

WHAT IS JACKSON HIDING?

**\$101 Million
in
Hidden Debt**



88% of Jackson's retirement debt is not clearly disclosed on its balance sheet.

Once these hidden debts are counted, Jackson's balance sheet doesn't look so great. In fact, the city is sinking in debt. One of the reasons Jackson is in this precarious financial position is city officials use antiquated budgeting and accounting rules to report Jackson's financial condition.

Truth in Accounting's detailed analysis discovered a total of \$114 million of retirement benefits are owed, but not funded. Because of the confusing way the city does its accounting, only \$13 million of these liabilities are reported on Jackson's balance sheet. If this debt is included, Jackson has a \$84 million shortfall, which effectively represents compensation and other costs that have been pushed into the future.

Jackson's BILLS EXCEED ITS ASSETS

**\$36 Million
ASSETS**

**\$120 Million
BILLS**

**\$84 Million
NEEDED TO
PAY BILLS**

THE FINANCIAL STATE OF JACKSON

The City's Bills Exceed Its Assets

| | |
|--------------------------------------|----------------|
| Assets | \$176,570,000 |
| Less: <i>Capital Assets</i> | \$133,890,000 |
| <i>Restricted Assets</i> | \$6,502,000 |
| Assets Available to Pay Bills | \$36,178,000 |
| Less: Bills | \$119,991,000 |
| Money Needed to Pay Bills | \$83,813,000 |
| Each Taxpayer's Share of Debt | \$8,200 |

Jackson has \$177 million in assets, but most of these assets are not available to pay city bills.

The \$134 million of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$7 million of the assets is restricted by law or contract.

That leaves \$36 million of city's assets available to pay \$120 million of bills as they come due.

The \$84 million shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's share of the city's debt is \$8,200.



Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

www.TruthInAccounting.org

www.StateDataLab.org

The Bills Jackson Has Accumulated

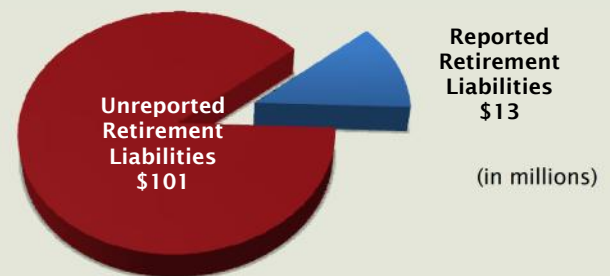
| | |
|---|----------------------|
| Bonds | \$40,575,000 |
| Other Liabilities | \$5,347,000 |
| Less: Debt Related to Capital Assets | \$39,671,000 |
| Unfunded Pension Benefits | \$54,620,000 |
| Unfunded Retirees' Health Care Benefits | \$59,120,000 |
| Bills | \$119,991,000 |

Despite the balanced budget requirement, the city has accumulated bonds of \$41 million and other liabilities of \$5 million. The calculation of assets available to pay bills does not include capital assets, so \$40 million of related debt is removed from the calculation of city bills.

Unfunded employees' retirement benefits represent 95% of city bills. These unfunded liabilities have accumulated because city employees have been promised \$55 million of pension benefits and \$59 million of retirees' health care benefits, but the city has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of Jackson's actuaries' schedules found retirement benefits totaling \$114 million have been promised, but not funded. A review of the city's balance sheet determined only \$13 million of these liabilities are reported. This means the city does not report \$101 million of retirement liabilities on its balance sheet.

Data is derived from the city of Jackson's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the city's population with a federal tax liability.