

CHAPTER X

BORROWING AND DEBT ADMINISTRATION

P. C. (Mac) McLaurin, Jr. and Randall B. Wall

A board of supervisors may decide that the best interests of the citizenry are served by the county incurring debt. Borrowing may be of the short-term or long-term variety. In addition, borrowing by a county may take the form of a lease or rental contract.

LIMITATIONS ON INDEBTEDNESS⁵⁷⁷

A county's bonded debt [secured by a pledge of its "full faith and credit" (in effect, its taxing authority)] is limited to the *greater* of: (a) fifteen percent (15%) of the assessed value of all taxable property within the county, according to the last completed assessment for taxation, or (b) fifteen percent (15%) of the assessment upon which taxes were levied for the county's fiscal year ending September 30, 1984. However, any county which has washed-out or collapsed bridges on the county's public roads may issue bonds for bridge purposes in an amount which, when added to the then outstanding general obligation bonds of the county, must not exceed the *greater* of: (a) twenty percent (20%) of the assessed value of all taxable property within the county, according to the last completed assessment for taxation, or (b) fifteen percent (15%) of the assessment upon which taxes were levied for the county's fiscal year ending September 30, 1984.

Certain indebtedness supported by revenues from ports, hospitals, or other capital improvements payable primarily from net revenues generated from such sources may be excluded from the aforesaid debt limits. However, a county is prohibited from contracting any debt to be repaid in whole or in part from proceeds of ad valorem taxes which exceeds: (a) twenty percent (20%) of the assessed value of all taxable property within the county, according to the last completed assessment for taxation, or (b) fifteen percent (15%) of the assessment upon which taxes were levied for the county's fiscal year ending September 30, 1984, *whichever is greater*.

These debt limitations do not apply to contractual obligations incurred by a county which are subject to annual appropriations. Moreover, these debt limitations do not apply to bonds issued for school purposes or to bonds issued under § 57-1-1 through § 57-1-51 of the *Code* (certain industrial development purposes).

SHORT-TERM DEBT

Borrowing in Anticipation of Taxes

1. Tax Anticipation Notes⁵⁷⁸

In order to defray the expenses of a county (particularly from the start of the fiscal year on October 1 until the tax collection process begins around the first of each calendar

⁵⁷⁷The information in this section is taken from § 19-9-5 of the *Code*.

⁵⁷⁸Most of the material in this section is found in § 19-9-27 of the *Code*.

year), a board of supervisors may borrow money in anticipation of taxes. The amount of money borrowed must not exceed twenty-five percent (25%) of the estimated amount of taxes collected and to be collected under the last annual tax levies for the particular fund for which the money is borrowed. A county may borrow money in anticipation of ad valorem taxes without regard to the statutory limitations on a county's total indebtedness.

A board of supervisors may borrow this money from any available fund in the county treasury or from any other source. For this debt, a board of supervisors will issue negotiable notes of the county, bearing a maximum interest rate of eleven percent (11%)⁵⁷⁹, which mature no later than April 1 of the year after the year the debt is incurred. Notes or obligations issued in excess of the borrowing limit specified above are void.

To repay this type of loan, a board of supervisors may (a) pledge that the notes will be paid out of the first money collected for taxes for the year in which the notes are issued; or (b) pledge the levy of a special tax each year sufficient to pay the amount borrowed for use that year, including interest. If the "special tax" method of repayment is selected, the special tax may be in excess of the rate of taxation otherwise limited by law.

Before issuing tax anticipation notes, a board of supervisors must publish notice of its intention to issue the notes once a week for three weeks in some newspaper having general circulation in the county. There must be a minimum of twenty-one (21) days and a maximum of sixty (60) days between the time the notice is first published in the newspaper and the meeting at which the board of supervisors proposes to issue the tax anticipation notes. If within the time of giving notice, a petition protesting the issuance of the notes [signed by twenty percent (20%) of the qualified electors in the county or fifteen hundred (1,500) qualified electors, *whichever is less*] is filed, an election must be called for the purpose of seeking voter approval of the issuance of the notes. Three-fifths (3/5) of the qualified electors of the county who vote in the election must approve the issuance of tax anticipation notes.

2. Other Authorized Borrowing in Anticipation of Taxes or Revenues

In addition to this general grant of power to borrow in anticipation of taxes:

- a. A board of supervisors is specifically authorized to borrow money for the purposes of defraying the expenses of the establishment and operation of garbage and rubbish disposal systems. This borrowing may be in anticipation of the tax levy authorized for such systems or revenues resulting from the assessment of any fees or charges for garbage and/or rubbish collection and/or disposal, or any combination of the two (2) sources of revenue;⁵⁸⁰ and
- b. Boards of supervisors of counties comprising an air ambulance service district may borrow, on behalf of the district, money in anticipation of the revenues to be received from taxes levied by district counties for the support of the district.⁵⁸¹

⁵⁷⁹Code, § 75-17-105.

⁵⁸⁰Code, § 19-5-21.

⁵⁸¹Code, § 41-55-45(g).

Borrowing in Anticipation of Confirmed Federal or State Grants or Loans⁵⁸²

A county with a binding commitment from the United States of America, or any of its agencies, or the State of Mississippi, or any of its agencies, for a grant or loan may borrow in anticipation of receipt of the grant or loan, unless prohibited by federal or state law or by the terms of the grant or loan. The amount borrowed is limited to the sum of: (a) the amount of the confirmed grant or loan; (b) the amount of interest payable on the debt; and (c) the reasonable cost of incurring the indebtedness or issuing the note or notes evidencing the indebtedness. The security for such interim financing is the proceeds of the grant or loan.

A county may borrow money in anticipation of confirmed grants or loans without regard to the statutory limitations on a county's total indebtedness. This type of borrowing does not require publication of a notice of intention or consent of the qualified electors.

A board of supervisors may borrow this money from any available fund in the county treasury [except taxes collected in excess of legal limits or taxes collected from the special one (1) mill levy available to counties with tax assessment records, maps, personnel, and procedures approved by the state tax commission] or from any other source. This type of debt, structured upon the terms and conditions agreed upon by the county and the source of the loan, carries a maximum interest rate of nine percent (9%)⁵⁸³ and must be repaid from the first available federal funds received from the grant or loan.

In the event grant or loan proceeds pledged to the repayment of the debt have not been received in time to pay, at maturity, all or part of the principal and interest on the indebtedness, a county may borrow additional moneys in anticipation of the grant or loan proceeds in order to pay the original indebtedness at maturity. The original indebtedness must be promptly repaid upon receipt of the proceeds of such subsequent borrowing.

