond Resolution;
- (iv) a Water and Sewer System Contingent Fund to be used for defraying the cost of the operation and maintenance of the System;
- (v) a Water and Sewer System Subordinate Bond Fund to be used for the purpose of paying debt service on any Subordinate Indebtedness (as defined in the General Bond Resolution);
- (vi) a Water and Sewer System Rate Stabilization Fund to be used in accordance with the terms and provisions of the General Bond Resolution; and
- (vii) a Water and Sewer System Surplus Fund to be used in accordance with the terms and provisions of the General Bond Resolution.

(b) As provided in the General Bond Resolution, any bonds issued pursuant to the terms and provisions of the General Bond Resolution, including the Series 2016 Bonds, shall, to the extent provided in the General Bond Resolution, be entitled to the benefit of the funds and accounts set out in (a) above.

Covenants in the Series 2016 Supplemental Bond Resolution

The City covenants and agrees that it will perform all duties required by law and by the General Bond Resolution and the Series 2016 Supplemental Bond Resolution; that it will apply the proceeds of the Series 2016 Bonds to the purposes set forth in the Series 2016 Supplemental Bond Resolution; that, as long as the Series 2016 Bonds are outstanding, it will operate and maintain the System; that it will fix and maintain rates and make and collect charges for the services of the System, without regard to the user thereof, sufficient to provide for the operation and maintenance of the System in good repair and working order, to provide for the payment of the

principal of and interest on the Series 2016 Bonds as same shall mature and accrue, and to provide for such other funds, all as set forth in the General Bond Resolution; and that such an amount of the gross revenues of the System remaining after paying the expenses of operating and maintaining the System as will maintain the payment of the principal and interest on the Series 2016 Bonds, as the same shall mature and accrue, has been irrevocably pledged to said purpose; provided that such pledge is on a parity with the City Water/Sewer Bonds and any additional bonds issued on a parity with the Series 2016 Bonds pursuant to the General Bond Resolution.

Prepayment of the Series 2016 Bonds

The Series 2016 Bonds are subject to redemption prior to maturity only at the times, to the extent, in the manner and as otherwise provided in the 2016 Supplemental Bond Resolution. In the event the City elects to redeem the Series 2016 Bonds or any portion thereof, the City shall provide proper notices to the Paying and Transfer Agent as provided in the 2016 Supplemental Bond Resolution, and redemption of the Series 2016 Bonds or any portion thereof shall be as provided in the Series 2016 Supplemental Bond Resolution.

System Operation and Maintenance

The General Bond Resolution requires the City to maintain the System and all parts thereof in good condition, and to continuously operate the same in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof.

Rates and Charges

(a) The City shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to produce Net Revenues in each Fiscal Year at least equal to the greater of:

(1) 120% of the sum of the annual Debt Service Requirement on the Series 2016 Bonds in such Fiscal Year. Net Revenues in such Fiscal Year will be increased for amounts deposited to the Revenue Fund from the Rate Stabilization Fund and will be decreased for amounts deposited to the Rate Stabilization Fund from the Revenue Fund; or

(2) 100% of the sum of:

(A) the Annual Debt Service Requirement on the Series 2016 Bonds and all Subordinate Indebtedness in such Fiscal Year,

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

(C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, not otherwise provided for in this subsection (2).

(b) The City shall adopt a rate ordinance which shall provide Revenues in each Fiscal Year sufficient to satisfy the requirements of Section 6.01 of the General Bond Resolution. To the extent permitted by applicable law: that aforesaid rate ordinance shall also provide for a penalty charge for non-payment of bills within a specified number of days after their due date and discontinuance of service upon non-payment of bills within a specified number of days after their due date, and the City shall discontinue the supplying of the services and facilities of the System for non-payment of bills for such services and facilities within such time period and will not restore the services and facilities of the System to any of such delinquent users until payment in full of all delinquent charges, including reasonable charges for restoration of services.

(c) If the Revenues in any Fiscal Year as shown by the City's audit are less than the total amount set forth in subsection (a) of this Section, then it shall, as promptly as possible, request an Independent Consulting

Engineer to make recommendations as to a revision of such rates, fees and charges or methods of operating the System which will result in producing the required amount in the following Fiscal Year. Upon receipt of such recommendations the City shall, subject to applicable requirements imposed by law, immediately revise such rates, fees and charges and take such other actions respecting the methods of operation of the System as shall in its discretion be deemed necessary.

Sale or Encumbrance of the System

The General Bond Resolution grants the City the right to sell, lease or otherwise convey the System as a whole or any property comprising a part of the System if the City first receives (a) an opinion of nationally recognized Bond Counsel to the effect that such sale, lease or other conveyance will not adversely affect the tax-exempt status of interest on bonds issued pursuant to the authority of the General Bond Resolution (which then pay interest which is excluded from gross income for federal income tax purposes,) (b) written confirmation from all rating agencies which then have a rating on the bonds issued pursuant to the authority of the General Bond Resolution that such sale, lease or other conveyance will not adversely affect the ratings then applicable to those bonds, and (c) written consent to such sale, lease or other conveyance from any bond insurer which then insures any of the bonds issued pursuant to the authority of the General Bond Resolution.

The foregoing provision notwithstanding, the City has the right to sell or otherwise dispose of any of the property comprising a part of the System for fair and reasonable prices if the City first receives from an independent consulting engineer a written finding determining that such property is no longer necessary, useful or profitable in the operation of the System. The proceeds from any such sale or other disposition shall be deposited in the Revenue Fund and used only as provided in the General Bond Resolution.

APPENDIX I

BOOK-ENTRY-ONLY SYSTEM

The information provided under this section has been provided by DTC. No representation is made by the City as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

Book-Entry-Only System

The City has determined that it will be beneficial to have the Series 2016 Bonds held by a central depository system and to have transfers of the Series 2016 Bonds affected by book-entry on the books of DTC as such central depository system. Accordingly, beneficial ownership interests in the Series 2016 Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2016 Bonds (the “Beneficial Owners” and each a “Beneficial Owner”) will not receive certificates representing their interests in the Series 2016 Bonds purchased.

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by the authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2016 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bank or the Trustee or both. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the City and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered.

In addition, the City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered to DTC.

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

So long as Cede & Co. is the registered holder of the Series 2016 Bonds as nominee of DTC, references herein to the Holders, holders, or registered owners of the Series 2016 Bonds mean Cede & Co. and not the Beneficial Owners of the Series 2016 Bonds.

THE CITY, THE BOND INSURER AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS (A) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM, IF ANY, ON THE SERIES 2016 BONDS; (B) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2016 BONDS; OR (C) REDEMPTION OR OTHER

NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2016 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE CITY, THE BOND INSURER NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM, IF ANY, ON THE SERIES 2016 BONDS; (C) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO BONDHOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2016 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.