Borrowing to Meet Emergencies⁵⁸⁴

In the event of some emergency (caused by fire, flood, storm, epidemic, riot, or insurrection; or defective construction; or the need to immediately preserve order or public health; or the need for restoration of the usefulness of any public building or property which has been destroyed by accident or otherwise; or the need to make mandatory expenditures required by law), a board of supervisors may borrow money to meet the emergency (but not more than is needed) without further notice or hearing. A board of supervisors must adopt, by unanimous vote of all members present, a resolution stating the facts constituting the emergency, enter the resolution on its minutes, and revise the county's budget accordingly.

Notes of the county for the amount borrowed may be issued. In such event, a board of supervisors may levy a special tax, not to exceed two (2) mills, for the repayment of the notes, which must mature not later than the fifteenth (15th) day of March next succeeding the date of issuance.

⁵⁸²The material in this section is taken from § 19-9-28 of the *Code*.

⁵⁸³*Code*, § 75-17-107.

⁵⁸⁴The information in this section is found in § 19-11-21 of the *Code*.

Shortfall Notes⁵⁸⁵

Counties may issue notes in an amount equal to an estimated ad valorem tax shortfall, but not to exceed twenty-five percent (25%) of its budget anticipated to be funded from the sources of the shortfall for its fiscal year. Such notes must be repaid in equal installments during the three fiscal years next succeeding the issuance of such notes.

Short-term Financing Procedure⁵⁸⁶

In 1985, the legislature enacted a “Uniform System for Insurance of Negotiable Notes or Certificates of Indebtedness.” This law, as amended in 1994, authorizes a board of supervisors to borrow money up to the *greater* of one percent (1%) of the assessed value of all taxable property located within the county according to the last completed assessment of taxation, or Two Hundred Fifty Thousand Dollars (\$250,000.00). Such borrowing may be undertaken:

- a. “to accomplish any purpose for which such governing authorities are otherwise authorized by law to issue bonds, notes or certificates of indebtedness; and
- b. to pay costs incurred by governing authorities as a result of a natural disaster. Such costs shall include, but not be limited to, debris removal and disposal, overtime wages paid to public employees, and the repair or replacement of public streets, roads and bridges, storm drains, water and sewer facilities and other public buildings, facilities and equipment. Money borrowed pursuant to this paragraph (b) may also be utilized as matching funds for federal or state disaster relief assistance.”

This statutory procedure provides a convenient and streamlined method for obtaining short-term financing:

1. The governing authority, which would include a board of supervisors, is required first to adopt a resolution declaring the necessity for borrowing and specifying the purpose for which the money borrowed is to be expended, the amount to be borrowed, the date or dates of maturity, and how the indebtedness is to be evidenced.
2. The borrowing must be evidenced by negotiable notes or certificates of indebtedness signed by the head and clerk of such governing authority.
3. Such notes or certificates of indebtedness must be offered at public sale by the governing authority after not less than ten (10) days advertising in a newspaper having general circulation within the county.
4. The sale must be made to the bidder offering the lowest rate of interest or whose bid represents the lowest net cost to the governing authority; the maximum rate of interest which the governing authority can pay is eleven percent (11%).⁵⁸⁷

⁵⁸⁵ *Code*, § 27-39-333.

⁵⁸⁶ The information in this section is taken from § 17-21-51 *et seq.* of the *Code*.

⁵⁸⁷ *Code*, § 75-17-101.

5. The notes or certificates of indebtedness must be sold at not less than par and shall mature in approximately equal installments of principal and interest over a period of not more than five (5) years from the dates of the issuance thereof.
6. The full faith, credit, and resources of the issuing entity are pledged for the prompt payment of the notes or certificates of indebtedness.
7. If the issuing entity does not have available funds in an amount sufficient to provide for the payment of principal and interest, then it is required annually to levy a special tax upon all of its taxable property at a rate sufficient to provide for such payment.

RENTAL CONTRACTS OR LEASES

A board of supervisors may enter into lease agreements under which the county may agree to lease, for a primary term not to exceed twenty (20) years, a facility for the following purposes: public buildings, courthouses, office buildings, jails, auditoriums, community centers, civic art centers, public libraries and gymnasiums; and machinery and equipment for use in any of the foregoing, except office furniture and office machines, for a primary lease term not to exceed the useful life of the machinery or equipment as mutually agreed upon by the lessor and the county. All such rental contracts or leases must contain an option granting the county the right to purchase the leased property upon the expiration of the term of the lease or upon an earlier date agreed upon at a price not to exceed the unpaid principal balance at such time.⁵⁸⁸

Lease financing revenues may come from any legally-available source. [Counties are still limited to the ten percent property tax growth cap, however.] Generally, with regard to leases involving public buildings, the lessor is a non-profit corporation organized under applicable state law acting on behalf of the county for the purpose of financing the acquisition and construction of a public building. The lessee is generally the applicable county. If the obligation is subject to annual appropriation, then no notice of intent or election is required and the obligations are not subject to the debt limit of the county. As might be expected, interest rates will be at least slightly higher than for general obligations of the issuer. Certificates of participation can be issued which give the holders thereof a proportional interest in the lease-purchase obligation [§ 31-8-1 through § 31-8-13].

LONG-TERM DEBT

Issuing bonds is often the best way, and sometimes the only way, a county can raise sufficient funds to purchase expensive equipment or undertake large capital projects. This section presents an overview of the different types of bonds, the different purposes for which bonds can be issued, and the processes of issuing, underwriting, marketing, and servicing bonds.

Although the elected and appointed officials of most counties are usually not financial experts and participate only occasionally in the debt market, local officials need to understand the basics of the bond process so that they can make informed decisions and explain their county's special needs to the citizenry. Mistakes in the issuing of bonds can be costly, both fiscally and politically.

⁵⁸⁸Code, §§ 31-8-1 through 31-8-5.

Nature and Purposes of Bonds

A bond issued by a county is a written promise of the county to pay a specified sum of money (the face value or principal amount) at a specified date or dates in the future (the maturity date or dates) together with periodic interest at a specified rate (compensation paid for use of the money).

State law authorizes a board of supervisors of any county to issue negotiable bonds to raise money for many purposes and types of projects, including but not limited to the following:

1. County buildings, courthouses, office buildings, jails, hospitals, nurses' homes, health centers, clinics, and related facilities, including the purchase of land therefor; [*Code*, § 19-9-1(a)]
2. County homes for the indigent, including purchasing land therefor; [*Code*, § 19-9-1(b)]
3. Public libraries, including land, equipment, and books therefor; [*Code*, § 19-9-1(c)]
4. County farms for convicts, including land and buildings therefor; [*Code*, § 19-9-1(d)]
5. Roads, highways, and bridges, including land and rights-of-way therefor, and heavy construction equipment and accessories thereto reasonably required for the construction, repair, and renovation of said roads, highways, and bridges and approaches thereto; [*Code*, § 19-9-1(e)]
6. Buildings and specified related facilities for agricultural high schools and agricultural high school-junior colleges, including purchasing land therefor; [*Code*, § 19-9-1(f)]
7. Voting machines and any other election equipment to be used in elections held within the county; [*Code*, § 19-9-1(g)]
8. Boat landing ramps and wharves in certain designated counties; [*Code*, § 19-9-1(h)]
9. Airport facilities for colleges and universities, including the purchase of land therefor; [*Code*, § 19-9-1(i)]
10. Airports and air navigation facilities; [*Code*, § 19-9-1(j)]
11. Rubbish and garbage disposal facilities; [*Code*, § 19-9-1(k)]
12. Projects of the county cooperative service district in which it is a participating county; [*Code*, § 19-9-1(l)]
13. Machinery and equipment which have an expected useful life in excess of ten (10) years, excluding any motor vehicle weighing less than twelve thousand (12,000) pounds; [*Code*, § 19-9-1(m)]
14. Fire fighting equipment and apparatus, including housing for the same and purchasing land therefor; [*Code*, § 19-9-1(n)]
15. Jails, jointly with municipalities; (*Code*, § 17-5-1)

16. Solid or hazardous waste disposal projects; (*Code*, § 17-17-105)
17. Solid waste management facilities; (*Code*, § 17-17-329)
18. Closure, post-closure maintenance, or corrective action for solid waste management facilities; (*Code*, § 17-17-335)
19. Access roads or publicly-owned railroads to and from sulphur extraction plants in certain counties; (*Code*, § 27-25-706)
20. Pollution (air and water) control facilities; (*Code*, § 49-17-101 *et seq.*)
21. Wastewater management facilities in certain counties; (*Code*, §§ 49-17-185 and 49-17-325)
22. Sea walls in certain counties; (*Code*, § 65-33-1 *et seq.*)
23. Industrial projects; (*Code*, § 57-1-1 *et seq.*)
24. Community hospitals; (*Code*, § 41-13-10 *et seq.*)
25. Nursing homes; (*Code*, § 19-5-39)
26. Ports/industrial parks; (*Code*, § 59-9-3 and § 59-9-37)
27. Ports and harbors; (*Code*, Chapters 7 & 9 of Title 59)
28. Industrial parks; (*Code*, § 57-5-1 *et seq.* and § 19-5-99)
29. Industrial revenue bonds; (*Code*, § 57-3-1 *et seq.*)
30. Refunding bonds; (*Code*, §§ 31-27-1 *et seq.* and 31-15-1 *et seq.*)
31. Urban renewal; (*Code*, § 43-35-1 *et seq.*)
32. Tax shortfall notes; (*Code*, § 27-39-333)
33. Small industrial revenue bond issues; (*Code*, § 57-41-1 *et seq.*)
34. Economic Development (*Code*, § 19-9-1, § 21-45-1 *et seq.*)

In addition to the purposes specified above:

1. A board of supervisors of a “district (beat) system” county may issue negotiable bonds of any road district or supervisors district within the county to raise money for the purpose of constructing, reconstructing, and repairing roads, highways, and bridges and acquiring the necessary land, including land for building materials, and rights-of-way.⁵⁸⁹

⁵⁸⁹*Code*, § 19-9-3.

2. A board of supervisors in certain counties [*Code*, § 19-9-1(h)] may issue negotiable bonds of any supervisors district or districts in the county to raise money for the constructing, reconstructing, or repairing boat landing ramps and wharves.⁵⁹⁰

Financing Options

Each type of bond issue has certain advantages or disadvantages. The type of bonds issued to finance a public improvement depends upon the custom and tradition of the county and upon the circumstances of the particular project to be financed. The following is an overview of some of the bond financing options for counties in Mississippi.

1. General Obligation Bonds (GO Bonds)⁵⁹¹

General obligation bonds pledge the unlimited taxing power and the full faith and credit of the county to meet the required payments of principal and interest. GO bonds are limited to a maximum maturity of twenty (20) years and can carry a maximum interest rate of eleven percent (11%).⁵⁹²

The general obligation (or tax-supported) bonded debt of a county is limited as described elsewhere in this chapter.

2. Revenue Bonds

Revenue bonds pledge the revenue from the facility financed by the bonds to meet the bond principal and interest payments. Revenue bonds are appropriate debt instruments when the project can be expected to generate sufficient revenue to meet operating and debt service costs. Counties usually pay higher interest rates on revenue bonds than on GO bonds because revenue bonds are generally considered to carry more risk in terms of repayment of the bonds. The maximum interest rate to maturity for revenue bonds is thirteen percent (13%).⁵⁹³ Hospital revenue bonds and certain indebtedness supported by specified revenues from ports are examples of this type of bond issue.

3. Industrial Development Revenue Bonds (IDRBs)

County IDRBs. Industrial development revenue bonds are issued for purposes of industrial development related to products of agriculture, mining, or industry – the acquisition, construction, equipping, and leasing of facilities related to manufacturing, processing, assembling, etc.. Projects must be approved (granted a Certificate of Public Convenience and Necessity) by the Mississippi Development Authority. Bonds issued for such projects are subject to no maximum interest rate and are repaid solely out of the

⁵⁹⁰Ibid.

⁵⁹¹*Code*, § 19-9-19.

⁵⁹²*Code*, § 75-17-101.

⁵⁹³*Code*, § 75-17-103.

revenue received from leasing the industrial facility. The term of such bonds may not exceed thirty (30) years.⁵⁹⁴

Small Issue IDRBS. In addition, state law authorizes counties to issue “small issue” industrial development revenue notes [redemption term not to exceed ten (10) years] for the purpose of financing projects where the loan to any one project does not exceed Five Hundred Thousand Dollars (\$500,000.00).⁵⁹⁵

State IDRBS with Local Involvement. Industrial Development Revenue Bonds may also be issued by the Mississippi Business Finance Corporation (MBFC) (§ 57-10-201 *et seq.*). Unlike the structure employed when the county acts as issuer, the title to the facilities so financed may remain with the corporate user (as opposed to being held by the issuer and leased to the corporate user). Before the MBFC will proceed to issue the bonds, it will require a resolution from the county approving the granting of the ad valorem tax benefits made available under the MBFC statute. In addition, bonds issued by MBFC may provide corporate users of certain types of facilities, including, but not limited to manufacturing facilities, large distribution facilities and telecommunications or data processing facilities, a credit against corporate income tax under the so-called RED Act (§ 57-10-401 *et seq.*).

4. Industrial Development General Obligation Bonds⁵⁹⁶

The governing authority of a county, after receiving a Certificate of Public Convenience and Necessity from the Mississippi Development Authority and approval by the voters in a called election, may issue “full faith and credit” bonds to acquire land and erect structures for leasing to an industrial prospect. The maximum maturity for such bonds is twenty (20) years and the maximum interest rate which the bonds can carry is eleven percent (11%).⁵⁹⁷

5. Economic Development Bonds with State Involvement

The State of Mississippi has a number of programs to assist or encourage economic development. Those programs included financial assistance and somewhat detailed and complex programs concerning tax incentives. For current details on those programs, and advice as to economic development resources, the Mississippi Development Authority and/or bond counsel should be consulted.

⁵⁹⁴IDRBS are authorized in § 57-3-1 through § 57-3-33 of the *Code*.

⁵⁹⁵Financing smaller industrial enterprise projects is provided for in §§ 57-41-1 through 57-41-17 of the *Code*.

⁵⁹⁶See §§ 57-1-19 through 57-1-51 of the *Code*.

⁵⁹⁷*Code*, § 75-17-101.

6. Regional Economic Development Act Bonds

Bond authority for economic development bonds was authorized through the enactment of the Regional Economic Development Act (§ 57-64-1 through § 57-64-27). This act enables local government units (counties and municipalities) of the state to cooperate and contract with other local government units, and even with political subdivisions from another state, to form regional economic development alliances to share the costs of and revenues derived from a project, and to pledge revenue from a project to secure the payment of bonds. The types of projects for which development alliances may be formed include any of the following which promote economic development or which assist in the creation of jobs:

(a) Acquisition, construction, repair, renovation, demolition, or removal of buildings and site improvements (including fixtures); potable and nonpotable water supply systems; sewage and waste disposal systems; storm water drainage and other drainage systems; airport facilities; rail lines and rail spurs; port facilities; highways, streets, and other roadways; fire suppression and prevention systems; utility distribution systems, including, but not limited to, water, electricity, natural gas, telephone, and other information and telecommunications facilities, whether by wire, fiber or wireless means (provided that electrical, natural gas, telephone, and telecommunications systems shall be constructed, repaired or renovated only for the purpose of completing the project and connecting to existing utility systems); business, industrial, and technology parks; and the acquisition of land and acquisition or construction of improvements to land connected with any of the proceeding purposes;

(b) County purposes authorized by or defined in § 17-5-3 (waterworks and sewage systems for military camps) and § 19-9-1 (uniform system for issuance of bonds except for construction of school buildings);

(c) Municipal purposes authorized by or defined in § 17-5-3, § 17-17-301 *et seq.* (regional solid waste authority), § 21-27-23 (municipal utility borrowing powers), and 21-33-301 (uniform system for issuance of bonds);

(d) Refunding of bonds as authorized in § 21-27-1 *et seq.*; and

7. A project as defined in Section 57-75-5(f)(i) or a facility related to the project as defined in Section 57-75-5(d), or both.

To form an alliance the local government unit must apply to the Mississippi Development Authority for a certificate of public convenience and necessity. Certain details must be authorized by the Mississippi Development Authority and set out in such certificate.

The local government units in the alliance may issue general obligation bonds (§ 19-9-1 through § 19-9-31 and § 21-33-301 through § 21-33-329), tax increment finance bonds (§ 21-45-3 through § 21-45-21), revenue bonds (as authorized by any statute authorizing the issuance of revenue bonds), and special assessment bonds (§ 21-41-1 through § 21-41-47) for the project as authorized in the certificate of public convenience and necessity without regard to whether the activities and improvements are within or without the boundaries of the local government unit.

Every agreement made under this act must be submitted to and approved by the Attorney General in order to be effective. In practice, this is done at the same time as the application to the Mississippi Development Authority.

Certain special powers and tax benefits have been granted with respect to projects qualifying under § 57-75-5(f)(i).

One important aspect of this act should be particularly noted: If any party to the regional economic development alliance shall have authority to undertake a particular project or pursue a particular action with respect to such project, then the alliance shall have identical authority so to do.

8. Mississippi Development Bank Bonds

The Mississippi Development Bank is authorized to issue its bonds and to loan the proceeds thereof to a county in exchange for a note of such county. Under the right set of circumstances, this borrowing method can achieve lower interest rates. Also, the issuance of such note by the county to the Mississippi Development Bank can offer certain other advantages such as treatment of such obligation under debt limit restrictions and more flexible sale provisions. The advantages and disadvantages of this approach should be discussed with the municipality's financial advisor and bond counsel.

9. Pollution Control Industrial Development Revenue Bonds⁵⁹⁸

A board of supervisors of a county, subject to the concurrence of the Mississippi Air and Water Pollution Control Commission, may issue bonds to acquire, purchase, construct, enlarge, expand, improve, operate, maintain, and replace pollution control facilities. These bonds may have a maximum maturity of forty (40) years and carry a maximum interest rate of thirteen percent (13%).⁵⁹⁹ Repayment of such bonds must be made from revenue resulting from agreements with an industry to construct, operate, maintain, repair, and replace the pollution control facilities or lease/sale to an industry of the pollution control facilities.

10. Urban Renewal Bonds⁶⁰⁰

A county has the authority to issue bonds to finance the undertaking of urban renewal projects. Such bonds have a maximum maturity of thirty (30) years and can carry a maximum interest rate of thirteen percent (13%).⁶⁰¹ Urban renewal bonds are repayable solely from the income, revenues, and funds of the local government derived from the carrying out of the urban renewal project, including any contributions from the federal government to the urban renewal project or a mortgage on the urban renewal project.

⁵⁹⁸County bonds for pollution control are covered by §§ 49-17-101 through 49-17-123 of the *Code*.

⁵⁹⁹*Code*, § 75-17-103.

⁶⁰⁰The Urban Renewal Law is found in §§ 43-35-1 through 43-35-37 of the *Code*.

⁶⁰¹*Code*, § 75-17-103.

11. Solid/Hazardous Waste Disposal Bonds⁶⁰²

A county, after obtaining a Certificate of Public Convenience and Necessity from the Mississippi Development Authority, may issue bonds to acquire, own, and lease a project for the purpose of promoting the construction and installation of projects for the collection, treatment, processing, reprocessing, generation, distribution, recycling, elimination, or disposal of solid and hazardous waste products by inducing manufacturing and industrial enterprises, qualified persons, firms, or corporations to locate and construct said projects. The issuing of such revenue bonds is subject to ratification of the voters if a written protest requires the calling of an election on the question of the issuance of such bonds. This type of bond has a maximum maturity of thirty (30) years and can carry a maximum interest rate of thirteen percent (13%).⁶⁰³ Such bonds are payable solely out of the moneys to be derived by the county from agreements with an industry located in the county to construct, operate, maintain, repair, or replace a solid/hazardous waste project or a lease/sale of such a project to an industry.

12. Harbor and Port Improvement Bonds⁶⁰⁴

Certain counties are authorized to issue bonds for a number of projects related to construction and improvement of ports and harbors.

13. Refunding Bonds⁶⁰⁵

Tax Increment Finance Bonds

Tax Increment Financing Bonds, also referred to as “TIF Bonds,” may be used for a wide variety of undertakings, including but not limited to land acquisition, infrastructure and site improvements, street construction and improvements, and building construction and/or renovation. To initiate this type of financing, the municipality goes through a prescribed procedure for creating a tax increment development plan and a tax increment financing plan that defines a financing district or area. The base level of assessed value within that area is then established and a sufficient portion of the specified ad valorem taxes on any subsequent increase in assessed value over that base on property included in the tax increment financing plan is diverted to satisfy the principal of and interest on the TIF Bonds. Through agreement with a county, both eligible municipal and county ad valorem taxes may be so diverted. As to municipalities, any portion of an increase from an established base of sales taxes within that area may also be diverted to pay such bond. No election or protest petition procedure for an election is required, and public or private sale is authorized. Due to the nature of the Bonds, negotiated sales are most common [§ 21-45-1 through § 21-45-21].

⁶⁰²Projects for treatment of solid and hazardous waste are covered in §§ 17-17-101 through 17-17-135 of the *Code*.

⁶⁰³*Code*, § 75-17-103.

⁶⁰⁴See §§ 59-7-1 through 59-7-519, 59-9-1 through 59-9-85, 59-11-1 through 59-11-7, 59-13-1 through 59-13-15, and 59-15-1 through 59-15-19 of the *Code*.

⁶⁰⁵The Mississippi Bond Refinancing Act is found in §§ 31-27-1 through 31-27-25 of the *Code*. See also §§ 31-15-1 through 31-15-27 of the *Code*.

USDA Community Facilities Loans

The United States Department of Agriculture provides a substantial amount of community facilities loans for buildings, hospitals and other public facilities important to rural areas.

Procedures and Details of Bond Issues

Depending upon the administrative structure of government in a county, the type of bond issue contemplated, and the nature and complexity of the project for which bonds will be issued, a number of individuals or entities will be involved in the process of issuing bonds. These participants may include the board of supervisors, the county administrator, the chancery clerk, the attorney for the board of supervisors, private bond counsel, state agencies, the State Bond Attorney, the chancery court, the county accountant or comptroller, the county engineer or a consulting engineer, the county economic development organization, a financial advisor or fiscal consultant, a bond rating firm, financial institutions or a bond underwriter, a paying agent, and the bondholders or investors. The bulk of the work in preparing and processing the official documents connected with the bond offering usually falls to the bond counsel, the attorney for the board of supervisors, the county administrator, the chancery clerk, and patient, good-humored secretaries.

Although not to be considered an exhaustive listing, the following steps are the major steps or procedures involved in the process of issuing bonds (a particular type of bond issue may involve only some of these steps):

1. Generally, a board of supervisors must adopt a resolution declaring the intention of the county to issue bonds, stating the amount of bonds proposed to be issued and the purpose for which the bonds are to be issued, and specifying the date upon which the board of supervisors proposes to direct the issuance of the bonds. This resolution of intent must be published in a newspaper at certain times and “posted” under certain conditions.⁶⁰⁶

Special Note for industrial development bonds:

If the bond issue is a type of industrial development bond, the following actions are necessary:

- a. The county adopts a resolution approving a Memorandum of Agreement between the county and the industry in which the county preliminarily agrees to issue bonds for a project which the industry agrees to develop.
- b. The county adopts a resolution requesting the Mississippi Development Authority to issue a Certificate of Public Convenience and Necessity authorizing the county to participate in the proposed project.⁶⁰⁷
- c. The county adopts a resolution placing the Certificate of Public Convenience and Necessity, if issued, upon the minutes of the county.

⁶⁰⁶Code, § 19-9-11.

⁶⁰⁷Code, §§ 57-1-19 and 57-1-21.

- d. If the bonds are to be tax-exempt under federal law requirements, then a notice and a hearing are required to satisfy federal law requirements.
2. While the required newspaper notice is being published, officials of the county, in coordination with its bond counsel, financial advisor, and county board attorney, will begin preparation of the Official Statement and the capital improvements plan or engineering study and will initiate the bond rating process, if such actions and/or documents are required for the bond issue:
- a. The Official Statement describes in detail the county, its financial resources relevant to the proposed bonds, and the proposed bond issue. Investors and underwriters base their decision to commit funds to the issue, in large part, upon the information found in the Official Statement. The Official Statement is also used by the bond rating agency in assigning a rating to the issue. The Official Statement may be initially issued as a Preliminary Official Statement which becomes the final Official Statement when the issue is sold and the sale information is added to complete the preliminary version.
- b. The capital improvements plan and/or the engineering study describes the county's future plans so that investors, underwriters, and the bond rating agency can assess the risk associated with any particular bond issue.
- c. The bond rating (usually done by Moody's Investors Services, Inc. or Standard and Poor's Ratings Services) is in effect a credit evaluation of the bond issue – a shorthand description of the county's creditworthiness with regard to the proposed bonds. In general, the higher the bond rating, the lower the interest rate for sale of the bonds by the county.

CREDIT RATING FOR BONDS		
<i>Rating</i>		<i>Description</i>
<i>Moody's</i>	<i>Standard and Poor's</i>	
Aaa	AAA	Moody's: Exceptional quality. S&P's: Extremely strong capacity to pay principal and interest.
Aa	AA	Moody's: Excellent quality. S&P's: Very strong capacity to pay principal and interest.
A	A	Moody's: Good quality. S&P's: Strong capacity to pay principal and interest.
Baa	BBB	Moody's: Adequate quality. S&P's: Adequate capacity to pay principal and interest.
Ba & Lower	BB & Lower	Moody's: Questionable quality. S&P's: Low capacity to pay principal and interest.

Note: Moody's applies numerical modifiers 1, 2 and 3 in each generic rating category from "Aa" to "Caa." The modifier 1 indicates that the issue is in the higher end of its letter rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue is in the lower end of the letter ranking category.

Standard & Poor's may modify ratings from "AA" to "CCC" by the addition of plus or minus sign to show relative standing within the major rating categories.

4. A board of supervisors should adopt a resolution placing the proof of publication for the declaration of intent resolution upon the minutes of the board of supervisors on the date set for receipt of any protests to the issuance of the proposed bonds.
5. If, on or before the date of issuance of the bonds, a proper written protest is filed against the issuance of the bonds, an election on the question of the issuance of the bonds must be called. It should be noted that a board of supervisors, in its discretion, may call an election on the question of the issuance of the bonds. If the board of supervisors calls such an election, it will not be necessary to publish the resolution of intent as described above.⁶⁰⁸ The question of pre-clearance of the bond issue election under the terms of the Voting Rights Act of 1965, as amended, should be carefully investigated by the county. It is the position of the United States Department of Justice that all special elections require preclearance.
 - a. General Obligation Bonds for General County Purposes – If twenty percent (20%), or fifteen hundred (1,500), *whichever is less*, of the qualified electors of the county, supervisors district or road district, as the case may be, file a written protest against the issuance of the bonds, an election on the question of the issuance of the bonds must be called.⁶⁰⁹ Notice of the election must be signed by the clerk of the board of supervisors (chancery clerk) and published once a week for at least three (3) consecutive weeks in at least one (1) newspaper published in the county. The first publication of the election notice must occur not less than twenty-one (21) days prior to the date fixed for the election, and the last publication must occur not more than seven (7) days prior to the date fixed for the election. If no newspaper is published in the county, then the notice of the election must be published according to the same time schedule in some newspaper having a general circulation in the county *and* posted at three (3) public places in the county for at least twenty-one (21) days preceding the date fixed for the election.⁶¹⁰ Three-fifths (3/5) of the qualified electors who vote in the election must vote in favor of the issuance of the bonds for the bonds to be issued. If the vote is favorable, the board of supervisors may issue the bonds, in whole or in part, within two (2) years from the date of the election or within two (2) years after the final favorable termination of any litigation affecting the issuance of the bonds.⁶¹¹

⁶⁰⁸Code, § 19-9-11.

⁶⁰⁹Code, § 19-9-11.

⁶¹⁰Code, § 19-9-13.

⁶¹¹Code, § 19-9-17.

- b. Industrial Development Revenue Bonds – An election is required if twenty percent (20%) of the qualified electors of the county file a written protest upon published notice of intent to issue such bonds. A majority of the electors who vote in the election (simple majority) must approve the bond issue for the bonds to be issued.⁶¹²
 - c. Industrial Development General Obligation Bonds – An election is required by law and sixty percent (60%) of the electors who vote in the election [a sixty percent (60%) simple majority] must approve the bond issue for the bonds to be issued. [At least thirty percent (30%) of the qualified electors of the county must vote in the election.]⁶¹³
 - d. Hospital Bonds - An election is required if twenty percent (20%) or 1,500 of the qualified electors (whichever is less) file a written protest upon published notice of intent to issue such bonds⁶¹⁴. Note that only a majority of the electors who vote in the election are required for approval under one statute⁶¹⁵, while sixty percent (60%) is required under another⁶¹⁶.
7. If no such protest is filed or if a required election is successful, the board of supervisors will adopt a resolution authorizing the issuance of the bonds.
 8. The board of supervisors will adopt and publish a notice of bond sale for receipt of bids on the bonds.
 9. The notice of bond sale, a copy of the Preliminary Official Statement, including a designation of the bond rating, if applicable, and bid forms will be mailed by the county to prospective investors (financial institutions, underwriters, etc.).
 10. At the specified time, the county will receive bids for the sale of the bonds; and, if a bid is accepted, the board of supervisors will adopt a resolution awarding the sale of the bonds.
 11. The county’s bond counsel will arrange for the printing of the bonds and will review the bond proofs and the specimen bonds.
 12. The attorney for the board of supervisors and the chancery clerk and/or the county administrator will prepare the bond transcript – all legal documents, including appropriate minutes of the governing authority, associated with the bond issue. This may be done just prior to or subsequent to the bond sale. In the former case, a supplemental transcript will be prepared to include the sale.

⁶¹²The details of the election process are found in §§ 57-3-11 through 57-3-17 of the *Code*.

⁶¹³*Code*, § 57-1-25.

⁶¹⁴*Code*, §§ 19-9-17 and 41-13-19.

⁶¹⁵*Code*, § 41-13-19.

⁶¹⁶*Code*, § 19-9-17.

13. The county's bond counsel will issue its legal opinion as to the validity of the bonds and the county's bond counsel or the attorney for the board of supervisors will secure approval of the issue by the State Bond Attorney.
14. The attorney for the board of supervisors will proceed with the process of validation of the bond issue in the chancery court.
15. The paying agent or trustee will register the holders of the bonds and prepare the authenticated bonds for delivery upon completion of the printing thereof.
16. The bonds will be delivered to the purchaser along with the approving opinion of bond counsel and appropriate closing papers, and the proceeds from the sale of the bonds will be received by the county.
17. The chancery clerk will establish the various bond funds required under the terms of the bond issue and will register the bonds in the county's bond register.

Federal Tax Exemption for Interest on Municipal Obligations

The federal tax exemption of interest on county obligations should not be assumed to be automatic. For example, unless a proper filing is made with the Internal Revenue Service, such interest will not be tax-exempt under the Internal Revenue Code. Also, private use of a type or to an extent not allowed by the Internal Revenue Code can cause such interest to be taxable. Further, failure to comply with lengthy and complex arbitrage rules can cause such interest to be taxable under federal law (if no exemption can be satisfied). One of the responsibilities of bond counsel is to ensure that such interest will be tax-exempt when that is appropriate and to render an opinion to that effect, and to provide guidance to the issuer on these points. If an exemption from arbitrage rebate payments can be established, then that should be done in a federal tax certificate - otherwise, plans should be made to ensure payment of any arbitrage rebates that may be due.

Bank Eligible Bonds

Even if interest on bonds is generally exempt from federal income taxes, banks do not really benefit from such exemption unless the bonds are found to be eligible to be "qualified tax-exempt obligations," and a designation of such bonds to be such is made by the county.

Bank Loans

Warning: Some issuers continue to think that more informal bank loans are somehow not subject to state law requirements for bonds. However, state statutes provide that no interest-bearing indebtedness may be incurred by any county unless the authority for incurring the debt is specifically provided for by statute.⁶¹⁷ Bank loans, like any other municipal debt, must be authorized, and must follow the requirements of such authority.

Local and Private Legislation

A substantial number of bond issues are authorized by local and private legislation, which is legislation that applies only to a particular locality. This may be appropriate where the

⁶¹⁷Code, § 19-9-31.

circumstances are somewhat unique, or where there is a good idea that has not yet been enacted into law.

Disclosure Requirements

Bonds are "securities" and are subject to regulation by the Securities and Exchange Commission, and, of course, to enforcement actions. Municipal bonds (bonds of local governmental entities) generally are not subject to the registration requirement, but are subject to anti-fraud provisions.

Rule 10(b)-5 prohibits the use of any instrumentality of interstate commerce, mails, or national securities in connection with the purchase or sale of any security to:

- a. employ any device, scheme or artifice to defraud;
- b. make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. engage in an act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

Rule 15c2-12 is a requirement that actually applies to participating underwriters, but indirectly impacts counties. Such participating underwriters involved in a primary offering of municipal securities in a principal amount greater than \$1,000,000 must comply with the requirements of Rule 15c2-12 or must be exempt therefrom before acting as an underwriter with respect to such offering. Unless fitting under an exemption, a "deemed final" official statement must be obtained and reviewed by the underwriter prior to bidding, purchasing, offering or selling such municipal securities. The underwriter must also have reasonably determined that the issuer has undertaken in writing for the benefit of bondholders to provide the annual continuing disclosure and prompt "event" disclosure required by Rule 15c2-12.

Public Sale Requirements

Section 31-19-25 requires (among other things) that all bonds sold by any county shall be advertised for sale on sealed bids or at public auction, and requires that publication be made at least two times in a newspaper published in the county. The first such publication shall be made at least ten days preceding the date set for receipt of bids. A two percent good faith check or exchange is also required. This section states a general rule that will apply in the event there is no applicable statutory provision that gets the county out of the general rule.

Miscellaneous Statutory Provisions Related to the Issuance of Bonds or Other Debt

1. §§ 17-3-9 through 17-3-19 of the *Code* provide that certain counties may issue bonds for convention centers.
2. §§ 17-5-1 through 17-5-11 of the *Code* authorize municipalities and counties to jointly issue bonds for the construction, expansion, remodeling and/or maintenance, and equipping of a jail, and authorize counties with military camps to issue bonds for certain public works systems or activities.
3. § 19-3-47 of the *Code* specifies in general the maximum compensation which may be paid to the attorney for a board of supervisors for bond work.

4. § 19-9-7 of the *Code* specifies the details of the engraving, printing, appearance, denomination, registration, numbering, evidencing of interest, etc. of bonds issued by a county.
5. § 19-9-9 of the *Code* requires that a board of supervisors must annually levy a special tax upon all of the taxable property within the county sufficient to provide for the payment of the principal of and interest on its bonds.
6. § 19-9-19 of the *Code* specifies the details of maturity of bonds, interest on the bonds, signatures required on the bonds, etc.
7. § 19-9-21 of the *Code* requires that the proceeds of a bond issue be placed as a special fund in the county depository or treasury and prohibits the diversion of bond proceeds for a use other than that for which the bonds were issued. Severe penalties (prison, personal liability) may result from a violation of this provision.
8. § 19-9-23 of the *Code* specifies that, after completion of the purpose for which the bonds were issued, the balance (residue) of bond proceeds must be transferred to the bond and interest fund applicable to the bond issue.
9. § 19-9-25 of the *Code* establishes the conditions under which any excess in any bond and interest fund may be used to purchase and retire outstanding bonds.
10. § 27-105-367 of the *Code* provides for the handling of surplus moneys in a bond and interest fund and the disposition of same when the bond issue has been retired.
11. §§ 31-13-1 through 31-13-11 of the *Code* discuss appointment of the State Bond Attorney and the validation of public bonds – the role of the State Bond Attorney; the actions taken by the chancery court; the “stamping” of validated bonds; and the payment of court costs, the State Bond Attorney’s fees and expenses.
12. §§ 31-15-1 through 31-15-27 of the *Code* discuss details of refunding bonds.
13. §§ 31-17-45 through 31-17-59 of the *Code* discuss repurchase, retirement, and cancellation of bonds, and repayment of unused funds by the bond paying agent.
14. § 31-19-1 of the *Code* specifies that bonds must be issued on the serial payment plan.
15. § 31-19-5 of the *Code* specifies the conditions under which the proceeds received from the sale of bonds, notes, and certificates of indebtedness may be invested.
16. § 31-19-7 of the *Code* confirms the validity of the execution of bonds signed by officials no longer in office at the time of the sale or delivery of bonds.
17. §§ 31-19-9 and 31-19-11 of the *Code* discuss payment of county bonds and coupons at maturity.
18. § 31-19-15 of the *Code* provides remedies for bondholders when a public official fails or refuses to comply with state law regarding bond issues.
19. § 31-19-25 of the *Code* establishes the procedures for advertisement and sale of bonds. This provision requires public sale of bonds unless private sale is otherwise authorized.

20. § 31-19-33 of the *Code* specifies that legal actions related to payment of bonds and coupons must commence within twenty (20) years after the maturity date of the bonds.
21. §§ 31-21-1 through 31-21-7 of the *Code*, the Registered Bond Act, provide for the registration of bonds in order to bring Mississippi bond laws into conformance with federal legislation, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).
22. §§ 31-23-51 through 31-23-69 of the *Code*, the Mississippi Private Activity Bonds Allocation Act, establish regulations relative to the issuance of private activity bonds in order to bring Mississippi's bond laws into conformance with federal legislation, Public Law 99-514.
23. §§ 31-25-1 through 31-25-107 of the *Code*, the Mississippi Development Bank Act, authorize counties to issue certain securities and to sell them to the Mississippi Development Bank to raise money for most of the purposes for which counties are authorized to issue bonds.
24. §§ 31-27-1 through 31-27-25 of the *Code*, the Mississippi Bond Refinancing Act, specify the authority and process under which counties may issue refunding bonds. §§ 31-15-1 through 31-15-27 of the *Code* also provide refunding authority.

Glossary of Selected Terms Related to Bond Issues

Accrued Interest	Interest earned on a bond or security from its last interest date. The purchaser buys this interest at the time the bond is purchased and receives the entire interest on the next coupon date.
Ad Valorem Tax	A tax on the value (or assessed value or taxable value) of property.
Amortization	The systematic reduction of debt through use of serial bonds or term bonds with sinking fund payments on an actuarial basis. Also, the gradual and periodic reduction of premiums and discounts on bonds purchased and sold, so as to show the true amount of assets or liabilities represented by the premiums or discounts.
Arbitrage Bond	A bond issued at a low (tax-exempt) interest rate, the proceeds of which are invested at a higher (taxable) interest rate. Interest earned on arbitrage bonds is fully taxed. Arbitrage profits must be rebated to the Internal Revenue Service to the extent an exemption is not established.
Average Maturity	The number of years from issue which marks the point at which half the principal remains unpaid. It is equal to the total bond years divided by the total number of bonds. The average maturity is important because it demonstrates how rapidly the issue is being paid off.
Balloon Payment	Final principal payment that is much larger than the other principal payments.

Basis Point	Hundredths of one percent of interest. If an interest rate is 5.25%, the .25% is referred to as 25 basis points. 100 basis points is the same as 1%.
Bearer Bond	A bond without an identified owner. The presumed owner is the person who holds it.
Bid	A proposition to purchase an issue offered for sale either in a competitive offering or on a negotiated basis.
Bidding Syndicate	Two or more firms of underwriters that act together to underwrite a bond issue.
Bond Counsel	An attorney retained by the county with recognized expertise in municipal finance who assures the purchaser that the bond issue was legally issued and usually covers tax aspects of such issue. The bond counsel's approving opinion is printed on each bond and states that in his opinion the county has complied with all legal requirements in the issuance of the bonds and that interest paid on the bonds is exempt from income tax (unless issued as taxable bonds). Without such opinion the bonds are not usually marketable.
Bond Register	The permanent and complete record maintained by a government issuer for each bond issue. It shows the amount of interest or principal and interest coming due each date, the bond numbers, and all other pertinent information concerning the bond issue.
Bond Transcript	All legal documents, including appropriate minutes of meetings of the board of supervisors, associated with issuing a bond.
Call Price	The price at which callable bonds may be redeemed if called.
Callable Bond	A type of bond which permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in the manner specified in the bond contract.
Capital Improvement Plan	A plan for capital expenditures over a fixed period of years to meet anticipated needs. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance expected expenditures.
Coupon	The part of a bond which serves as proof of interest due (unless the bonds are fully registered). Bondholders detach coupons, usually at semiannual intervals, and present them for payment to the issuer's paying agent. For tax reasons, almost all bonds currently issued are fully registered. The term is still in use in such expressions as "coupon rate" even though no coupon is actually involved.

Current Yield	Annual interest payable on a bond divided by its current price, expressed as a percent.
Debt Limit	The maximum amount of debt that a governmental unit may incur under constitutional, statutory, or charter requirements. The limitation is usually some percentage of taxable valuation and may be fixed upon either gross or net debt. The legal provision in the latter case usually specifies what deductions from gross funded debt are allowed to calculate net debt.
Delivery Date	Date on which the bonds are exchanged for the principal; usually thirty (30) to sixty (60) days after the bonds are underwritten.
Discount	The difference between the par value (face value) of a bond, or other security, and the price for which it is acquired or sold. See Premium. An underwriter's discount is the difference between the sale price and the purchase price. An original issue discount is the difference between the par value of the bonds and the price at which the underwriter sold the bonds.
Financial Advisor	Person who offers a broad range of services to counties seeking debt financing, including preparation of capital improvement plan, official statement, and other documents; procurement of bond rating; and marketing evaluation. Also referred to as a Financial Agent or Financial Advisor, or simply as FA.
General Obligation Bond	A bond for which the full faith and credit of the issuer has been pledged for payment.
Interest	Compensation paid or to be paid for use of money, including interest payable at periodic intervals or as a discount at the time a loan is made.
Investment Grade	A bond rated at least "BBB" by Standard and Poor's Ratings Services or at least "Baa" by Moody's Investor's Service, Inc.
Maturity	The date on which the principal of a bond becomes due and payable.
Negotiated Underwriting	Contractual arrangements between an underwriter and an issuer of debt in which the underwriter is given the exclusive right to underwrite the issue.
Net Interest Cost	Total interest cost plus discount or minus premium divided by total bond years [net interest cost per One Thousand Dollar (\$1,000.00) bond], divided by ten (10) (to turn result into a percentage).
Official Statement	Document that gives information on the bond issue, such as the financial, economic, and social characteristics of the issuing entity, specifies the security for repayment, and specifies how the funds raised by the issue will be used. Potential bidders and investors use the information included in the statement to evaluate the credit

quality of the bonds and to determine the interest rates at which they would be willing to purchase the bonds. The official statement reduces the cost to both bidders and investors of acquiring credit information.

Par Value	The face value of a security. In the case of bonds, it is the amount that must be paid at maturity. Although bonds are usually issued in denominations that are a multiple of Five Thousand Dollars (\$5,000.00), a quotation of one hundred (100) means at par. A Five Thousand Dollar (\$5,000.00) bond quoted at ninety-eight (98) costs Four Thousand Nine Hundred Dollars (\$4,900.00) and is selling at a discount. A Five Thousand Dollar (\$5,000.00) bond quoted at one hundred and two (102) costs Five Thousand One Hundred Dollars (\$5,100.00) and is selling at a premium.
Paying Agent	A bank or other institution which acts as the agent for the county in making bond interest and principal payments.
Point	One full percent of interest. For example, five percent (5%) is expressed as five (5) points.
Premium	The excess of the price at which a bond, or other security, is acquired over its par value. See Par Value.
Principal	The face amount of a bond, exclusive of accrued interest.
Rating	A designation used by analysts or by investors' services to represent the relative quality of a bond.
Refunding Bond	Bond used to retire another bond already outstanding. A refunding bond may be sold for cash and an outstanding bond redeemed in cash, or the refunding bond may be exchanged with holders of outstanding bonds.
Registered Bond	A bond listed in the name of the holder. When sold, it must be transferred on the books of the issuer and its agent. When fully registered, there are no coupons attached to the bond and the interest is paid to the owner by the paying agent's check. Sometimes bonds are registered as to principal only.
Settlement	Exchange of bonds for purchase price. Settlement usually occurs thirty (30) to sixty (60) days after the underwriting. The delay allows details of the legal record to be completed and the bonds to be printed and registered.
Underwriter	The investment house (or houses) that purchases a bond offering from the issuing government.
Underwriting Syndicate	Two or more underwriters who collectively underwrite a single issue.

Yield	The net annual percentage of income from an investment. See Current Yield and Yield to Maturity.
Yield to Maturity	Percentage return from a bond that takes into account current yield and amortization of any premium or discount.